ANNUAL REPORT 2018

Bank & Insurance

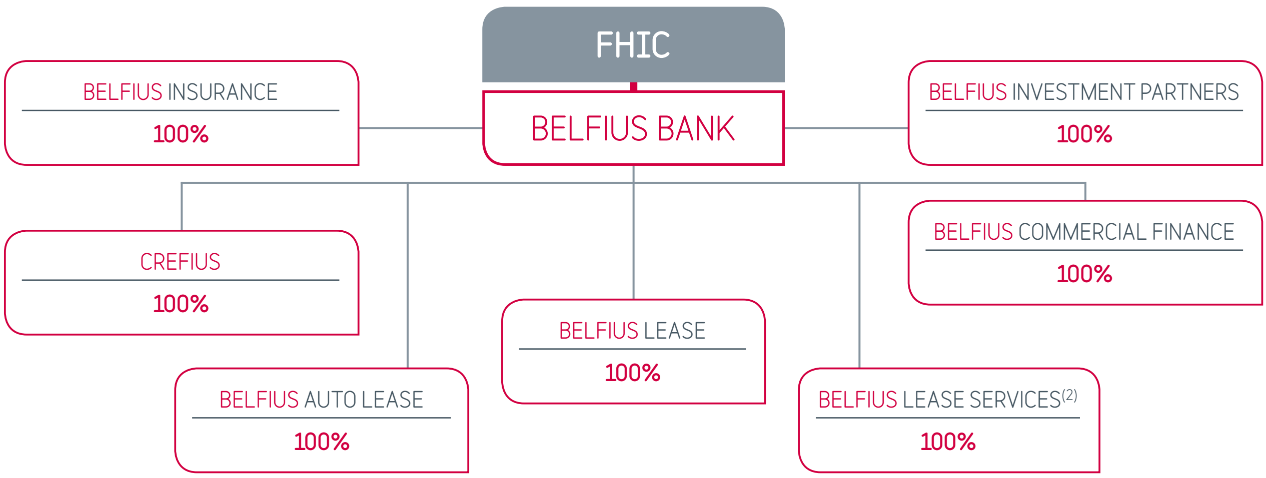
Cover visual : own Belfius photo composition.
Many thanks to Belfius Bank staff members (from left to right): Aurélie Thiran, Joris De Kelver, Delphine Belle, Nawfal-Morad Mouhal, Miek Bellings, Nicolas Fruy and Matthias Baillieul.

CONTENTS

PROFILE OF BELFIUS

Belfius is a Belgian banking and insurance group wholly owned by the Belgian federal state through the Federal Holding and Investment Company (FHIC). At the end of 2018, total consolidated balance sheet amounted to EUR 164 billion.

Simplified group structure[1]



OUR MAIN COMMERCIAL SUBSIDIARIES

1. Belfius Insurance

Insurance company marketing life and non-life insurance products, savings products and investments for individuals, the self-employed, liberal professions, companies and the public and social sector. At the end of 2018, total consolidated balance sheet of Belfius Insurance amounted to EUR 20 billion[3].

2. Crefius

Company servicing and managing mortgage loans. At the end of 2018, total balance sheet of Crefius amounted to EUR 45 million[4].

(1) For more details, see the list of subsidiaries of the consolidated financial statements in this annual report.
(2) Belfius Lease Services operates under the same brand (logo) as Belfius Lease.
(3) For more details, see the annual report 2018 of Belfius Insurance.
(4) Total IFRS balance sheet before consolidation adjustments.

3. Belfius Auto Lease

Company for operational vehicle leasing and car fleet management, maintenance and claims management services. At the end of 2018, total balance sheet of Belfius Auto Lease amounted to EUR 329 million(1).

4. Belfius Lease

Company for financial leasing and renting of professional capital goods. At the end of 2018, total balance sheet of Belfius Lease amounted to EUR 842 million(1).

5. Belfius Lease Services

Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions. At the end of 2018, total balance sheet of Belfius Lease Services amounted to EUR 2,068 million(1).

6. Belfius Commercial Finance

Company for financing commercial loans to debtors, debtor insolvency risk cover and debt recovery from debtors (factoring). At the end of 2018, total balance sheet of Belfius Commercial Finance amounted to EUR 999 million(1).

7. Belfius Investment Partners

Company for administration and management of funds. At the end of 2018, total balance sheet of Belfius Investment Partners amounted to EUR 161 millionand assets under management amounted to EUR 17.0 billion(1).

OUR ACTIVITIES

Belfius is a Belgian bank-insurer serving all segments of the Belgian economy, including the retail, SME, public sector and corporate markets. As at 31 December 2018, it was the second largest retail bank-insurer in Belgium, with 3.6 million customers; the fourth largest bank for SMEs, with approximately 0.3 million professional customers; the largest bank in the public sector, with almost 100% penetration; and the fourth largest bank for corporates, serving approximately 50% of the Belgian market of companies with a turnover equal to or above EUR 10 million. Belfius serves approximately 30% of the Belgian population.
Belfius' integrated business model is based on creating and leveraging synergies across these client segments, as well as its products and businesses. Belfius organises its commercial activities into its Retail and Commercial segment and Public and Corporate segment:

1. Retail and Commercial

Belfius Bank offers individuals, self-employed persons, the liberal professions (i.e. doctors, lawyers, etc.) and SMEs a comprehensive range of retail, commercial, private banking, wealth management and insurance products and services. Belfius Bank serves its 3.6 million customers through its integrated omni-channel distribution network, which includes more than 650 branches, its modern interaction platform Belfius Connect, and a large number of automatic self-banking machines. Belfius has also been developing a digital strategy and is now a leader in mobile banking (*Finalta Digital and Multichannel Banking Benchmarking Study 2017*), with over 1.25 million active mobile users.

Belfius Insurance, a subsidiary of Belfius Bank, offers insurance products to its customers through the Belfius Bank branch network, as well as through the tied agent network of DVV/LAP insurance. Belfius' bank-insurance model is fully integrated, with insurance expertise offered through Belfius Bank branches and the omni-channel distribution network. It also offers insurance products through Corona Direct Insurance, which is, according to *Assuralia*, the fastest growing full direct insurer in Belgium. Corona operates exclusively via digital media and call channels, as well as via "affinity partners", which are external parties who offer Corona insurance products. Through its Elantis and DVV/LAP brands, Belfius Insurance also offers mortgage loans and consumer loans to its customers.

2. Public and Corporate

Belfius offers services to the Belgian public and social sectors (including hospitals, schools, universities and retirement homes). It provides these clients with a wide and integrated range of products and services, including credit lending, treasury management, insurance products, financial markets products and financial IT tools.

Belfius' corporate banking activities are focused on large- and medium-sized corporates which have a decision-making centre in Belgium as well as corporates offering services to the public sector. Belfius Insurance also sells insurance products to its public and social clients. Specific life insurance solutions are offered, especially pension insurance in the first and second pension pillars for civil servants and investment products in Branch 26 (life insurance with a capital guarantee and guaranteed minimum return, to which a variable profit participation feature may be added).

OUR STAFF MEMBERS

At the end of 2018, Belfius' operations gave employment to 6,494 staff members, and there were approximately 3,600 persons working in the Bank's and Insurer's independent networks.

(1) Total IFRS balance sheet before consolidation adjustments.

KEY FIGURES

Consolidated statement of income (In millions of EUR)	2014 IAS 39	2015 IAS 39	2016 IAS 39	2017 IAS 39	2018 IFRS 9
INCOME	2,071	2,184	2,259	2,355	2,361
EXPENSES	(1,448)	(1,396)	(1,366)	(1,369)	(1,426)
GROSS INCOME	623	787	893	986	935
Impairments on financial instruments and provisions for credit commitments	(59)	(93)	(116)	(33)	(66)
Impairments on tangible and intangible assets	(5)	(13)	3	9	(2)
NET INCOME BEFORE TAX	560	682	780	963	867
Tax expense (income)	(100)	(176)	(244)	(357)	(217)
NET INCOME AFTER TAX	460	506	535	606	650
Non-controlling interests	(2)	0	0	0	1
NET INCOME GROUP SHARE	462	506	535	606	649
of which					
Bank	245	290	335	435	445
Insurance(1)	217	216	201	171	205

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

Consolidated balance sheet (In millions of EUR)	31/12/14 IAS 39	31/12/15 IAS 39	31/12/16 IAS 39	31/12/17 IAS 39	01/01/18 IFRS 9(1)	31/12/18 IFRS 9
TOTAL ASSETS	194,407	176,962	176,721	167,959	167,217	164,165
TOTAL LIABILITIES	186,481	168,302	167,709	158,438	157,772	154,206
TOTAL EQUITY	7,927	8,660	9,012	9,521	9,444	9,960

(1) IFRS 9 - opening balance sheet: for more information, see the transition tables from IAS 39 to IFRS 9 in the consolidated financial statements in this report.

Consolidated balance sheet (In millions of EUR)	01/01/18 IFRS 9(1)	31/12/18 IFRS 9
TOTAL ASSETS	167,217	164,165
of which		
Cash and balances with central banks	10,237	8,314
Loans and advances due from credit institutions	13,802	13,107
Loans and advances	85,406	91,123
Debt securities & equity instruments	30,776	28,569
Unit linked products insurance activities	2,598	2,838
Derivatives	16,415	12,768
TOTAL LIABILITIES	157,772	154,206
of which		
Cash and balances from central banks	3,979	3,962
Credit institutions borrowings and deposits	7,131	5,867
Borrowings and deposits	76,328	79,661
Debt securities issued and other financial liabilities	28,269	26,687
Unit linked products insurance activities	2,598	2,838
Derivatives	21,196	17,740
TOTAL SHAREHOLDERS' EQUITY	9,444	9,446
of which		
Shareholders' core equity	8,788	9,055
Gains and losses not recognised in the statement of income	657	392
TOTAL EQUITY	9,444	9,960
of which		
Total shareholders' equity	9,444	9,446
Additional Tier-1 instruments included in equity	0	497
Non-controlling interests	0	16

(1) IFRS 9 - opening balance sheet: for more information, see the transition tables from IAS 39 to IFRS 9 in the consolidated financial statements in this report.

Ratios[1]	31/12/14 IAS 39	31/12/15 IAS 39	31/12/16 IAS 39	31/12/17 IAS 39	01/01/18 IFRS 9	31/12/18 IFRS 9
Return on equity (ROE)	6.0%	6.3%	6.4%	7.0%	7.1%	7.5%
Return on assets (ROA)	0.24%	0.27%	0.30%	0.35%	0.35%	0.39%
Cost- income ratio (C/I ratio)	69.9%	63.9%	60.5%	58.1%	n.a.	60.4%
Asset quality ratio	2.33%	2.29%	2.54%	1.99%	2.15%	2.05%
Coverage ratio	56.0%	57.1%	54.4%	63.3%	63.3%	61.6%
Liquidity Coverage Ratio (LCR)[2]	122%	132%	127%	132%	n.a.	135%
Net Stable Funding Ratio (NSFR)	100%	108%	110%	116%	n.a.	116%

(1) Unaudited.
(2) 12 month average (as from 2017 onwards).

Solvency ratios	31/12/14 IAS 39	31/12/15 IAS 39	31/12/16 IAS 39	31/12/17 IAS 39	01/01/18 IFRS 9	31/12/18 IFRS 9
CET 1- ratio Phased In[1]	14.7%	15.9%	16.6%	16.1%		no longer applicable
CET 1- ratio Fully Loaded[1]	13.2%	14.9%	16.1%	15.9%	16.2%	16.0%
Tier 1- ratio Phased In[1]	14.7%	15.9%	16.6%	16.1%		no longer applicable
Tier 1- ratio Fully Loaded[1]	13.2%	14.9%	16.1%	15.9%	16.2%	17.0%
Total capital ratio Phased In[1]	16.1%	17.7%	19.4%	18.6%		no longer applicable
Total capital ratio Fully Loaded[1]	14.3%	16.2%	18.4%	18.1%	18.3%	19.6%
Leverage ratio Phased In	n.a.	5.3%	5.4%	5.6%		no longer applicable
Leverage ratio Fully Loaded	n.a.	4.9%	5.3%	5.5%	n.a.	6.0%
Solvency II – ratio (before dividend)	n.a.	209%[2]	217%	230%	n.a.	219%
Solvency II – ratio (after dividend)	n.a.	199%[2]	207%	219%	n.a.	203%

(1) For the determination of the Capital ratios under Basel III, the regulatory authority asks Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation. This is commonly known as "Danish compromise".
(2) Pro forma.

CSR as a business driver	2016	2017	2018
Total volume of investment funds managed based on sustainable criteria (SRI) under management (in millions of EUR)[1]	1,465	2,264	2,680
Total volume of investments managed based on the Portfolio21 criteria under management (in millions of EUR)	15,489	15,094	13,468

(1) Restated figures for 2016 and 2017.

Human capital	2016			2017			2018		
Staff members	Male	Female	Total	Male	Female	Total	Male	Female	Total
TOTAL	3,294	3,135	6,429	3,307	3,125	6,432	3,350	3,144	6,494

RATINGS OF BELFIUS BANK AS AT 21 MARCH 2019

	Stand-alone rating[1]	Long-term rating	Outlook	Short-term rating
Fitch	a-	A-	Stable	F2
Moody's	baa2	A2	Positive	Prime-1
Standard & Poor's	a-	A-	Stable	A-2

(1) Intrinsic creditworthness

OUR MISSION AND AMBITION

We aspire and endeavour to make a maximum contribution to the Belgian economy, and to provide optimal service and the ultimate customer experience on the market. In addition to the solid financial and risk profile that we pursue unremittingly through income diversification, operating revenue growth and efficiency, we base our long-term strategy on a number of pillars. We are convinced that we offer the best guarantee for a future-proof business model, solid growth for our profit-earning capacity, as well as sustainable added value for all our stakeholders.

An integrated bank-insurer

Belfius believes in the added value of an integrated bank-insurance model. In this way, we offer a bespoke customer experience and a solution to the banking and insurance needs of our customers through a single point of contact. For us, an integrated model provides significant leverage for future income diversification and growth, as customer potential can be addressed through branches as well as through digital sales.

Embedded in all segments of the Belgian economy

Belfius is firmly embedded in all segments of the Belgian economy and society. Customers appreciate that we re-invest their savings in loans for the projects of local private individuals, companies and governmental authorities for the benefit of their community. We can draw on our knowledge of the varied needs of individual, private banking or wealth management customers, small or large entrepreneurs, public or social institutions, to capitalize fully on the synergy between customers segments, products and business lines to diversify our risks, increase our revenues and manage our costs.

A distinctive long-term relationship with our customers

Our strategic focus on customer satisfaction underlies our strong results, the constantly growing customer confidence and a thorough, internal change in corporate culture where costs and investments are consistently weighed on the basis of their real added value for the customer. By constantly challenging common practice, by breaking out of the Bank-insurance boundaries and – as far as customer experience is concerned – by measuring ourselves with ITC and Communication players, we strive for a distinctive and authentic long-term relationship with our customers.

Local decision-making centres close to the customer

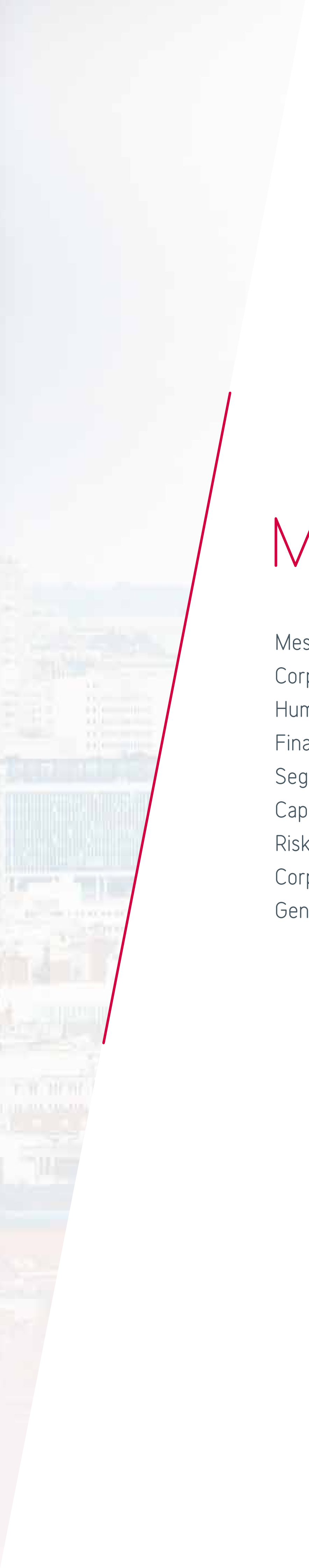
Belfius has local, easily accessible touch points and decision-making centres for an integrated omni-channel distribution strategy. Customers think it is important for decisions to be taken fast and in Belgium, with knowledge of the market in which they invest. And that is precisely why we opt for a combination of quality customer management through decentralized local commercial staff and high performance, user-friendly digital channels – an approach that addresses changing customer needs whilst offering opportunities to deepen and broaden our customer relations.

Digital leadership supported by a strong brand

We are convinced that innovation offers capital opportunities to draw even closer to our customers, their ease of use and satisfaction. Belfius is and wants to remain a pioneer in mobile and digital financial services in Belgium. E2E processes that bolster our operational efficiency even more, and a respectful data management enable us to offer our customers a distinctive human-digital experience and personal, relevant solutions. A strong and trustworthy brand such as Belfius is a guarantee label for a growing group of digital consumers, who buy and sell through various ecosystems.

Socially committed

As a forerunner of a new banking culture, we are keenly aware of the social responsibility that our unique position in the Belgian financial landscape entails. Belfius wants to assume this responsibility in an ethical and sustainable manner through a double social commitment: on the economic front, as a privileged partner of the public and social sector, as a driving force for the Belgian economy and a more sustainable and "smart" society through initiatives such as Smart Belgium; on the social front, by supporting projects with a social and cultural aim, often supported spontaneously by volunteer work on the part of all our employees.



MANAGEMENT REPORT

MESSAGE FROM THE CHAIRMEN

Once again, Belfius continued to record strong results in 2018. Despite challenging financial conditions, we succeeded in strengthening our market position in all customer segments, as well as continuing to grow as a bank-insurer, making investments for the future and combining the diversification of business streams and revenue while maintaining a solid solvency position and higher net results.

On the one hand, our results reflect the efforts that every financial institution is required to make at the present time to continue moving forward and prepare itself for the challenges of tomorrow. And on the other hand, these results demonstrate also that Belfius is being successful in its endeavours.

Strong financial results

For the 7th consecutive year, we registered an increase of our consolidated after-tax net income. In 2018 it rose by 7% to EUR 649 million. Belfius Bank contributed EUR 444.5 million to this figure and Belfius Insurance EUR 204.5 million. Total earnings were EUR 2,361 million, up slightly compared with 2017. Due to persistent low interest rates, net interest income of the Bank fell by 2%, to EUR 1,448 million. Despite customer risk aversion for investments in a very volatile market, net fee and commission income of the Bank was stable at EUR 537 million (+1%). Belfius' Life and Non-Life insurance activities contributed EUR 283 million (+6%) and EUR 199 million (-1%) respectively to earnings.

Belfius invested EUR 141 million in innovative digital solutions in 2018 in providing services that go beyond mere banking and insurance for its customers. Another area of investment was in the recruitment of over 300 new commercial and specialist talents. As a result, overheads rose to EUR 1,426 million (+4%). Combined with income that was practically stable compared with 2017, this resulted in a Cost-Income ratio up slightly, at 60.4%.

The European Banking Authority's (EBA) stress test, conducted on an EU-wide scale in November 2018, reaffirmed the solid base and strength of Belfius. At the end of 2018, the Basel III CET 1 (Fully Loaded) ratio was 16%, which is an excellent level. The Solvency II ratio for Belfius Insurance was 203%, keeping it one of the highest in Europe.

With an LCR ratio of 135%, Belfius largely met the liquidity requirements imposed by the ECB and the NBB, while the NSFR ratio was 116%. As was the case at the end of 2017, total equity for the group was EUR 9.4 billion. And the in-depth strength of Belfius left room for a dividend of EUR 363 million to be released for the 2018 financial year.

Customer satisfaction and the number of new customers continue to rise

Belfius' strategic focus on customer satisfaction provided a strong foundation for its good results, as well as the growing confidence that customers place in Belfius each year as a bank-insurer and the in-depth change of internal culture in which costs and investments are examined carefully in terms of their true added value for customers. In 2018, Belfius achieved an overall satisfaction score of 95.97%, once again exceeding its strategic target of 95% satisfied customers. This score was 94.7% among personal customers and an outstanding 98.45% among Public, Social and Corporate customers. Last year, Belfius succeeded in attracting 228,400 new customers.

Strong commercial dynamic in a challenging environment

Last year, Belfius again performed well in all key strategic areas. For example, a record EUR 17.5 billion in new long-term funding (+14%) was granted to the Belgian economy. EUR 8.8 billion (+24%) went to Business and Corporate customers, segments in which Belfius will continue to grow in the years ahead. Despite persistent weak demand from the market, EUR 1.9 billion in long-term loans was granted to the public and social sector. In the area of housing loans, Belfius applied a cautious risk policy designed to ensure that customers are comfortably able to repay their mortgages over the whole term of their loan. However, this prudent approach did not prevent EUR 6.9 billion of new long-term finance (+9%) – mainly mortgage loans – being granted to Retail customers last year.

Organic growth, i.e. growth after removing market effects, rose in 2018 by EUR 3.5 billion (+46%) for investments by Retail customers (including the Business segment), which was the highest level ever recorded and a perfect illustration of the ever-growing confidence in Belfius. As a leading Private Bank, Belfius attracted 4,000 new Private customers in 2018 and implemented, with increasing success, a specific approach for Wealth Management that combines exclusive and individual service with an integrated digital offering. The relevance of our strategic choice in opting to use a reinforced bank-insurance model as the driving force for growth and the diversification of revenue streams was again confirmed by the 5% increase in Non-Life premium receipts to EUR 704 million.

As was the case in previous years, Belfius again led the way in mobile applications in 2018. By the end of last year, our innovative apps for smartphones and tablets had 1,250,000 users (+17%), while sales via direct channels grew steadily.

Belfius and Corporate Social Responsibility (CSR)

Belfius occupies a unique position in the Belgian financial landscape: a 100% Belgian bank-insurer with activities focused exclusively on the socioeconomic fabric of private individuals, the self-employed, professionals, SMEs, large corporations, social institutions, government departments and local authorities in Belgium.

Belfius is very much aware of the corporate social responsibility associated with this position and seeks to play its role as an important social and economic player in Belgium in an ethical, responsible and sustainable manner. As explained in detail in this annual report, Belfius interprets this role through its economic and social commitment, as well as its respect for sound governance, concern for the environment and the long-term relationship it enjoys with its customers.

Partly due to the varied range of growing, legal and social challenges in areas such as the sustainability of products and services, transparency, environmental risks and diversity, Belfius will continue to fine-tune its corporate social responsibility regarding these topics in the time ahead.

Diversifying and investing in a future that we build together

Despite the ongoing interest rate and market environment, last year Belfius was able to strengthen the added value it brings the Belgian economy even further, while continuing to develop its market position as a bank and insurance company in all customer segments. Not only, as was previously the case, with personal customers and government, but also with business-owners and companies, as well as Private and Wealth customers. This diversification of its business activities and revenue streams is all part of the long-term strategy advocated by Belfius and its aim to ensure the progressive and consistent development of income, rather than just focus on generating short-term profits. This goes hand in hand with greater investment being made to consolidate the company's strength for the benefit of customers, staff and Belgian society as a whole.

Taken across all customer segments, record levels of long-term loans were granted. This underlines the success enjoyed by Belfius as a driving force behind the Belgian economy. Belfius invested more intensively in digital innovations for its customers, in line with its role as a pioneer in "mobile". Our customers appreciate it, too, with our highest score ever being achieved in terms of customer satisfaction and 228,400 new customers opting for Belfius last year – at the same time generating the highest level of organic growth in savings and investments to date.

Belfius also invests in its staff, because it is their talent that makes all the difference for customers. It does so by ensuring their ongoing development and long-term employability and by providing a stimulating work environment and a proactive policy on wellbeing. By confirming branch employees – despite the growth of "digital" – in the unique human added value they provide as local relationship managers and advisers. And by giving preference to net staff recruitment instead of redundancies via a social plan. Our people appreciate us for this approach, with commitment and satisfaction scores at 88% and 95% respectively.

In 2018, we succeeded in controlling the effect that these investments have on overheads and the impact that a challenging financial environment is having on revenue from both interest and fees. Belfius also managed to maintain its excellent strength and increase its net income, with almost 60% to be paid, like last year's dividend, to the Belgian government. This, in turn, benefits all Belgian citizens.

This success is due solely to the confidence of our shareholder and customers, as well as to the commitment of our staff, independent agents and their employees. We are sincerely grateful to them.

Brussels, 21 March 2019

Marc Raisière
Chairman of the Management Board
Belfius Bank

Jozef Clijsters
Chairman of the Board of Directors
Belfius Bank

CORPORATE SOCIAL RESPONSIBILITY (CSR)

BELFIUS AND CSR

Belfius occupies a unique position in the Belgian financial landscape. Belfius is a 100% Belgian bank-insurer that focuses exclusively on the Belgian socio-economic fabric of private individuals, the self-employed, professionals, SMEs, large corporations, social institutions, government and local authorities.

This unique position brings with it a significant level of social responsibility – a role that Belfius, as a major social and economic provider in Belgium, seeks to fulfil in an ethical, responsible and sustainable manner. There is a section providing greater detail about Belfius's specific role as a responsible employer and the company's policy on diversity elsewhere in this report.

1. Dual commitment to the community

Social commitment at Belfius covers two areas in the main:

- **Economic commitment** as a driving force of the Belgian economy: in addition to its historical role as a provider of funding to the public and social sectors, Belfius views sustainable development as an increasingly important business driver: non-financial factors are now playing an ever-greater, sometimes even central role in the approach the Belfius takes to its commercial activities and projects.
- A **social dimension:** Belfius has a strong tradition in supporting projects with a social goal, focusing on the disadvantaged. The company will continue to play this role in the future.

Belfius also translates this external commitment internally through revamped corporate values, programmes for gender equality, diversity, connecting the generations and staff members carrying out voluntary work.

2. CSR and risk management

A whole series of socially responsible aspects are monitored through the management of operating risks and reputational risk: our attitude to customers, suppliers and other stakeholders, the confidence of investors, legal, fiscal and compliance obligations, the health and safety of staff, the fight against fraud, discrimination and dealing with complaints correctly.
In its management of some products, Belfius also uses tools such as screening and exclusion to ensure that no services are provided to certain controversial companies, countries and sectors.

3. Governance

The CSR unit at Belfius comes under the direction of the CSR manager as part of the Communication department. At a Management Board level, the Chief Risk Officer deals with CSR-related topics.

The mixed Union Commission for Corporate Social Responsibility (CSR committee) is a working group that operates as part of social consultation at Belfius Bank. This working group is made up of employee representatives from the three social consultation bodies within the bank. The committee is chaired by the CSR manager and reports to the Occupational Health Committee (OHC).

The CSR committee is a permanent think-tank that looks at corporate social responsibility. Its work includes implementing practical programmes aimed at sustainably reducing Belfius's ecological footprint. For example, employees are made aware of the issues surrounding the restriction of waste, water and energy consumption, the contribution of local (organic) food providers and fairtrade products, as well as campaigns to encourage the use of bicycle for getting to and from work, collecting clothes for the poor and homeless in Brussels in conjunction with the "Solidarité Grands Froids" organisation.

4. Reporting

The detailed reporting for 2018 in relation to corporate social responsibility is covered in the sections on "Corporate Social Responsibility and "Human Resources". This report systematically examines what the direct and indirect impact is of Belfius operating its business.

As a reporting base, an internal materiality analysis was conducted in 2017, based on consultation with stakeholders and gauged against the "material" topics (i.e. the most relevant and essential ones to be dealt with) in the banking and insurance sector, according to the ratings agencies and sector organisations.

5. Compliance with reporting standards

"GRI Standards", an internationally recognised reporting standard for non-financial reporting, was used as a guide through this process. This report has been prepared in accordance with the GRI Standards: Core option.

This report also aims to comply with the requirements of the *Belgian Act on the disclosure of non-financial information and information regarding diversity* and hence also with the requirements of the similarly named *European Directive 2014/95/E*.

6. Commitments through membership and partnership

Belfius is a member of and has a representative in the highest policy-making bodies of various financial and business federations, such as Febelfin (Belgian Federation for the Financial sector), Assuralia (Belgian trade association of (re)insurance companies), BVK (Credit Trade Association), BLV (Belgian Leasing Association), BVB (Belgian Association of Banks and Stockbrokers) and B-Hive, an innovative European collaborative platform of banks, insurance companies, government departments and fintechs.

Belfius is also a member of *The Shift*, the Belgian reference network for sustainable development. The Shift brings companies, NGOs and other organisations together to encourage partnerships and hence bring about the transition to a more sustainable society and economy. Belfius has also been a part of *The Shift's change lab* on renewable energy and is a signatory to the *Belgian SDG Charter for international development*(1), a federal ministerial initiative that operates in conjunction with this network. The charter is part of the *Sustainable Development Goals of the UN*, dealing with the role of citizens and the private public sector in international development cooperation.

Belfius also underwrites the *Green Deal Purchasing Circular*(2), a Flemish ministerial initiative dealing with circular purchasing policies. Belfius is the only financial institution that plays the role of both purchaser and facilitator.

Finally, Belfius makes an active contribution to the *Task Force Circular Economy* at the level of the sector federation Febelfin. This task force was established following a ministerial appeal to the banking and insurance sector to examine its initiatives and review possible funding techniques within the circular economy.

7. Belfius won various awards in 2018

- On 10 January 2018, Belfius received the award for the best banking app, conferred on it by Bancompare, the bank comparison website.
- On 16 January 2018, and for the fifth year in a row – Belfius won the *N°1 Bond Finance House of the Year* award for its strategic role in offering alternative finance solutions on the bonds market.
- On 30 January 2018, Belfius won the "Prize for the Mobility Week 2017" for having organized the best awareness actions for alternative and sustainable mobility in the Brussels Capital Region.
- On 9 February 2018, the Belfius cyclists were awarded the Biketowork "Winter Trophy", since Belfius was Belgium's large company with the biggest share of staff going to work by bike in winter.
- On 16 May 2018, BeCommerce presented Belfius with the Omnichannel Award for its investment advice, as well as the Public Prize for its digital financial services.
- On 14 September 2018, Belfius received the Bike Brussels Award from the Brussels Region for its promotion of the use of bicycles.
- On 2 October 2018, Belfius was voted the most customer-friendly bank in Belgium by the consultancy agency goCX.
- On 15 November 2018, Belfius won the Corporate HR Award in the category for Inspiring Workplace & Future of Work.

(1) Belgian SDG Charter: *belfius.be/Belgian-SDG-Charter*
(2) Green Deal Purchasing Circular: Green Deal Circulair Aankopen: *belfius.be/Green-Deal-aankopen*

MATERIALITY ANALYSIS AND DIALOGUE WITH STAKEHOLDERS

1. Materiality analysis

Prior to the CSR report, Belfius conducted a materiality analysis in 2017 to determine which topics should be considered as "material" (i.e. most relevant for Belfius in this context) should be considered and hence definitely have to be dealt with in the report. The analysis was conducted by an external consultant.

The materiality analysis is based on a sector-specific analysis carried out by the Belgian industry federation Febelfin in 2012 ("Report about corporate social responsibility of the financial sector 2012"). This report was enhanced with topics from the standard analyses for the financial sector by Sustainalytics (European "sustainability" ratings agency) and SASB (American "sustainability" ratings agency), as well as with topics that emerged as priorities from a survey conducted among the members of the mixed Union Commission for Corporate Social Responsibility within Belfius.

The impact of the topics selected on Belfius itself were determined via internal interviews and a questionnaire completed by representatives from the following departments:

- Corporate departments: Accounting, Customer Data Analytics, Human Resources, Procurement, Risk Management, General Secretary, Tax, Compliance, Customer Care-Complaints Management, Facility Management, CSR Communications.
- Business departments: Retail & Commercial Banking, Public, Social & Corporate Banking, Insurance, Lease, Belfius Investment Partners, Wealth Management.

The results were presented in a materiality matrix to highlight the topics, in addition to those that have a strategic impact for Belfius, which need to be focused on in the reporting process. In addition, the results were also used to define opportunities for improvement and action plans for the future.

Results of the materiality analysis

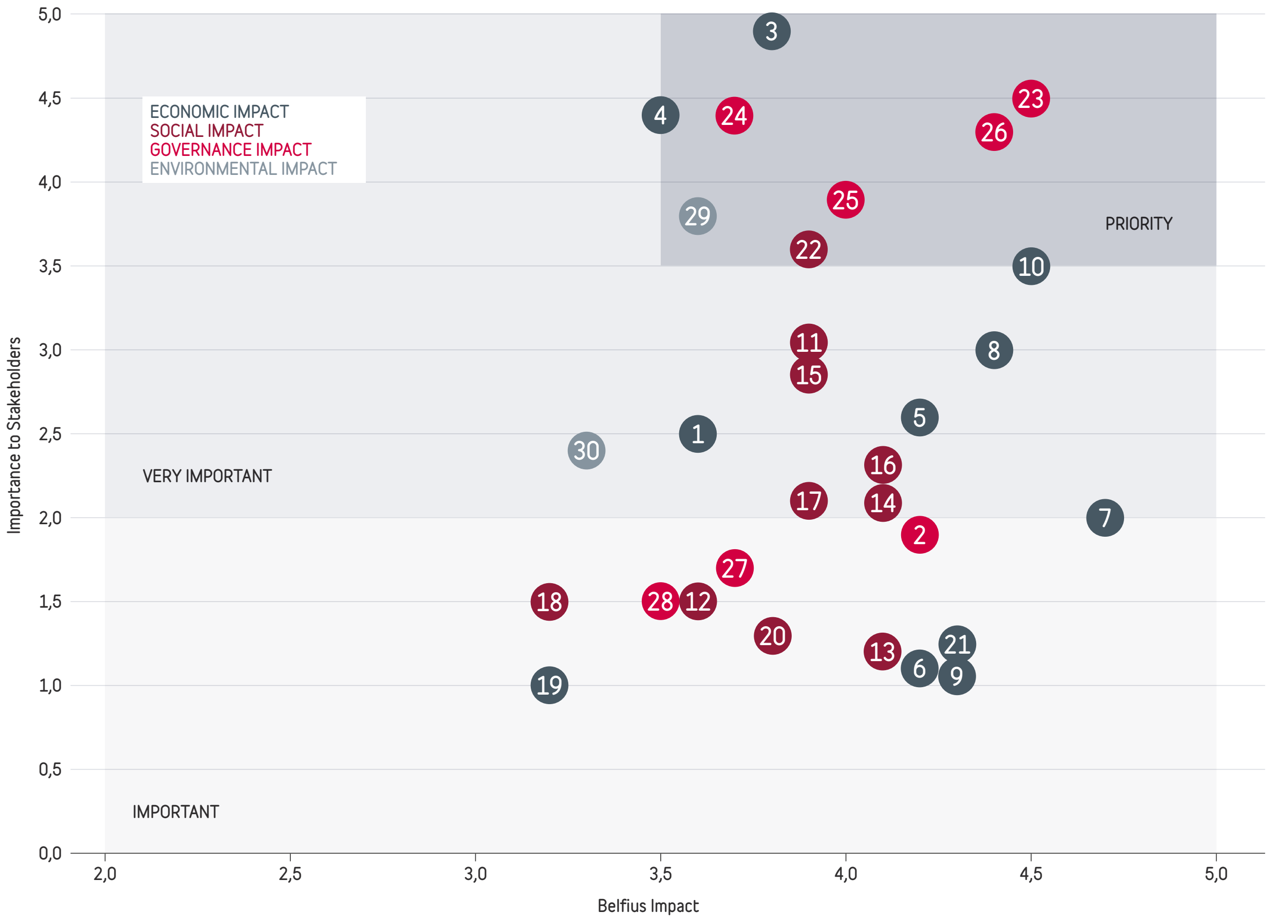
PRIORITY	
3	Products and services with environmental and social benefits
23	Ethics, compliance and honest banking
4	Sustainable and responsible investing and lending
26	Fighting corruption and fraud
29	Restricting the indirect impact on ten environment and climate (Impact on the environment and climate caused by products and services)
25	Fiscal transparency
24	Transparent remuneration and compensation policy
22	Financial inclusion, access to financial services for everyone
10	Long-term financial stability
2	Information and IT platform security[1]
6	Digitalisation and innovation of products and services[1]
7	Customer satisfaction, service quality[1]
9	Reinvesting savings in the local economy[1]
13	Employee health, safety and wellbeing at work[1]

VERY IMPORTANT	
1	Comprehensive risk management including environmental and social risks
8	Transparency to customers: clear and correct communication about products and services
5	Protecting customer privacy and data
11	Employment conditions and social protection
14	Talent development and training
15	Policy on diversity and equal opportunities
16	Attracting and retaining talent
17	Employee involvement and commitment
30	Restricting the company's direct impact on the environment

IMPORTANT	
12	**Social dialogue and stakeholder relations**
18	Financial literacy
19	Corporate philanthropy
21	Respect for human rights in the workplace and in business relations
27	Green procurement policy
28	Joining the public debate about responsible banking
20	Social commitment[1]

(1) Strategic importance for Belfius

Materiality Matrix



This materiality exercise produced a list of topics about which there is a consensus among our stakeholders and which will serve as the base for the Belfius CSR policy. This analysis will be refined further by direct consultation with external stakeholders.

The topics defined as "priority" or "very important" also contribute to the following 8 out of the total of 17 *Sustainable Development Goals (SDGs)*, which is the sustainability agenda of the United Nations until 2030.

An internal transversal thinking exercise is underway to determine the way in which the SDGs can best be incorporated into Belfius's core activities so that they become the direction taken by the sustainability strategy of the Belfius Group towards 2030.

2. Dialogue with stakeholders

To keep itself aware of the needs and expectations of all its stakeholders, Belfius enters into dialogue with them in a systematic manner. The most important topics covered during this dialogue give Belfius a good view of their concerns.

Stakeholder	How do we enter into dialogue?	Main topics of conversation with stakeholders	Link with material topic from the analysis
Customers	• Via an extensive network of 976 local bank and insurance branches, relationship managers, business bankers, public & social bankers, corporate bankers, private bankers and wealth managers, and via websites, digital channels and Belfius Connect, a direct advice channel that can be accessed both after office hours and on Saturdays by telephone, e-mail or chat) • Via an ongoing series of customer satisfaction surveys • Via an annual satisfaction report on belfius.com explaining the added value provided by Belfius for customers and the community • Through an ongoing management process of suggestions and complaints from customers integrated into branch applications and with central en analysis	• Suggestions and complaints from customers • Sustainable responsible investing • Product transparency • Access to financial services	• Financial inclusion, access to banking services for everyone • Digitalisation and innovation of products and services • Customer satisfaction, service quality • Transparency to customers: clear and correct information about products and services
Our employees	• Via an annual or interim performance appraisal interview and/or career interview and an annual questionnaire about employee satisfaction and commitment • Via live information sessions and webinars given by senior management, with Q&A • Via the intranet and organising in-house seminars • Via representation in social bodies, a network of union representatives, and via a network for psychosocial help from persons of trust and the prevention adviser	• Fair and competitive remuneration • Coaching and career guidance • Training and education • Pleasant and healthy working conditions: new way of organising work to create a more current and open corporate culture • Physical and mental health of employees • Transparency about strategy, policy and results.	• Working conditions and social protection • Talent development and training • Employee health, safety and wellbeing in the workplace • Employee involvement and commitment • Policy on diversity and equal opportunities
The community	• Via studies about the public and social sectors • Via daily contacts by the public and social bankers with public and social organisations • By creating an ecosystem of government departments, companies and social organisations about specific major social challenges • Via the annual presentation of the "Smart Awards", recognising sustainable projects by governments	• Financial health of local authorities • Ageing population • Credit terms • Policy on sustainability • Climate change, the environment, energy • Circular economy • Mobility • Urban development • Health and prevention (safety)	• Reinvesting savings deposits in the local economy • Financial inclusion, access to banking services for everyone • Products and services that have a positive environmental and social impact • Indirect impact on the environment and climate (Impact via products and services)

Stakeholder	How do we enter into dialogue?	Main topics of conversation with stakeholders	Link with material topic from the analysis
Shareholder	• Via periodic consultation and operational contacts with the Federal Holding and Investment Company (FPIM)	• Transparency about the company's performance and results • Ad hoc information for answering external questions provided quickly and properly. • Preparation for the (potential) flotation of Belfius • Risk management	• Long-term financial stability • Fiscal transparency
Sector federations, employer organisations and unions	• Via membership and representation in the financial management of financial and economic federations (Febelfin, Assuralia, BVK, BLV, BVB, BEAMA), employer organisations (Unizo, Voka, VBO) cooperation platforms for innovation, technology (B-Hive) and sustainable development (The Shift) • Via social bodies and the subcommittees linked to them	• Sharing knowledge with sector federations • Putting social responsibility into practice • New way of organising work to create a more current and open organisation	• Social dialogue and en stakeholder relations • Working conditions and social protection • Respect for human rights in the workplace and in business relations • Employee health, safety and wellbeing in the workplace • Digitalisation and innovation of products and services • Joining in the public debate about responsible banking
Governments and regulators	• Via collaboration in ministerial consultation initiatives on a federal and regional level • The systematic follow-up of regulatory initiatives that have an impact on the financial sector and by responding to public consultations. • Via strict compliance with reporting and communication obligations • Via periodic consultation with the regulators and particularly with the NBB and FSMA	• Compliance with regulations and statutory obligations • Proper financial reporting • Exclusion criteria in granting loans • Green procurement policy	• Ethics, compliance and integrity (Fair banking) • Fighting corruption and fraud • Long-term financial stability • Comprehensive risk management, including environmental and social risks. • Fiscal transparency • Green procurement policy
Ratings agencies, analysts, (financial) press, sustainability ratings agencies	• Via press conferences about the bank's results, with associated investor calls • Day-to-day questions and answers via the bank's press spokesperson	• Transparency about how the business is conducted, proper financial and non-financial communication	• Long-term financial stability • Fiscal transparency • Transparent remuneration policy
Social and civil society organisations, NGOs	• Via dialogue with various organisations and NGOs and cooperation with surveys (Bankwijzer – Fair Finance Guise, Test-Aankoop/Test-Achats) and assessments (Sustainalytics, Vigeo, MSCI)	• Communication about corporate social responsibility, aims and commitment of Belfius • Ban on food speculations and its related policy	• Restricting the company's direct impact on the environment • Restricting the indirect impact on the environment and climate (impact via products and services) • Reinvesting savings deposits in the local • Policy on diversity and equal opportunities • Topics 1, 3, 4, 11, 20, 21, 22, 24, 25, 26, 27, 28

THE SOCIAL IMPACT OF BELFIUS'S ACTIVITIES

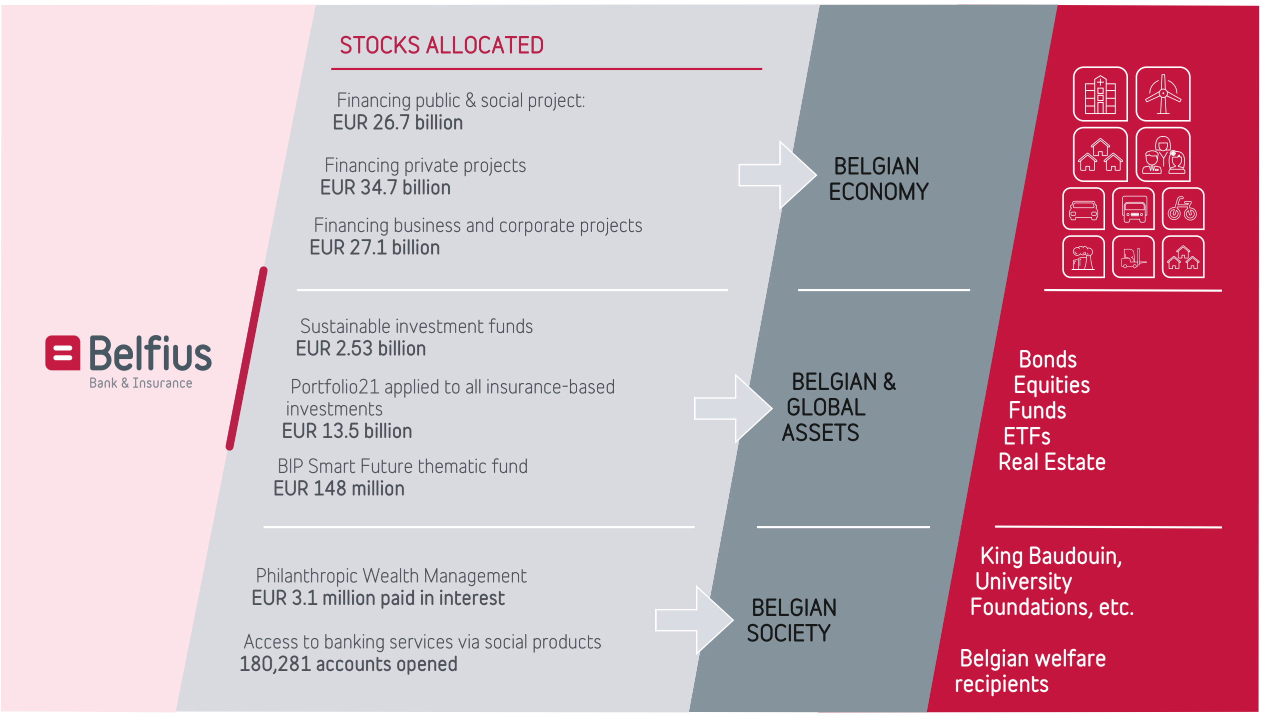
1. Social impact of business activities

In addition to supporting projects that have a social aim, particularly through various partnerships and via the Belfius Foundation, Belfius also seeks to have a positive impact on society via a whole range of business activities. Wherever applicable at the very least, Belfius makes every effort to avoid or reduce any possibly undesirable effects that its products and services may have on people, the environment and the community.

Our stakeholders, each from their own points of view and concerns, are asking us with increasing frequency – and in relation to their own specific expectations – about the sustainable nature and impact of our products and services.

Against the background of this rapidly changing reality, Belfius fully accepts its responsibility and makes every attempt to live up to the heightened expectations of customers, partners, shareholders and other social players in terms of its own strategy and specific position on the Belgian market.

The way in which Belfius aims to have a positive impact on Belgian society through its individual business activities.



2. Social impact via "Smart Belgium"

2.1. Smart Belgium as an ecosystem

Belfius continued to roll out its products and services to the segment for the public sector and large corporations via "Smart Belgium", which serves as a strategic framework for these customer segments.

2.1.1. From conventional financing to Smart Belgium

Belfius has long been the partner and principal finance provider of local authorities and as such, knows all about their expectations and needs – and the challenges facing them. And these challenges have never been so numerous and complex: socially (ageing population, the environment and mobility), digitally (artificial intelligence, Internet of Things, blockchain) and technologically (new waste-processing and energy-production methods, e-care solutions).

Given its historical role in providing funding, Belfius makes the ideal and even logical partner for helping public authorities to deal with these challenges via the concept of "Smart Belgium".

2.1.2. Cross-fertilisation

Through Smart Belgium, Belfius offers a forum for aligning supply and demand, along with smart ideas from local government, the social sector, small businesses and large companies with one another. Based on an ecosystem – an extensive network of public bodies and businesses – Belfius provides an effective way of bringing companies, government departments and care and educational institutions together to make these ideas and solutions for our social challenges come to fruition. In doing so, Belfius goes a good deal further than just providing financial solutions, placing the focus on 8 areas: the environment, energy, education, mobility, health & safety, Smart City Services, the circular economy and urban development.

2.2. Belfius's commitment

The approach taken by Belfius in each of these 8 areas is the same in each case: Belfius is committed to playing an active role within this ecosystem of players, in four different ways:

- Bringing the parties involved (stakeholders) together
- Developing and/or proposing innovative solutions, as well as providing consulting services
- Financing projects (including innovative funding solutions)
- Communicating and sharing knowledge[1]

2.2.1. Belfius is committed to mobilising all of the parties involved in being "smart" (private citizens, the academic world, businesses, smart managers, experts) by developing partnerships with external parties such as:

- Vlerick Business School: this institute provides scientific support for the ecosystem approach and highlights the social players who can contribute to and benefit from the system.
- Smart City Institute: a university institution that is part of HEC Liège, dedicated to researching sustainable and smart cities, particularly from a management point of view. The Smart City Institute was established via a partnership between HEC ULiège, four private partners (including Belfius) and the Walloon Region.
- Smart Cities Chair 2.0 – VUB-SMIT: a university chair established by the Vrije Universiteit Brussel and imec-SMIT (Studies in Media Innovation and Technology) aimed at achieving greater knowledge-sharing between experts, public and private stakeholders (Smart City managers, companies, etc.) about how to involve people and how to deal with data, while at the same time respecting privacy. The chair also examines enthralling "use cases" that have a practical social and economic impact on society.

Smart Belgium focuses on eight social challenges:

(1) Various projects are presented on the Smart Belgium website (*belfius.be/SmartBelgium*) as well as on the *@Smart_Belgium* Twitter account.

- *Vlaanderen Circulair*: in June 2017, Belfius signed up to the "Green Deal Circular Purchasing", a call for collaboration made by the Flemish Government to speed up the implementation of circular purchasing in Flanders as a way of contributing to the establishment of a circular economy. By increasing demand for circular products, the market is encouraged to bring more circular solutions to the market.

2.2.2. Belfius itself also offers innovative solutions and consulting services

In 2017, Belfius established its own subsidiary, Smart Belgium Services, in partnership withy Strategy& (a PwC entity) aimed at assisting and guiding local authorities in the Smart Belgium ecosystem and making it easier to co-create sustainable, innovative solutions.

The first aim of Smart Belgium Services is to provide strategic advice to bodies such as towns and municipalities, telecom providers and energy suppliers in order to define a Smart strategy and outline a practical action plan. This plan is made up of 4 steps:

- Smart City Scan: mobilise local stakeholders and provide a clear overview of the current situation and the level of the customer's intentions
- Definition of a Smart strategy: define the vision and main priorities, develop "use cases", set up pilot projects to determine whether the services proposed are achievable, develop viable commercial models and outline a master plan
- Implement customised projects: create prototypes to test solutions on a small scale
- Implement the strategy through projects

The second aim consists of guiding local authorities in defining their strategy on the threshold of a new mandate in which "Smart" themes are everywhere.

Created in 2016 as a fully-fledged digital laboratory for Belfius, the Studio develops and exports Belfius's digital expertise. Tech applications are marketed under their own business name:

- *BrightKnight*: a "Robotic Process Automation" application that automates certain repetitive administrative tasks.
- Buck-E: a solution enabled by Blockchain, developed for local councils wishing to reward children who use their bikes to ride to school.

In 2018, Belfius continued to work with the start-up and scale-up accelerator, The Birdhouse. Belfius has a minority holding in the company behind the accelerator and financially supports its day-to-day operations. Belfius offers low-cost loans to selected start-ups and also has total investment capital available of 10 million euro. As part of this support, an initial investment of capital was made in Hoplr, a social network for neighbours.

The Birdhouse announced its first programme for start-ups in the summer of 2016 and thus far has provided support and guidance to 67 projects selected from 1,250 registered applications, 90% of which have come from Belgian start-ups.

In Wallonia, Belfius invests in the W.IN.G (Wallonia Innovation and Growth) fund, which in turn invests in innovative digital Walloon start-ups. W.IN.G has been operating for 2 years and during this time the fund has invested in around fifty promising start-ups, such as Koalect, a crowdfunding platform intended to help social, environmental and cultural projects).

2.2.3. Belfius finances innovative energy-saving projects through specific techniques and programmes

The *Belfius Energy Efficiency Package* (abbreviated to BEEP) is a good example of what Belfius wants to achieve for the local community through Smart Belgium. Belfius aims to use BEEP to encourage companies, public institutions and social profit organisations to expand their investment in energy efficiency and renewable energy. The bank-insurer also extends the offer to ESCOs, which are energy services companies implementing turnkey energy projects for third parties (companies as well as public institutions) that do not have the resources and expertise themselves to carry out projects of this kind.

Belfius is the only Belgian bank to have an exclusive collaborative arrangement with the European Investment Bank (EIB) as part of the European PF4EE (Private Finance for Energy Efficiency) programme, developing a unique package with the EIB (reducing their energy needs, switching to alternative energy sources or generating their own energy):

- Finance on favourable terms
- Flexibility in the granting of loans through the EIB's portfolio guarantee scheme
- Partial reimbursement of the cost of conducting an energy audit in advance

In the face of the climate challenge, investing more in buildings that consume less energy and are more intelligent is a priority of Belfius. Customers can be assisted from A to Z, from the energy audit, right through to the building being handed over, with no administrative red tape and a single central point of contact. With Smart Building & Renovation Solution, customers benefit from a single all-in package based on the years of experience gained by our own specialists in real estate and on the expertise of specialised, innovative partners. Including sustainable, comprehensive Project Management, as well as funding.

Smart Cities, Climate Action & Circular Economy: after an initial collaborative agreement in 2014 (Smart Cities & Sustainable Development), in which loans of EUR 400 million were released at advantageous rates (EUR 200 million of which provided by Belfius) for 62 local projects on energy-efficiency, urban development and mobility, in 2016 Belfius and the European Investment Bank (EIB) renewed their collaborative agreement with the Smart Cities, Climate Action & Circular Economy programme. This has enabled innovative, sustainable projects from local authorities worth EUR 400 million to be funded. We have also been able to expand the scope of beneficiaries and the purpose of their investments.

The success of this process prompted us, in August 2018, to sign a new line of credit for EUR 400 million. This means that since 2014, some 120 projects worth more than EUR 1 billion have been funded for the benefit of over 2 million Belgians.

When these projects are analysed and assessed, particular attention is paid to the added value that they bring for the circular economy and protection of the climate.

Total number and amount of projects funded as part of the EIB's Smart Cities & Sustainable Development (Smart 1.0) and Smart Cities, Climate Action & Circular Economy (Smart 2.0) programmes.

	Total at 31/12/16 Smart 1.0	Total at 31/12/17 Smart 2.0	Total t 31/12/18 Smart 3.0
Total project amount in euro	481,450,589(1)	518,166,920(2)	357,737,906(3)
Number of projects	62	76	54

(1) of which an EIB line of credit for EUR 200,943,052
(2) of which an EIB line of credit for EUR 250,190,948 (including part of a Smart 3.0 line of credit
(3) Belfius initially used funding from the EIB, sometimes beyond the usual 50%, which has led to fewer projects for the same envelope than in other years. There were fewer projects, but of greater quality. The remaining part of the project amounts funded via long-term loans by Belfius, advances on subsidies, loan amounts yet to be drawn down, short-term loans and cash loans granted by Belfius (for use of own resources).

2.2.4. Belfius offers access to research and information, while encouraging the sharing of knowledge:

Smart Belgium Awards: at the beginning of September 2018, Belfius held the third edition of the Smart Belgium Awards. This event brought together 150 participants vying for the 5 Awards recognising the best projects by companies, start-ups, local authorities, PSACs, intermunicipal companies, schools, research centres, care institutions, etc. providing smart ways of tackling social challenges.

The winners will be announced at the Smart Belgium Event to be held on 24 April 2019, attended by all the nominees, as well as many professionals and specialists from the academic world, business and local government.

Studies by Belfius Research: Belfius has built up a long-established tradition of in-depth study work. Belfius Research researches local finances and analyses social profit and socioeconomic challenges. Belfius is happy to share these studies[1] with the target groups in question:

- → Studies of local finances and the challenges facing municipal authorities, as well as an education report.
- → Thematic analyses: a series of specific theme-based analyses based on topic and their newsworthiness.
- → Profit studies: sector-specific analyses for hospitals.

3. Credit policy as a socioeconomic driver

3.1. Direct flow of funds back into the Belgian economy and community

As a 100% Belgian bank and insurance company, Belfius is the only Belgian financial institution that redirects virtually all of the deposits received from its customers back into the Belgian economy and community.

Total deposits received from customers amount to EUR 86 billion.

- → Of that total, EUR 26.7 billion has been used for long-term financing to the public and social sector, a strand of the business that is part of the DNA of Belfius. As the market leader in these sectors, Belfius contributes to the financing of new schools, hospitals, swimming pools, cycle paths, sports centres and other forms of public infrastructure.
- → EUR 27.1 billion has been used for long-term loans to locally based self-employed people, SMEs and large companies. In this way, the savings and investments of our customers help businesses to grow, creating employment boosting.
- → EUR 32.4 billion has been granted in the form of housing loans, enabling Belgian households to carry out their housing projects.

3.2. Opting for renewable energy

In the area of investing in the energy production sector, the focus at Belfius lies on granting loans, leases and project financing for renewable energy, rather than on coal-fired and other fossil-based sources of energy. Belfius does not provide finance to any businesses related with the production or extraction of oil, coal or gas. Belfius will only finance and support fossil fuel companies in their (green) projects to switch to and develop new, renewable energy technologies and applications.

Last year, Belfius reiterated its commitment in this area, helping to refinance the Nobelwind offshore windfarm, as well as to provide funding for the Northwester 2 and Seamade offshore windfarms.

This makes Belfius the only Belgian bank (equal with another European commercial bank) to have participated in the financing of 8 Belgian offshore windfarms.

In a word, Belfius plays its economic role in the energy production sector in a nuanced, but particularly forward-looking way. In doing so, Belfius aims to take responsibility in the transition process towards new, sustainable energy systems in a carbon-free society.

The way the Belfius loan portfolio in this sector is composed reflects this policy.

(1) More information on these studies: *belfius.be/Public-Social-Etudes-FR*

As of 31 December 2018, the total amount invested by Belfius in renewable energy was EUR 1.4 billion. This investment involves project finance and loans through Belfius Bank and its subsidiary, Belfius Lease, for biomass projects, solar energy (PV installations), onshore and offshore wind energy and combined heat and power systems. These projects generate added value on two levels: together, they provide sufficient renewable energy each year to meet the power needs of approximately 2.6 million Belgian households and in doing so, they avoid the emission of some 3.5 million tons of CO_2 per year.

In 2018, Belfius disposed of its final loan supporting the production of non-renewable energy, two years ahead of schedule. This means that from now on, the portfolio for financing the production of energy will be 100% related to renewable energy.

3.3. Granting loans responsibly

As a member of the Professional Credit Association (UPC-BVK), Belfius subscribes to the Association's code of conduct and undertakes to assess applications for mortgages and consumer loans responsibly. This involves preventing repayment problems and an excessive burden of debt by conducting a conscientious risk prevention policy and by anticipating possible payment arrears.

Customers with repayment difficulties are offered proactive mediation if necessary so that a solution can be reached that is acceptable for both parties.

Belfius has also taken the necessary steps to apply the new SME Funding Act of 21 December 2017 in all its facets within the periods set.

3.4. Decision-making close to the customer

With the exception of applications for the public and social sector, decisions on loans are taken as close to the customer as is feasible: if possible by the account manager or credit specialist at the local branch or regional office or, if necessary, at head office. The delegation powers and decision-making criteria have been adjusted accordingly.

This method provides the best overview of all the relevant – financial and other – factors, so that a faster and more appropriate answer can be given to the credit applicant.

Local analyst checks financial parameters and transfers info to credit committee → **Regional** credit committee decides go/no-go, supported by analyst's documentation → Decision is escalated to **national** credit committee for exceptional cases.

3.5. Financial and non-financial factors in the analysis

With loans to private individuals and businesses, our analysts and account managers follow the *Credit Acceptance Guidelines*, which require Belfius to have sufficient knowledge of the credit applicant and for the analyst to ascertain the applicant's creditworthiness and flawless reputation beforehand, not only financially, but also in areas with an ethical or social impact. The decision to report an ethical or social risk on the part of the party applying for credit lies with the analyst.

4. Sustainable and responsible investing

4.1. Higher customer expectations

Today, however, increasing numbers of investors want to have a better view of what their money is being used for. To find out about the broader impact of their investments, personal, corporate and institutional investors and other stakeholders are asking questions about non-financial criteria in the make-up of their portfolio. These questions relate in particular to the environment, social issues (such as working conditions, human rights, etc.) and sound governance: to sum up, criteria about corporate social responsibility or "ESG criteria".

What does ESG stand for?

- **The Environmental criteria** measure how well a company cares for ecological matters (consumption of energy, animal welfare, etc.).
- **The Social criteria** measure how a company deals with its employees, suppliers and customers, as well as with society (working conditions, child labour, etc.).
- **The Governance criteria** measure a company's policy (accountancy transparency, conflicts of interest, etc.).

In other words, investors want the way their investments are managed to fit in with their own personal beliefs about sustainable development, as well as their corporate values or their social vision. They are also relying on Belfius to keep them informed about these issues, to advise them and provide them with the guarantees they expect with regard to the destination and use made of their savings, investments or liquid assets.

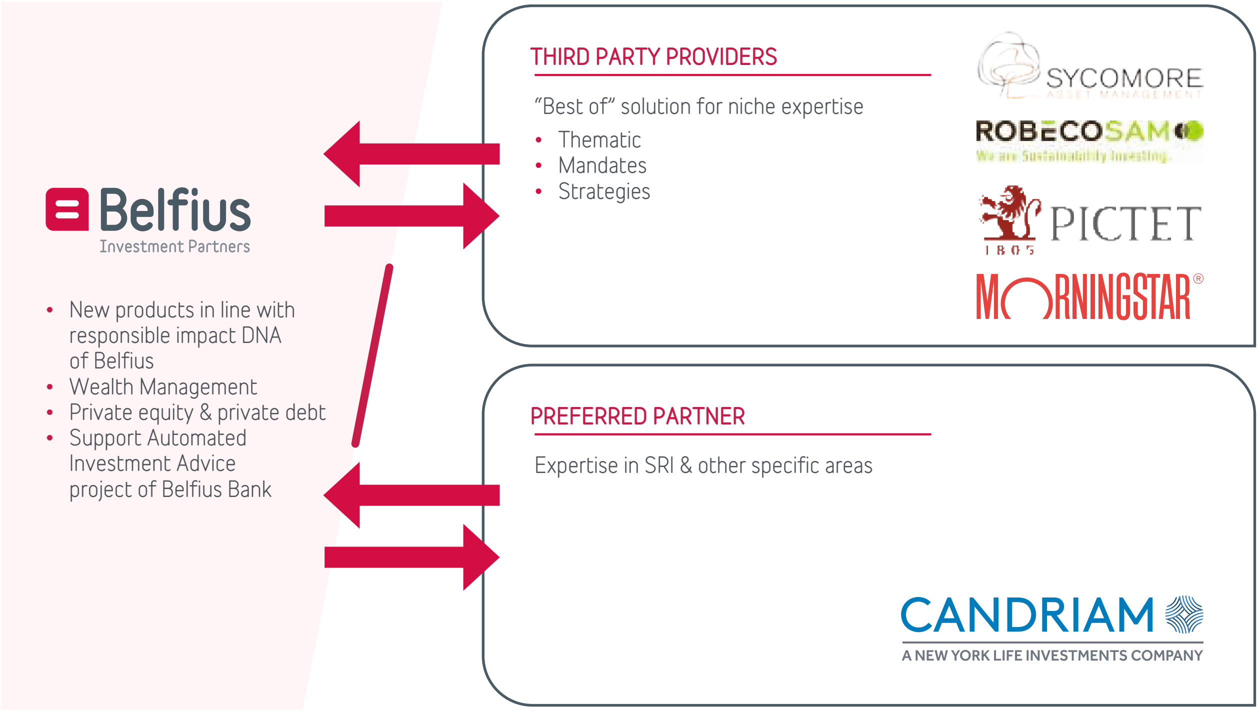
4.2. Sustainable investing at Belfius

Belfius aims to meet customer expectations in terms of sustainable investing and continues to strengthen its policy in this area.

Belfius offers investors a complete, transparent and segmented range of sustainable investments that is constantly growing and developing:[1]

(1) A full overview of the range of sustainable investments offered by Belfius is available on our website *belfius.be/Gamme-Investir-Durablement*

- Belfius customers who invest in a savings account, term account or savings bond know that their money flows back into the local community in the form of loans to the local economy, local authorities, schools, retirement homes, hospitals and cultural centres.
- **Fund management by Belfius IP and Candriam**
  Belfius has had its own subsidiary for managing and administering investment funds, Belfius IP (Belfius Investment Partners SA or Belfius IP) since 2016. It was in that year that Belfius IP launched its own range of funds to continue adding to the investment offering aimed at Belfius customers – in line with Belfius's DNA and strategic themes.



Belfius IP therefore has a dual role:

- full management of its own funds;
- administrative and financial management, in its capacity as a management company, of a series of funds the management of which is delegated to Candriam.

At 31/12/2018, Belfius IP managed a total of EUR 17.6 billion on behalf of Belfius customers, making it the leading investment fund manager for Belfius.

Candriam has, for several years, been the preferred external partner at Belfius for investment fund management. Candriam launched its first "SRI funds" in 1996, making it one of the pioneers in the field of sustainable investing.

Candriam was one of the first signatories of the Principles of Responsible Investing (PRI) issued by the UN.

Signatory of:

PRI Principles for Responsible Investment

Alongside leading global investors, Candriam seeks to apply these principles, which act as genuine rule of good practice for responsible investing.

Candriam continues to strengthen its SRI team and intends to conduct more vigorous dialogue with companies about issues relating to ESG.

4.3. Various methods of sustainable investing

Depending on the type of investment, various levels of screening are applied along with specific strategies in sustainable investing, sometimes in conjunction with external partners.

The approach taken to sustainable investing by Belfius, its subsidiaries (Belfius Insurance and Belfius IP) and external partner Candriam ranges from basic screening for exclusions required under the law, to thematic funds and a "Best-in-class" approach. The latter means that some shares or bonds in companies or countries that score well on environmental aspects, social issues or good governance – or ideally a combination of the three – may be included in the portfolio.

1. Basic screening
2. Strategies for sustainable investing:
   - Extensive screening :
     - exclusion of certain sectors on account of Belfius's strategic guidelines
     - exclusion of certain sectors and controversial activities and standards-based exclusion by Candriam
     - exclusion of certain companies and countries, based on Portfolio 21
   - Best-in-class investment funds
   - Theme-based investment funds

4.3.1. Basic screening: application of legal exclusion criteria

Investments in companies operating in the manufacture, use or possession of controversial weapons are forbidden under the Belgian law enacted in 2007 (Mahoux Act). Companies involved in such activities are excluded from all investment products. Details regarding the application of his legislation at Belfius are given in the Belfius Policy on Arms.(1)

4.3.2. Strategies for sustainable investing

Belfius goes beyond the requirements of the law and uses various strategies for the management of its investment funds and insurance, applying various levels of exclusion criteria.

Three increasingly fine filters are used for sustainable investing:

4.3.2.1. Extensive screening:

Belfius has a number of own policy guidelines that go beyond the legal restrictions:

- Arms industry: Belfius applies the legal restrictions contained in a policy that is in place right across the Belfius Group. In doing so, it uses categories of means defined in much greater detail to assess their military application, both for providing finance and for investing.
- Policy on agricultural commodities(2): Belfius does not wish to promote any investment that involves speculation on the prices of foodstuffs.

When putting together a series of investment funds for the Belfius offering, Candriam, Belfius's external partner for managing investment funds, makes a selection of assets based on a list of non-legal exclusions relative to certain sectors and controversial activities(3), which are excluded de facto from the portfolios. In addition, certain countries with oppressive regimes are also excluded from the portfolios.

In September 2018, Candriam also announced its intention to extend the exclusion of controversial activities to include thermal coal, tobacco and chemical and biological weapons and weapons containing white phosphorus, with effect from 31 December 2018. This means that all of the Candriam investment funds held by Belfius customers are subject to additional criteria.

Exclusion criteria through Portfolio21:

Belfius Insurance invests its reserves in line with Portfolio21, Portfolio21 est the sustainable management project that Belfius Insurance has set up with Candriam and the independent agency Vigeo Eiris. This is an overall investment strategy that includes tough exclusion criteria. Its aim is to contribute to sustainable development by adding non-financial criteria with total transparency to the process of managing investment portfolios. These criteria are based on compliance with specific (international) norms and standards, such as in particular:

- ILO (International Labour Organisation): Human Rights in the Workplace
- the Government Pension Fund of Norway: Environment and climate change

More information about Portfolio21 can be found below in the section headed "Portfolio21, the sustainable development label of Belfius Insurance".

4.3.2.2. Best-in-class investment funds

The Belfius range of funds, managed according to the "Best-in-class" principle, includes:

- Belfius Select Portfolio Sustainable: a discretionary asset management contract that invests only in companies and public bodies that achieve good results, not only financially, but also in terms of sustainable business practices. Assets are selected based on ESG criteria.
- 11 "Candriam Sustainable" funds and 3 "Candriam SRI" funds issued and managed by Candriam.
- "KITE Bold/KITE Mix" Branch 23 insurance investments, including two underlying mixed sustainable funds managed by Candriam. Investments are based on sustainable trackers and sustainable funds, as viewed by the conviction of the fund manager.

Candriam has a wide range of "Sustainable" or " (Sustainable & Responsible Investing) funds for which it uses the Best-in-class method to select the assets underlying these funds:

- Candriam invests only in companies and countries with the *best ESG score* – i.e. those that perform best in terms of sustainable development in their sector or region.
- Only companies that have signed up to the principles of the *United Nations Global Compact (UNGC)* are included in the portfolio. These principles are based along 4 main lines: human rights, labour law, the environment and the fight against corruption. Companies that breach these principles are excluded. Companies that operate in *controversial sectors or activities* are also excluded.
- This approach is combined with an active dialogue with the companies, their employees, customers, suppliers and investors to ensure that ESG criteria are adhered to properly.

(1) Belfius and the arms sector: *belfius.be/Politique-Des-Armes*
(2) Policy on agricultural commodities: *belfius.be/Matières-Premières-Agricoles*
(3) Candriam's policy on controversial activities: *belfius.be/Candriam-Controversial-Activities*

4.3.2.3. Thematic investment funds

In its range of ESG funds, Belfius Investment Partners has a thematic fund whose aim is to invest essentially in holdings in other investment funds that are selected according to their investment policy where that policy is focused on a societal or environmental issue.

The Belfius Multi Manager Smart Future fund is a subfund of the Belfius Multi Manager fund. The underlying assets are thematic funds that themselves invest solely in companies that provide solutions to current and future societal and environmental issues.

This means that the fund invests indirectly in companies linked to ESG themes and which also have a competitive business model.

The focus here is on the following 5 themes:

- water shortages and sustainable forest management
- sustainable energy and clean technology
- food supply and quality
- security and protection of data and people
- human wellbeing.

Belfius IP selects the underlying thematic funds in conjunction with outside partners, RobecoSAM, Pictet and Sycomore (human capital), in order to guarantee the sustainable nature of these funds and with the assistance of the Morningstar Sustainability Rating.

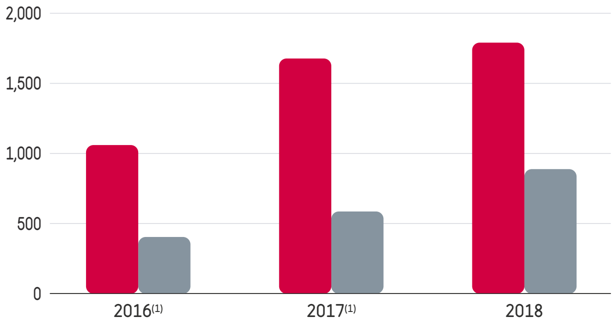
4.4. Evolution in sustainably managed funds

Growth in the volume of sustainable investments was stable compared with 2017, following the increase in volume between 2016 and 2017 resulting from a specific campaign aimed at developing the segment for sustainable investments at Belfius. The part managed via the Best-in-class investment strategy showed continuous growth (increase of 26% compared with 2017).

Both the total assets of the funds subject to level 2.a screening (extensive) and the assets of the funds subject to level 2.b and 2.c screening (Best-in-class + thematic) have recorded growth during the course of the past 3 years.

Sustainable Investment Strategies Applied in Belfius Asset Management – 2016-2018

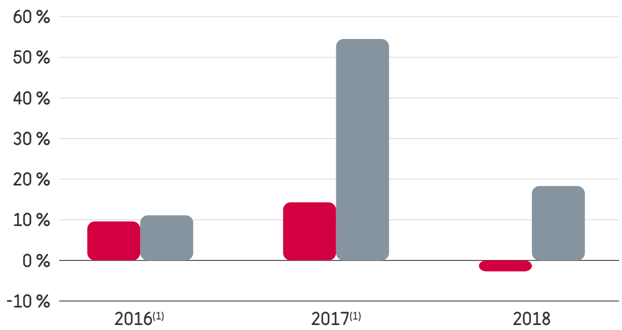
(in millions of EUR)



Sustainable strategy: Extended exclusions: Weapons/AOR/Norms Based or only Norms Based (Candriam)
Sustainable strategy: Best-In-Class 50% (Candriam) & Sustainable Thematics-based (Belfius)

The total volume of funds managed declined slightly in 2018, due mainly to the sudden fall in the stock market in December 2018. Despite that, the total volume of funds managed sustainably rose by 18.3% in 2018.

Year-on-year evolution of total volume sustainable investments vs. total assets under management (AUM) by Belfius - 2016-2018 (en %)



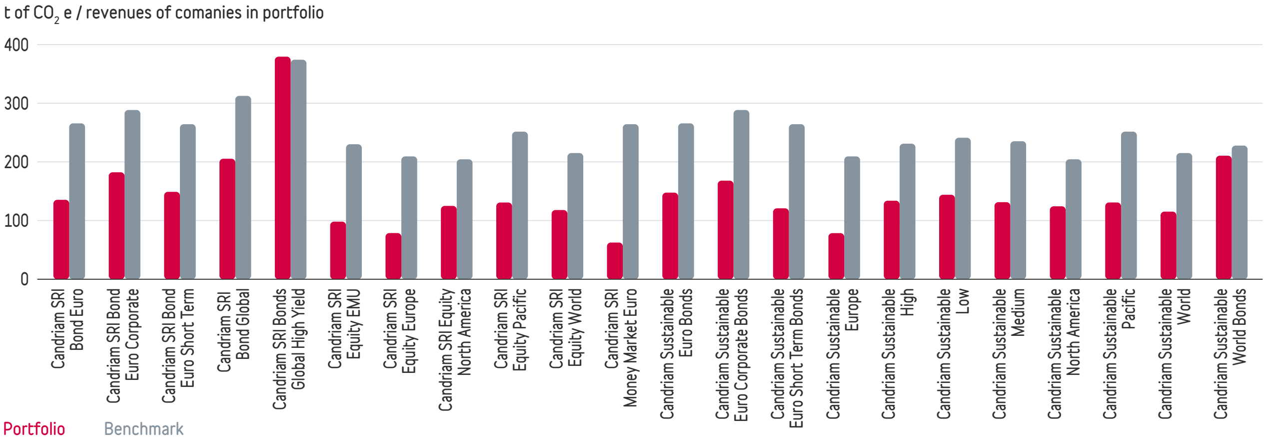
Evolution in total volume funds under management (AUM)
Evolution in total volume sustainable investments

(1) Reviewed figures.

4.5. Carbon footprint

Since the COP21 climate conference held in Paris in 2015, a great deal of attention has been focused on the issue of the CO_2 footprint or carbon footprint in the management of investment portfolios. Candriam has been calculating and publishing the carbon footprint of its SRI funds since the Montreal Carbon Pledge.(1)

Carbon Footprint Intensity of Candriam Best-In-Class SRI Funds Marketed by Belfius in 2018(2)



Absolute carbon footprint(2)

	2016	2017	2018
Absolute Carbon Footprint of Best-In-Class SRI Funds Marketed by Belfius ($t\ CO_2\ e$)	32,500	38,669	20,614

The total carbon footprint of the Best-in-class funds in the Belfius offering has fallen sharply, by 47%. At the same time, the total volume of Best-in-class funds rose by 26% in the same period.

Weighted average carbon footprint(2)

	2016		2017		2018	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Carbon Footprint of Belfius Portfolio in Best-In-Class Candriam SRI Funds ($t\ CO_2$ e /m EUR revenu en of companies in portfolios)	138.8	236.6	117.1	254.6	118.2	229.1

Source: Candriam website on the following pages:
https://www.candriam.be/en/professional/market-insights/assets-class/sri/montreal-carbon-pledge-candriam-discloses-its-carbon-footprint2/
https://www.candriam.com/en/professional/market-insights/assets-class/sri/montreal-carbon-pledge-candriam-discloses-its-carbon-footprint/
https://www.candriam.com/en/professional/market-insights/highlighted/montreal-carbon-pledgecarbon-footprint-disclosure-by-candriam/

(1) More information about the Montreal Carbon Pledge from *belfius.be/Montreal-Carbon-Pledge*
(2) All data is based on calculations conducted by Trucost at the request of Candriam

5. Portfolio21: the sustainability label of Belfius Insurance

5.1. Sustainable investment management via Portfolio21

Portfolio21[1] is the sustainable project on investment management that Belfius Insurance set up in conjunction with Candriam and the independent screening agency Vigeo Eiris[2]. This project is the result of research bringing together the specific expertise and knowledge of Belfius Insurance, Candriam and Vigeo Eiris in sustainable investment management. Portfolio21 is aimed at encouraging sustainable development through the transparent use of non-financial criteria – such as respect for human rights, working conditions and the environment – in the management of its own investment portfolio. The basic principle is based on respecting specific (international) norms and standards, such as:

- the conventions of the ILO (International Labour Organisation), which are also included in the Global Compact of the United Nations. With issuers (both companies or countries) of shares or bonds that are accused of not respecting human rights in the workplace, as set out in ILO standards, a dialogue will be entered into aimed at improving the way they deal with basic employee rights. The result of this dialogue will then determine whether or not the share or bond is included or retained in the portfolio.
- the norms of the Norwegian Pension Fund: Portfolio21 does not invest in companies that cause serious damage to the environment by breaching environmental standards. As such, the recommendations of the Board of Ethics of the Norwegian Pension Fund are followed, which in turn are based on a number of international environmental conventions and the UN Global Compact.

In 2018, Belfius Insurance strengthened its Portfolio21 policy by also imposing the Portfolio21 criteria on the investment funds in which it takes holdings, as well as by adding additional criteria regarding the policy on arms and weapons. All Belfius Insurance entities were also asked to sign up to the Portfolio21 criteria.

5.2. Method of working

Belfius Insurance manages its investment portfolio in conjunction with Candriam Asset Management, which is responsible for investment advisory support.

- Candriam gives Vigeo Eiris the task for each new investment of verifying whether the criteria of Portfolio21 are complied with.
- Every asset value in the investment universe is given "Accepted", "Watchlist" or "Not accepted" status, depending on whether the company or country meets the criteria of Portfolio21.
- Portfolio21 enables companies whose trading practices may not comply with international standards to be encouraged to move in the right direction. For this reason, Vigeo Eiris enters into dialogue each year on behalf of Belfius Insurance with 15 to 20 companies from the investment universe. The status of these companies is then decided on by an independent Technical Committee, which takes the outcome of the dialogue into account.

Each year, an external auditor checks to see whether the portfolio of Belfius Insurance meets the terms of Portfolio21 and issues a certificate accordingly.

5.3. Impact on customers

The investment portfolio of Belfius Insurance consists mainly of the reserve held by the insurer so that it is able to meet its contractual obligations to pay our lump sums, annuities and claims to customers. This reserve is made up partly of the insurance premiums paid by customers for both Life insurance and Non-Life insurance.

The overall portfolio contains various part-portfolios, based on product groups. On the one hand it contains all damages insurance (car, fire, accident, liability, miscellaneous), while on the other there are pensions and life insurance policies (also including investment insurance, with the exception of Branch 23). The ethical and sustainability criteria of Portfolio21 apply to the investment policy of the total portfolio and consequently for all customer segments.

5.4. Portfolio with a strong Belgian flavour

As of 31/12/2018, the investment portfolio of Belfius Insurance (excluding buildings, mortgages and cash) amounted to approximately EUR 13.5 billion. Of that, the majority (EUR 8.2 billion, or 60.93%) was invested in government bonds. The part listed on the stock exchange (shares and property) represented EUR 1 billion, or 7.84% of the portfolio.

The investment portfolio has a strong Belgian flavour: out of the total of government bonds, EUR 5.9 billion or 72.68% is invested in Belgian government bonds. The share portfolio, with EUR 611.7 million or 57.93% of the total is also mainly Belgium-oriented.

5.5. Specific insurance solutions for older customers

Trends with a major social impact, such as pensions and the issue of ageing were given special attention with the refining of our product range, both in the segment for "Life insurance" and "Non-Life insurance":`

- Belfius Invest Target Income provides a supplement to the statutory pension, combined with a specific dependency policy and inheritance/succession solution.
  In 2018, a Belfius Lifeplanner product was developed, which will be added to this in 2019. Belfius Lifeplanner makes customers aware of the additional years they are likely to live as the result of greater life expectancy, giving them positive encouragement to work out a life plan and prepare themselves for all of those important moments in life yet to come and dreams still to be realised. At the same time, appropriate personal solutions can be simulated for each of these major moments in life.
- Belfius Home & Family provides additional cover for grandchildren in the care of grandparents and cover for a second residence, targeted mainly at seniors.
- Drive for Life car insurance from DVV Insurance offers the over-60s a guarantee of remaining mobile, as the result of which their mandatory third-party Civil Liability car insurance is never cancelled.

(1) See also: *belfius.be/Portfolio21*
(2) See also: *belfius.be/Vigeo*

6. Leasing opts strategically for green, circular and digital

Belfius Lease is the Belfius subsidiary for financial leasing and renting of professional equipment for the self-employed, companies and professionals.

At the end of December 2018, Belfius Lease managed a portfolio of 41,300 active contracts representing EUR 2.728 billion. The company operates in four sectors:

- capital equipment (production machines, equipment for all sectors, IT equipment, vehicles)
- real estate property
- green/renewable energy
- vendor leasing.

6.1. Deliberate choice for renewable energy

Belfius Lease continues its strategic choice for financing via the leasing of installations to produce renewable energy.

Apart from leasing contracts for wind turbines and combined heat and power systems (totalling EUR 13 million), at the end of 2018 there were 532 active contracts for solar panels, representing a total investment of EUR 390 million.

At a price per kWp (kilowatt peak) of EUR 1,200 this represents production of 338,750 kWp. The electricity consumption of a family is approximately 4 kWp per year. This means that via the various installations, Belfius Lease produces enough power to meet the total annual electricity needs of 81,277 families.

6.2. Vendor leasing and the circular economy

Vendor leasing is a leasing-based financing technique that enables Belfius customers (manufacturers, importers or distributors of machines, etc.) to offer their own customers a solution for using the goods in return for a periodic payment.

This technique is particularly suitable for applications in the context of the circular economy.

Belfius Lease buys the equipment from the customer and then leases it back to them. In turn, the customer leases the equipment to the user based on the principle of "pay-as-a-service" or "pay-per-use", an important concept in the circular economy: the end-user pays to use an item, not to own it.

The circular economy is a concept that it part of sustainable development durable and is aimed at keeping products, their components and materials in circulation for as long as possible.

Belfius Lease adheres to this concept in many ways:

- Vendor leasing, which incorporates the notion of pay-as-a service and pay-per-use,
- Since 2017, Belfius Lease has been actively involved in a number of ministerial programmes, such as the "Task Force Circular Economy" and the "Green Deal Circular Purchases", which are designed to encourage initiatives for funding the circular economy,
- Belfius Lease is the only lease company in Belgium that is a stakeholder as well as a participant in the Green Deal Flanders programme,
- Participation in 2 OVAM projects, one of which is in the final stages in partnership with a company operating in the circular economy.
  Open Call OVAM: "Financing new circular economy models"
- Belfius Lease offers its customers leasing packages that fit in directly with the concept of the circular economy.

6.3. Belfius Auto Lease as a "mobility provider"

Belfius Auto Lease is the Belfius subsidiary that handles the operational leasing of vehicles.

However, Belfius Auto Lease fund itself acting increasingly in 2018 as a mobility provider, whether or not combined with a company car, thus playing a role in the Smart Belgium strategy with a sustainable view of mobility.

At the end of 2018, the current fleet was 18,334 vehicles, representing a rise of 6.37%.

The number of electric vehicles grew by 45% between 2017 and 2018, but the total amount still remains quite limited.

We also saw a significant increase in "petrol" vehicles, compared with "diesel" ones. Petrol vehicles represented 24.45% of the overall fleet, compared with 15% at the end of 2017.

As part of E-Fleet, Belfius Auto Lease offers the option of installing recharging terminals at customers' premises, as well as at home. This enables the optimum use of electric vehicles.

The installation costs can be included in the rental amount charged, if the customer wishes.

7. Philanthropy via Wealth Management

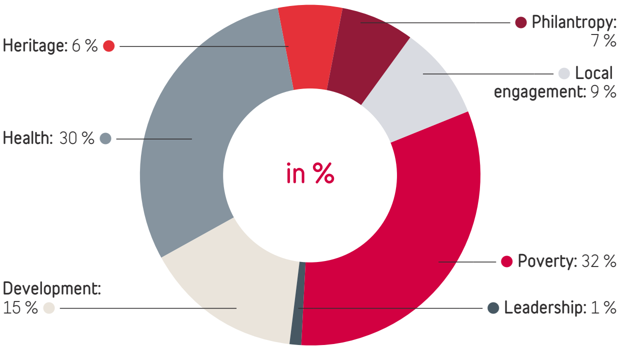
Through its "Philanthropy Belfius" investment offering, Belfius provides customers with a specific framework, either during their lifetime or after their death, to include a good cause as a structural component of their asset management and/or succession planning.

In doing so, the customer's capital is brought into a registered fund under the watchful eye of a "provider". This is an organisation which, in line with the wishes of the principal, guarantees a carefully considered payment to one or more benefiting good causes. If it is within his lifetime, the customer can also take up a role in managing the fund.

Belfius is the largest provider of funds with a philanthropic goal. These funds cover a wide range of themes, such as health, poverty, development aid, local engagement, etc.

Thus far, more than 1200 funds have been created. In 2018, there were 134 funds active. As a result, some EUR 3.1 million was donated to good causes in 2018.

Thematic allocation of philanthropic wealth management funds in 2018



8. Social products: exclusive to Belfius

For people living in precarious circumstances, it is essential for them to be able to access banking services, such as securing payment traffic via a bank account with a payment card.

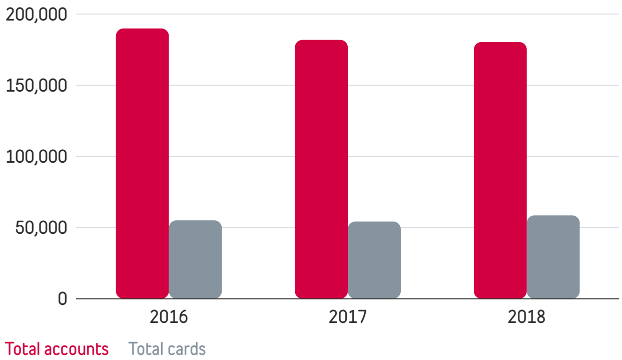
These solutions are also simple, safe, transparent and discreet with regard to third parties.

- The residential guarantee account: this is for depositing a residential security guarantee by the residents of a retirement home as part of the agreement between the home and its residents. This solution enables the institution to use BelfiusWeb to have a centralised overview of the residential guarantees in place in its favour.
- Centralised residential guarantee accounts: in the context of social housing, we offer institutions such as PSACs and housing companies a practical solution for keeping track of residential guarantees: individual savings accounts with funds blocked as residential guarantees in the name of the tenants, linked to a group account in the name of the owner entity.
- Rental guarantee reinstatement account: when the PSAC act temporarily as guarantor for an owner by establishing the rental guarantee to assist a tenant on a low income, the rental guarantee reinstatement account, as the name suggests, makes it possible for the amount of the rental guarantee to be reinstated over time, in line with the financial capacity of the tenant.
- Prepaid cards: the SSB prepaid card and the Belfius EasyCard:
  - for the payment by PSACs of ad hoc benefits to individuals who do not have a bank account, SSB prepaid cards are a good solution. These cards, which have a multiple ceiling limit of EUR 10 per spend, determined at the time the cards are ordered, can be given by a PSAC to a person who may be benefiting from emergency assistance.
  - for recurrent payments, the Belfius EasyCard is the best solution. This card can be topped up and enables the beneficiary to make Bancontact/Maestro payments and to withdraw cash from ATMs. The PSAC determines the amount to be loaded on to the card and it is also able, at any time, to top up the balance in real-time via BelfiusWeb.

These two cards provide good alternatives to payments in cash or by cheque.

The decline in the number of social accounts registered in recent years is due to the fact that social benefits are increasingly paid into an ordinary bank account. Stricter bank regulations are another factor. At the end of the benefits period, the social account also has to be closed and replaced by an ordinary bank account. As a result, since 2015, PSACs have been obliged to close and replace a large number of social accounts.

Total number of cards and accounts of persons on Welfare



SOUND ETHICAL FOUNDATIONS

1. Respect for the opinion of customers

The customer is at the centre of our strategy at Belfius. Building a long-term relationship with customers and partners based on respect is just as important as optimising operating efficiency or financial performance. The basic assumptions here are engagement, authenticity, entrepreneurship, customer-focus and transparency.

1.1. Customer satisfaction continues to rise

Belfius Bank uses the same method to measure the satisfaction of retail customers (RCB) and Public, Social & Corporate customers (PCB).

In 2018, 487,363 RCB customers were invited by e-mail, letter or telephone call to take part in a satisfaction survey. 64,765 people took part, giving an average score of 94.73%.

7,822 PCB customers were also invited to take part. 500 did so, giving and average satisfaction score of 98.45%.

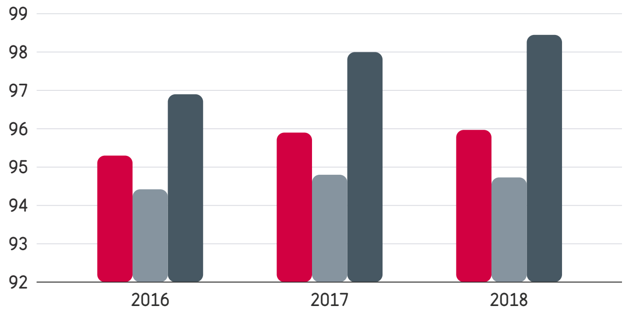
Overall, Belfius recorded a satisfaction score of 95.97% in 2018. This means that the bank-insurer has exceeded its target of 95% satisfied customers for the third year in a row. In this overall score, RCB counted for 2/3 and PCB 1/3.

Changes in customer satisfaction

(in %)	2016	2017	2018
Overall	95.30%	95.90%	95.97%
RCB	94.42%	94.80%	94.73%
PCB	96.90%	98.00%	98.45%

Changes in customer satisfaction

(in %)



Belfius Bank overall Retail and Commercial Banking division
Public and Corporate Banking division

1.2. Codes of conduct

In addition to internal policy guidelines, Belfius also subscribes to the following codes of conduct:

- → Febelfin code of conduct: This code of conduct is an initiative by Febelfin, the Belgian federation for the financial sector. By signing the code, Belfius undertakes to adhere to the values of the sector in its day-to-day dealings with customers.
- → BeCommerce: Belfius abides by the Code of Conduct of BeCommerce, the Belgian association of companies operating in online distance sales – and hence all forms of e-commerce. Through this code, BeCommerce aims to offer consumers a reliable and secure way of shopping online.

1.3. Complaints management

Belfius focuses on customer satisfaction and therefore also pays a great deal of attention to complaints and the way they are resolved for its customers. Belfius uses a complaints management system that makes it possible to process and analyse complaints automatically. This system is incorporated into branch applications. Complaints are dealt with impartially according to a step-by-step plan. While the process is pending, the customers involved continue, of course, to be serviced as before.

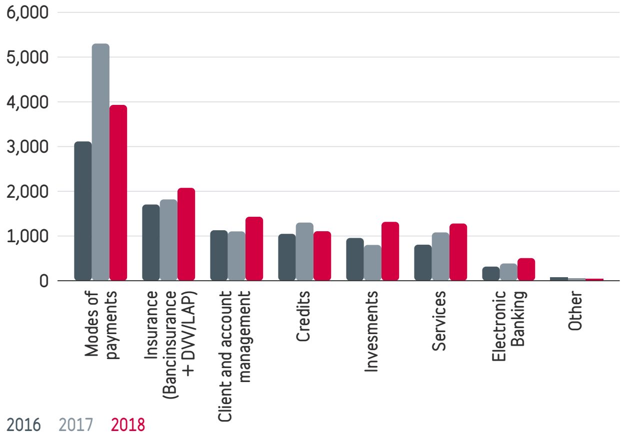
What does the process look like?

1. Customers wishing to report a problem are recommended to contact their branch or banker, because they are best placed to find a possible resolution. This report is not defined as a complaint in instances where the problem is resolved at this moment.
2. If the customer is unable or does not wish to visit the branch, or their contact person cannot resolve the problem, the customer can lodge a complaint with the Complaints Management department, which will try to find a solution.
3. If the customer does not agree with the proposed solution, they can contact the Negotiator Claims at Belfius Bank in writing.
4. If there is no resolution at this level, the case can be submitted to the Ombudsman[1] for the Financial sector or the Insurance Ombudsman[2].

(1) *ombudsman@ombudsfin.be*
(2) *info@ombudsman.as*

1.3.1. RCB

Closed complaints by topics- 2016-2018

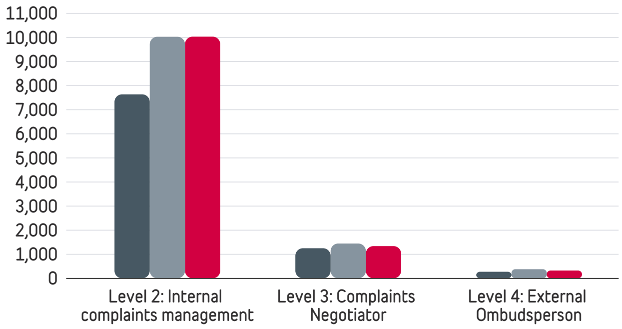


2016 2017 2018

The number of complaints related to methods of payment fell appreciably. This was due to the new approach to dormant accounts: customers with a dormant account are now first sent a letter referring them to the dormant account, without them having to pay anything.

The biggest rise was in investments. This increase can be attributed virtually in its entirety to the Arco case.

Closed complaints according to level of management 2016-2018

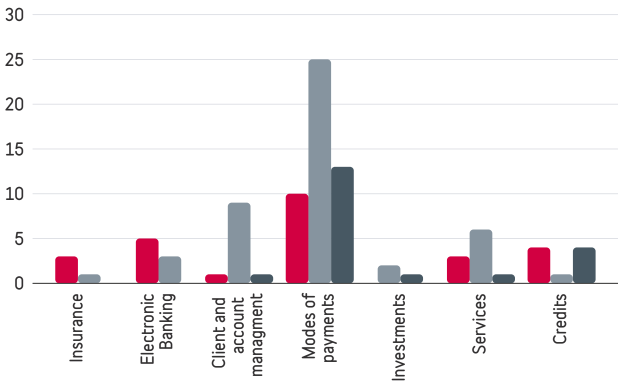


2016 2017 2018

1.3.2. PCB

The number of complaints in PCB was virtually unchanged, falling from 94 in 2017 to 93 in 2018. Half were in Public Banking, with the other half in Corporate and Social Profit.

Closed complaints by topics



1.4. Complaints relating to 2 specific topics:

Complaints are recorded centrally and stored by topic. From the materiality analysis, "Human Rights" and "Privacy" were two topics that emerged (i.e. considered by stakeholders to be the most relevant). Reporting on complaints management shows that the number of complaints relating to these two topics is small compared with the total number of complaints:

- Human rights: In 2018, Belfius dealt with 10 complaints on human rights. The causes were: racism, discrimination, unfriendliness, disrespectful conduct, access for customers with poor eyesight, access for customers with restricted mobility.
- Privacy: in 2018, Belfius dealt with 78 complaints on this topic. 27 of these were related to the new GDPR legislation.

2. Data Privacy

2.1. Data privacy

The General Data Protection Regulation (GDPR) came into effect on 25 May 2018. GDPR introduced a number of new aspects regarding data privacy, compared with the old European directive from 1995. In general, GDPR grants more rights to natural persons (private individuals), such as Belfius customers, with more obligations placed on the processors and controllers of personal data, including Belfius and its partners/suppliers. On 5 September 2018, the law on the protection of natural persons with regard to the processing of personal data was published in the Belgian State Gazette.

A project was put in place for the implementation of GDPR within the Belfius group. This project was led by the Risk department, in close collaboration with all branches of the company, operational lines and departments.

2.2. Strategy and vision: respect for privacy and customer satisfaction

Respecting privacy and protecting personal data is an essential commitment at Belfius. Compliance with GDPR is incorporated into every process involved in offering (existing, modified and new) products, innovative digital tools, services and information to customers. GDPR is also a point taken into consideration in approval processes. The Data Protection Officer (DPO), the Chief Information Security Officer (CISO), the Information Technology Security Officer (ITSO), the Non Financial Risk department (NFR) and the legal department and compliance department all work together in the context of complying with GDPR.

For more information, please see other sections of the report:

- information about complaints management: chapter Sound ethical foundations
- information about the risk policy and GDPR: the Belfius Risk Report 2018[1]

2.2. Breaches of personal data

As far as breaches of personal data are concerned, we did not record any significant data leaks in 2018. Only 1 incident was reported to the Data Protection Authority (DPA). This matter was dealt with in a very short time, with no remaining residual risk.

3. Honest banking and the fight against fraud

3.1. Honest banking

An honest attitude on the part of all Belfius employees is essential for retaining the trust of all internal and external stakeholders in Belfius.

3.1.1. Compliance policy

Belfius complies strictly with all laws and regulations. It also respects the rules and practices normally applied within the financial sector.

Values such as integrity, loyalty, transparency, professionalism and mutual respect characterise the relationship between Belfius and its staff, customers and partners, as well as relations between employees.

Belfius's overall compliance policy is set out in a Compliance Charter and an Integrity Policy. In line with the Belgian regulators governing the compliance function, these documents contain a number of policy guidelines dealing with specific risk situations relating to compliance.

3.1.2. The Belfius Code of Ethics

In addition to the Febelfin code of ethics, Belfius also uses its own Code of Ethics and Proper Conduct, which applies to all Belfius employees.

This Code tells staff about the ethical and conduct-related principles and statutory or regulatory conduct standards that apply to them when they are doing their job. It also provides a benchmark for their attitude to and relations with co-workers, customers, government departments and other external parties.

The topics covered include: ethics, dealing with customers, discretion, data privacy, conflicts of interest, respect for the rules and undertakings of Belfius, money laundering and whistleblowing (see below).

Breaches of the Code are investigated by the Audit department and then assessed by (senior) management. The head of the HR department takes the final decision.

(1) Risk Report 2018: *belfius.be/RiskReport2018-EN*

3.1.2. Information and training

In order to encourage the awareness and vigilance of staff, all policy wording dealing with ethics and proper conduct is published on the intranet. Employees can also attend e-learning classes and ad-hoc training sessions on specific themes and/or for specific target groups.

3.2. The fight against fraud

3.2.1. Policy and internal checks in relation to fraud

An overall fraud policy has been drawn up for Belfius in conjunction with the Audit and Compliance departments.

This policy has been specifically developed to define the internal audit framework within Belfius to help identify and prevent fraud and to take the necessary corrective measures.

Management of the bank's fraud risk is the responsibility of the Chief Risk Officer (CRO), who reports periodically to the Management Board. However, each of the three lines of defence (levels of responsibility) remains responsible for the areas allocated to them and must ensure compliance within the framework of the guidelines.

A report on fraud management is presented to the Management Board and the Audit Committee/Risk Committee each year. Any corrective measures required are taken based on this report.

3.2.2. Tax evasion prevention policy

Belfius employees and the branches are required to adhere to a stringent policy on tax evasion, which is based on four principles:

- All statutory and regulatory tax obligations must be strictly complied with.
- Not working, directly or indirectly, with customers who come to our bank in order to avoid their tax obligations.
- Restricting ourselves to providing objective, correct and impartial information.
- Ensuring that there is total transparency and traceability in all operations and transactions.

3.2.3. Anti-money laundering policy

Given the worldwide impact of these issues, numerous international legislative and/or regulatory initiatives have been put in place on which Belgian law in the matter is also based. The area in which Belfius is conducting its fight against money laundering and the financing of terrorism is set out in the Anti-Money Laundering Policy[1].

3.2.4. Customer acceptance policy

The policy on customer acceptance[2] is also specified in the Anti-Money Laundering Policy. Certain exclusion criteria apply in this area based on a relevant link with certain countries and sectors. The Country Watchlist is a constantly updated list of excluded countries, based on EU embargos, US sanctions, designation by FATF (Financial Action Task Force on Money Laundering) or under the catch-all heading of "tax haven".

(1) See belfius.be: *belfius.be/AML-policy*
(2) See belfius.be: *belfius.be/CustomerAcceptance-FR*

3.2.5. Zero tolerance and whistleblowing process

Belfius applies a zero-tolerance policy on fraud. Failure to report fraud is considered as tacit complicity.

An internal reporting system (whistleblowing)[3] gives all employees and managers the opportunity to report possible fraud. This reporting system acts as a supplementary system that may only be used when there are no other reporting options, or if those options are not effective, suitable or appear to be deficient. The system goes well beyond just cases of fraud.

- Broken down by the type of incident over the past three years, 0.3% of total losses are the result of internal fraud.
- In 2018, no corruption-related incidents were recorded.
- There have been no cases of whistleblowing recorded in the past three years.

3.3. Anti-bribery policy

Belfius implemented an anti-bribery policy[4] in 2018. This policy document includes existing wording on policy, such as the policy on gifts, while the zero-tolerance approach taken by the Belfius Group in relation to any form of bribery is reiterated. Suppliers are required to sign an Ethics Charter[5], which includes an unequivocal anti-bribery clause.

4. Fiscal transparency

4.1. Belfius fiscal policy

As a locally-based relationship bank and insurance company, and as it says in our mission statement, Belfius seeks to communicate transparently about tax matters to all its stakeholders:

- Belfius wishes to be a responsible taxpayer that takes account of the interests of all the parties involved: employees, customers, shareholders, government and the community.
- Belfius will comply strictly with all of the fiscal laws and procedures to which the bank is subject and will refrain from any collaboration involving fraud.
- Belfius will deduct any taxes and withholding levies owed by the customer and pay them to the taxman, as required by law. It will also provide information to domestic or foreign tax authorities while ensuring maximum respect for the privacy of its customers.
- Belfius seeks to organise its activities in a tax-efficient manner, as required by sound governance, in such a way that every activity must be underpinned with valid business considerations, as well as be relevant and transparent in terms of content.
- Belfius does not wish to be established in tax havens, as dealt with in Belgian legislation.

(3) See belfius.be: *belfius.be/Whistleblowing-FR*
(4) See belfius.be: *belfius.be/Anti-bribery-policy-FR*
(5) See belfius.be: *belfius.be/Ethics-Charter-FR*

This mission statement has been translated into a series of objectives, guidelines and responsibilities that are described in detail in the Fiscal Policy[1] memo of the Belfius Group, underwritten by the management boards of all Belfius entities.

Organisationally speaking, tax matters come under the Tax Department, headed by the CFO. This means that the company 's tax expertise is centralised and hence consistent management is guaranteed.

4.2. OECD rules

Belfius complies with all current OECD rules on Base Erosion and Profit Shifting (BEPS) that have been incorporated into Belgian law, as well as into the legislation of other judicial areas where Belfius entities are located.

"BEPS" is an OECD action plan regarding tax evasion by the use of loopholes in and differences between tax rules in order to shift profits artificially to low-tax or no-tax locations without having a business worthy of the name in that location. To combat this, the plan contains a series of OECD measures that are grouped into 15 action points.

In particular with regard to the statutory provisions on transfer pricing (action point 13), Belfius scrupulously respects all required reporting.

4.3. Foreign subsidiaries: Luxembourg and Ireland

Belfius focuses exclusively on the Belgian market for its commercial business activities, although it retains entities in Luxembourg and Ireland for specific activities:

- In Luxembourg, Belfius Financing Company SA issues specific debt securities to external investors. It has been decided for technical and operating reasons to issue these in Luxembourg. This is in total transparency to the Belgian tax authorities and after receipt of a positive ruling in Belgium. Belins Insurance Finance manages a portfolio of shares and bonds.
- Belfius Ireland, located in Ireland, holds a historical portfolio of long-term bonds. The presence of Belfius in Ireland is a remnant from the past and can in no way be seen as tax optimisation. In 2018, Belfius's presence in Ireland was simplified by the closure of the Irish branch (Dublin branch) of Belfius Bank, following transfer of the portfolio to Belfius Ireland.

4.4. Belfius as a taxpayer

Consolidated IFRS figures

(in thousands of EUR)	2016	2017	2018
TOTAL CASH TAXES AND CONTRIBUTIONS	(494,043)	(603 375)	(601,241)
Current taxes(1)	(53,788)	(157 071)	(143,246)
Sector levies(2)	(220,215)	(217,513)	(221,919)
Social sec. employer	(119,377)	(112,474)	(112,174)
non-deduct VAT	(61,567)	(70,649)	(80,792)
Other indirect taxes	(39,096)	(45,668)	(43,109)

(1) Cf. Note 7.16. to the consolidated financial statements in the annual report of Belfius Bank..

(2) Cf. Note 7.9. to the consolidated financcial statements in the annual report of Belfus Bank».

(1) See belfius.be: *belfius.be/Fiscal-Policy-FR*

Consolidated IFRS figures

(in thousands of EUR)	Net income before tax: tax base (A)(1)	Tax on current year resolut (B)	Effective tax rate (B)/(A)
2016	774,505	262,884	33.90%
2017	958,334	388,241	40.50%(2)
2018	865,131	232,201	26.80%

(1) net income before tax excl. incoem and loses from companies accounted for by teh equity method.

(2) following the Belgian corporate tax reform all deferred tax assets and liabilities weere restated to the lower tax rate, resulting in a one-off cost in P&L of 106 Mio EUR. When excluding the impact of the restatement, the effective corporate tax rate would be 29.5%.

For more details: see Note 7.16 to the consolidated financial statements in the Belfius annual report.

WORKING WITH THE COMMUNITY IN THE LONG TERM

Belfius not only invests in the Belgian economy, but also has a strong tradition in supporting projects of a social nature. Corporate social responsibility is in our DNA fits fully within our strategy in this area. Each year, Belfius staff are actively involved with various good causes and other initiatives.

In line with its strategy, Belfius opts for meaningful Belgian long-term partnerships with organisations working on behalf of the underprivileged.

1 Projects for good causes

1.1. Viva For Life

Belfius has supported Viva For Life (an initiative by RTBF, in conjunction with Cap 48) since 2014 and has been its main sponsor since 2016. All donations and profits from this initiative are managed by Cap 48, which is also responsible for selecting the dozens of associations that receive support. Through Viva for Life, Belfius supports a variety of associations in Wallonia and Brussels fighting against child poverty. To raise money, the events organised by Belfius included Stairs for Life, a Christmas bauble sale and tour through various towns and cities.

Money raised

(in EUR)	2016	2017	2018
Amount from Belfius(1)	350,941	376,555	385,252
Total raised for(1) Viva For Life	3,452,310	4,115,330	4,929,220

(1) The "Amount from Belfius" is the amount raised by Belfius through its various programmes, whereas the total raised represents the proceeds raised for Viva For Life in the whole of Wallonia and Brussels.

1.2. Red Nose Day

Working with VTM and Qmusic, Belfius supports Red Nose Day, a programmes that seeks to raise awareness for young people with psychological issues. All proceeds from Red Nose Day 2018 went into the Red Nose Funds, which is managed by the King Baudouin Foundation. The money will be used in 2019 to support schools working for the mental wellbeing of their pupils. The Red Nose Fund aims to give schools the resources they need to take **practical** steps towards ensuring the mental health of their pupils.

Schools with ideas are given the opportunity to transform them into actual projects (e.g. peer-to-peer support groups at school, workshops, quiet areas where students can take refuge, have experience experts give talks at school). The initiative can start with anyone who feels involved: in the first instance the pupils themselves (student board, a class, a group of pupils, etc.), as well as teachers, the care team, parents' association and so on.

Money raised

(in EUR)	2015	2016	2017	2018
Proceeds from Red Nose Day	3,858,814	4,103,677	N/A[1]	4,269,073

(1) There was no programme in 2017.

1.3. Special Olympics

Through our partnership with Special Olympics Belgium (since 2014), we shine a spotlight on people with learning difficulties and promote their integration into Belgian society through sport.

In 2017, Belfius became a "silver sponsor" of the Special Olympics for three years. In addition to the financial support, Belfius also encouraged its employees to work as volunteers on the 36th edition of the Games, which were held in Tournai and Mouscron. 3,397 athletes took part in the Games in 19 different events.

1.4. École 19

In 2018, Belfius was one of the sponsors of École 19 (located in Uccle), based on the model of École 42 in Paris.

École 19 is a highly innovative school at which young people aged 18 to 30 can learn computer coding without the need to have a qualification. École 19 is free of charge, open 24/7 and works without teachers. The students learn by doing projects through a combination of self-study and peer-to-peer learning.

2. Belfius and art

Belfius has been sharing its passion for art with the public for the past 9 years. Each year in the Belfius Art Gallery on the 32nd floor of the Belfius Tower, our head office in Brussels, we display a selection of some 60 pieces from our collection on a particular theme. The Belfius Art Collection is made up of 4,300 works, making it the largest private collection of Belgian art. To enable as many people as possible to enjoy this treasure trove of art, Belfius opens the gallery to the general public twice a month and by appointment. In the second half of 2018, more than 10,000 visitors came to enjoy the Magma Cloud Ashes exhibition. A virtual 360° tour of the exhibit is also available online[1]. Working with the non- profit organisations, Audioscenic and Culturama, we also provide guided tours for visitors with poor eyesight, who are able to enjoy the collection via an audio description.
Our support for Belgian art can also be seen from the loans we make of pieces from the collection to Belgian museums. We also purchase works by young Belgian talent and sponsor events such as Art Brussels, where we also have a thematic exhibit of works from the Belfius Art Collection on display.

3. The private Belfius Foundation

The Belfius Foundation coordinates the solidarity patronage programmes supported by Belfius. Belfius Foundation is legally independent from Belfius Bank and has its own Board of Directors and website[2]. In 2018, the Belfius Foundation had a budget of EUR 174,000. The Foundation uses this money to support non-profit social projects. In 2018, the Belfius Foundation organised the 7th edition of Colour Your Hospital, a competition in which hospitals throughout the country are able to submit projects designed to improve the quality of life of their patients. Last year, an independent panel of judges selected 21 winners from 200 entries. Together they shared a Foundation budget of EUR 150,000 to implement their project.

For social micro-credits, the Foundation continues to run a team of some 30 Belfius volunteers, who provide coaching for micro-entrepreneurs in non-profit organisations and Crédal.

In 2018, the Foundation also supported the "Spring Eens Binnen" project from the Red Cross, which aims to help lonely seniors by paying them a regular visit.

THE DIRECT IMPACT THAT BELFIUS HAS ON THE ENVIRONMENT AND THE CLIMATE

The focus in this section is placed on those elements that have the greatest direct impact on the environment and the climate: the energy consumed by our buildings, the way we sort waste, our consumption of paper and staff travel. All of these factors are translated into our carbon footprint.

1. Sustainability in buildings and mobility

1.1. Energy-savings

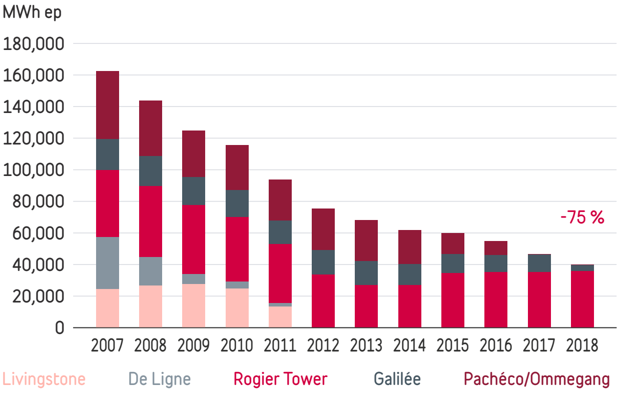
In 2007, Belfius decided to reduce its consumption of primary energy in its central buildings in Brussels by half over a period of five years. In-depth energy audits were conducted in the central offices, regional buildings and certain branches. Since 2012, the optimisation of office space has been brought to the fore (open-plan offices, workstations for 70% of staff, tools for teleworking).

(1) *belfius.be/Belfius-Art*
(2) *belfius.be/Belfius-Foundation*

More recently, centralising staff in the Rogier Tower and the "Dual office" decentralisation programme have both enabled the effort to reduce the resources consumed to be taken further. The same rules have been applied for any new sites.

This work is illustrated by a 47% reduction in primary energy over the past 6 years, adding up to a total reduction of 75% since 2007. Even when the reduction in headcount compared to 2007 is taken into account, it is still a good result, with a reduction of 52% per staff member.

Changes in the consumption of primary energy at the central offices in Brussels

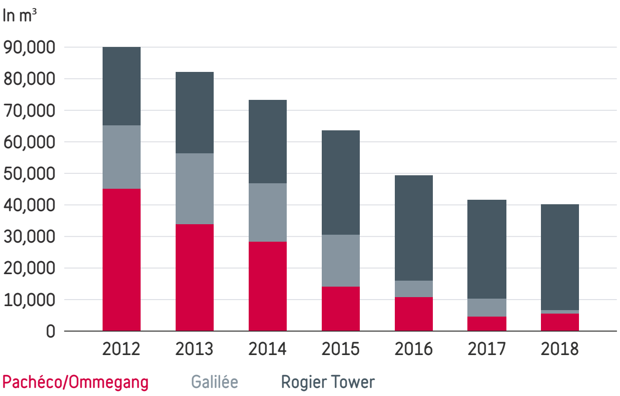


It should be noted that Belfius has been using nothing but "green" electricity since 2008. A new contract was signed in 2016 to extend the same type of supply. This contract runs until 2021.

Water consumption in the central offices has fallen by 55% in 6 years. This represents a per-employee reduction of 27% over the same period.

It should be noted that while the leasing of a large part of the Pachéco building in 2017, leaving the Galilée building in 2018 and the increase in teleworking have contributed significantly to the reductions in consumption recorded in recent years, Belfius continues to invest in centralised energy management tools to ensure that the sites occupied are run efficiently.

Water consumption at head office in Brussels



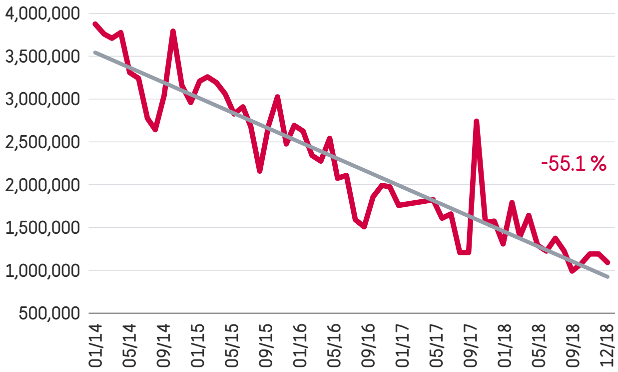
This is what has made it possible to achieve reduced consumption ratios and avoid slipping.

1.2. Less and less paper

Apart from energy, paper is the main resource consumed by Belfius, with almost 940 tons used each year, of which 97.7% is FSC-labelled. On a like-for-like basis, paper consumption has fallen by 52.8% in 5 years.

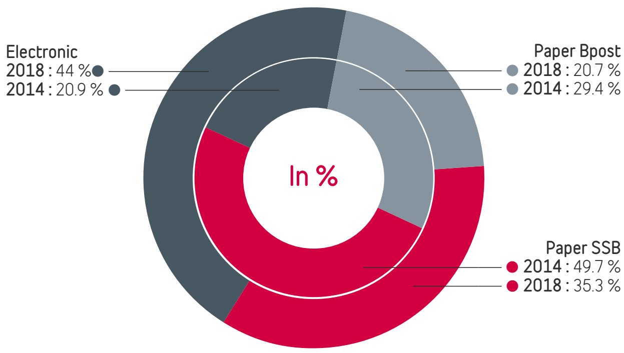
With regard to the paper consumed by staff for printing and photocopies, the effective reduction has been 55.1% in 4 years. The widespread use of portable computers, as well as the removal of cupboards and a 30% reduction in the number of printers should help to reduce the volume of pages printed even more in the years ahead.

Objective: bringing down number of A4 pages printed by 50% in 3 years



Belfius has also made a huge effort to reduce the printing of customer account statements by encouraging their digitisation. In 2018, the proportion of statements printed and sent out to customers by post had fallen by 44% in 4 years and now represents just 21% of account statements. 35% of statements are printed out by customers in-branch (down 44% in 4 years). Meanwhile, the number of unprinted electronic statements (for fully electronic accounts) has risen by 66% in 4 years and represents 44% of account statements.

Evolution of printed statements of account – from 2014 (inner circle) – until 2018 (outer circle)

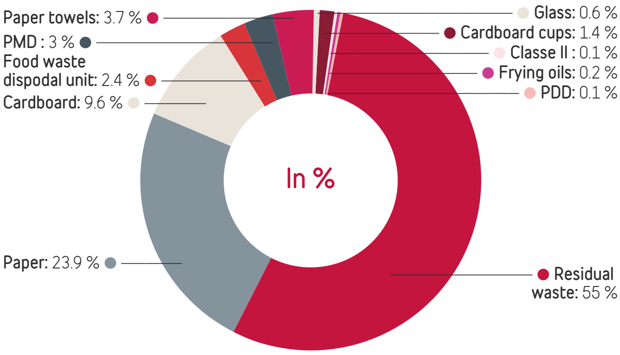


1.3. Waste reducing steadily

Since 2017, Belfius has removed individual staff cupboards as part of its digitalisation (Paperless) programme and the BeWoW concept (Belfius Way of Working).

2018 saw a 27% reduction in the production of waste, compared with 2013. The greatest reduction has been in wastepaper (for recycling), which has fallen by 40% in 5 years, whereas unsorted waste is down by 18%.

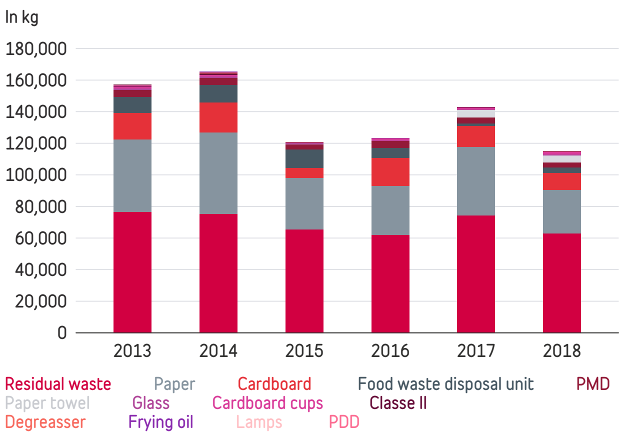
Breakdown of waste produced at the Brussels head office in 2018



The challenges for the future are to reduce the volume of residual waste (unsorted) and paper for recycling, as well as to increase the proportion of PMT and drinking cups for recycling. In-house campaigns are run regularly to make staff aware of sorting waste correctly.

While the weight of waste per employee per year at Central Office fell from 170 kg in 2013 to 145 kg in 2018, the volume of wastepaper fell to 152 tons, compared with 254 tons in 2013. It should also be noted that food waste (18 tons) is ground up and taken away to be converted into biogas. In the same way, Belfius has taken the initiative to recycle paper towels (23.5 tons per year) and drinking cups (8.8 tons per year).

Production waste at the Brussels head office

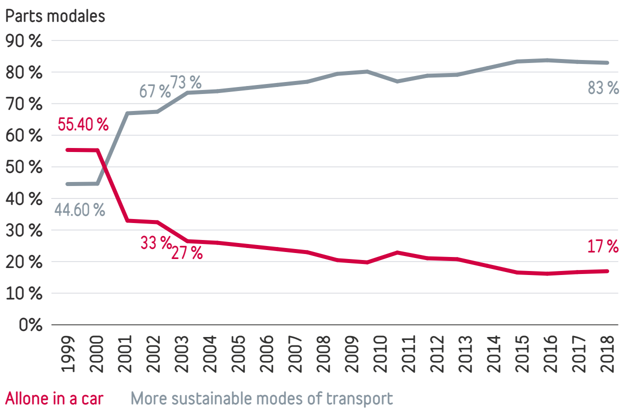


1.4. Sustainable commuting remains one of our strengths at Belfius

In 2000, Belfius introduced an ambitious Mobility Plan encouraging the collective use of public transport and bicycles for travelling to and from work. At the same time, the solo use of cars was discouraged, with bank staff travelling to work in Brussels alone by car being required to pay for their parking.

As a result, 78.7% of bank staff in Brussels (located in the Rogier Tower) now come to work each day by public transport. 17.0% travel alone to work by car, compared with 16.7% in 2017. 8.7% (272 employees) are daily cyclists. 2.5% ride to the office in Brussels by bicycle, although 6.1% use a bike each day to travel to a station to come into Brussels by train.

Evolution of staff travelling alone by car from their home address to the Belfius Bank Brussels head office



At Belfius Bank in Brussels, the proportion of people travelling to work alone by car has fallen by 70% in 17 years, remaining steady at around 17% for the past four years.

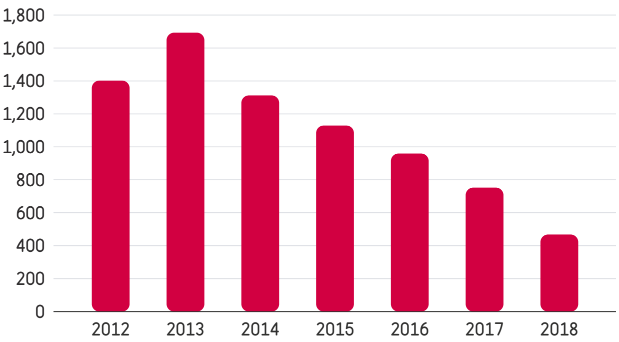
For the Belfius Group, taken across the whole of the country, in 2018, the modal proportions (i.e. the main mode of transport used) for travelling to and from work from home were 56.8% for public transport (compared with 55.6% in 2017), 39.4% for private motorised transport (car, motorcycle, car-sharing) (compared with 40.8 in 2017) and 3.9% for active modes of transport (on foot, cycling) (compared with 3.6% in 2017), while 9.1% of employees (594 staff) are daily cyclists.

Finally, teleworking is also constantly rising and this has a very positive effect on mobility. The 179 139 homeworking days recorded at Belfius bank in 2018 was equivalent to 896 employees (18.7% of staff) taken out of the traffic jams and packed trains each day. And this ratio rises to 25% for staff working in Brussels. This trend is likely to increase further in the years ahead.

1.5. Staff business mileage down sharply

Since 2012, the number of pool vehicles borrowed by Belfius staff has been divided by a factor of three (from 1403 in 2012 to 468 in 2018).

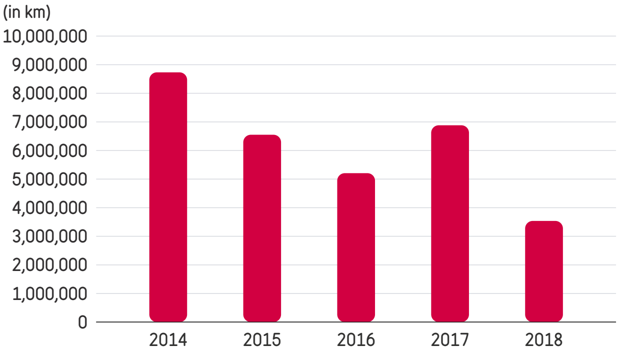
Uses of Belfius vehicles



The number of kilometres driven on business with all types of vehicle (Pool, Flex and Private) was also down, dropping from 8.73 million km in 2014 to just 3.54 million in 2018.

Professionnal travel

(in km)



The number of Pool vehicles at Belfius Bank fell from 30 in 2012 to 18 units in 2018 , whereof an electric shared car of Zen Car. On top of that Belfius added 10 Cambio subscriptions since 2010.

2. Sustainable purchasing

Belfius has implemented an internal policy for its purchases, stipulating that the main suppliers are required to sign an Ethics Charter. This Ethics Charter[1] was updated in 2018. For some purchases, various stakeholders, including the CSR unit, are consulted.

Belfius has signed up to two Green Deals regarding Circular Purchases. As the only participating bank, Belfius fulfils the dual role of purchaser and facilitator:

- → Purchasers at Belfius committed to conducting and completing two circular purchase projects between June 2017 and June 2018:
  - Belfius makes every effort to purchase sustainable furniture, made from recycled components. It also tries to give items a second life when it is no longer used.
  - IT equipment is leased and remains the property of the pro vider who, at the end of the contract, also attempts to give it a second life. If the equipment is damaged, it will at least be recycled for its components.
- → As facilitator (and working with Belfius Lease), at the end of 2017, Belfius introduced a project in conjunction with the company, Eco-Oh, designed to offer local authorities (Mechelen, Tervuren, etc.) a system of hiring or leasing benches made from recycled plastic.

Finally, Belfius regularly draws the attention of its purchasers to the circular economy. A database has been created as a source of inspiration for making circular purchases.

(1) See belfius.be: *belfius.be/Ethics-Charter-FR*

3. The Belfius Group's carbon footprint

The carbon footprint measures the greenhouse gas emissions linked to our company's products and services. It also enables us to gauge our dependence on fossil fuels.

Emissions of CO_2 by source (in tons of CO_2)

	2016	2017	2018
SCOPE 1	**13,079.6**	**13,540.0**	**12,723.9**
Gas consumed	3,669.0	3,523.7	3,496.7
Heating oil	813.6	954.8	871.6
Vehicles owned (pool, company, Flex)	8,597.0	9,061.5	8,355,.6
SCOPE 2	**0.0**	**0.0**	**0.0**
Electricity consumed (market-based method)	0.0	0.0	0.0
Electricity consumed (location-based method)	5,066.3	4,751.4	4,209.6
SCOPE 3	**6,506.1**	**6,548.7**	**6,212.4**
Paper consumed	23.4	21.9	20.5
Water	19.6	16.3	16.0
Waste (paper, cardboard, PMT, unsorted)	127.6	150.4	121.4
Home-work-home travel	5,843.6	5,886.6	5,612.3
Business travel (private vehicles)	194.0	168.0	175.9
Business travel (public transport)	20.0	18.9	23.0
International business travel by train	1.9	2.5	1.6
International business travel by plane	89.4	116.3	94.2
Transporting mail	114.0	97.0	79.0
Transporting valuables	72.6	70.8	68.5
TOTAL EMISSIONS	**19,585.7**	**20,088.7**	**18,936.3**

Some of the figures shown above for 2016 and 2017 may differ from those stated in 2017, because this year we added the 155 salaried network branches of Belfius Bank which were not included previously (gas, electricity, heating oil, water).

"Scope 1" includes the direct emissions associated with heating using primary energy (gas, heating oil) and the fuel used for service vehicles and company cars, including Flex cars financed partly by staff.

It should be noted that the emissions associated with travelling to and from work have been deducted (and placed in scope 3), but the proportion of private travel could not be deducted. This means that all of this travel is considered as business travel, which results in an over-assessment of the actual emissions linked to the company's operations.

"Scope 2" includes the emissions associated with the production of the electricity that we consume. Belfius's power consumption has been totally offset since 2008 by certificates for 100% renewable power (offshore wind power), with CO_2 emissions counted as zero. These emissions would be 4,210 tons if the electricity used was not counted as being renewable.

In "scope 3", which groups other indirect emissions, the majority (90%) is caused by home-work-home travel, followed by business travel (5%).

The Mobility Plan, which has significantly reduced travel in individual cars, has made it possible to avoid the emission of approximately 106,000 tons of CO2 in 18 years.

At the current time, the plan enables approximately 6,000 tons of emissions to be avoided each year, i.e. the equivalent of scope 3, which boils down to dividing emissions associated with home-work-home travel by a factor of two.

Finally, this year, we have added the emissions associated with the production of the paper we consume, as well as the emissions linked to transporting mail and valuables to our branches. This enables us to refine the evaluation of the impact our activities have on the environment.

In conclusion, "scope 1" (-6.0%) and "scope 3" (-5.1%) emissions and total emissions (-5.7%) have reduced, despite the increase in headcount compared to 2017.

HUMAN RESOURCES

Belfius's focus on customer satisfaction is the reason why the level of trust and confidence our customers place in us continues to grow from year to year. It also provides the foundation for the in-depth change of culture within the company. Both individually and collectively, HR aims in the first instance to encourage and support the development of this customer-oriented mindset.

IN DOING SO, BELFIUS FOCUSES ALONG 6 MAIN LINES:

- Developing the new culture of entrepreneurship
- Encouraging engagement through empowerment
- Investing in new talent
- Investing in "Learning & Development"
- Rotating people and talent in-house and externally
- Further developing a policy of wellbeing

1. Developing the new culture of enterprise

1.1. Values and organisational culture

Belfius has 6 values that provide the framework in which a new culture of enterprise is being encouraged on a day-to-day basis:

- Customer-focus: using satisfied customers as the yardstick for everything we undertake.
- Transparency: internal and external openness as the platform for a bank-insurer claiming to implement a new banking culture.
- Commitment: taking full responsibility for the future of Belfius and our society.
- Challenging: both between ourselves and on the market we challenge each other daily to bring the strategy we have chosen to fruition.
- Sense of enterprise: we dare to go down new paths, push back boundaries, have an eye for opportunities that we also focus on to make come true.
- Authenticity: we do things more honestly and differently from others, we respect individual particularities and find differences enriching.

HR has put these aims into practice by:

- Actively driving customer-focus on all levels.
- Focusing on business needs.
- Encouraging people to take responsibility for themselves.

1.2. Satisfaction and commitment

Belfius is convinced that satisfied and committed employees are the cornerstone of any successful organisation. The annual barometer showed in 2018 that Belfius scored highly, both on employee satisfaction and commitment (see table below).

"Satisfaction indicator" scores from the Engagement Survey (Belfius Bank and Belfius Insurance)

	2016	2017	2018
Belfius Bank	94.9%	92.8%	95.2%
Belfius Insurance	93.5%	93.8%	90.7%

"Engagement Indicator" scores from the Engagement Survey (Belfius Bank and Belfius Insurance)

	2016	2017	2018
Belfius Bank	86.7%	85.7%	88.1%
Belfius Insurance	85.2%	86.2%	84.9%

1.3. Outstanding achievements

Commitment reaches further than just our organisation alone. Belfius has set itself the goal of building a more sustainable community. Proof that Belfius staff are committed to this aim can be seen from their voluntary efforts on behalf of good causes, such as Viva for Life (fighting child poverty) and the Red Nose fund (mental wellbeing in young people), for which Belfius also provides structural support.

2. Encouraging commitment through empowerment

2.1. Trust and "empowerment"

Belfius employees are committed, take responsibility and have faith in the challenges of the future. These challenges not only require new skills, but also changes in terms of flexibility and availability.

Which is why, in 2018, Belfius implemented a new work organisation that provides an answer to the challenges of the future, as well as meeting the changing needs of customers and the expectations of employees in terms of a better work-life balance.

For example, as part of this new way of organising work, management has taken a different approach, asking staff to commit to a new way of working more autonomously. The average number of days spent teleworking (per employee involved in teleworking) rose by 50% in 2018 at Belfius Bank. At Belfius Insurance, the rise was more modest, which was due entirely to the fact that teleworking has been a way of life for longer in the insurance company. All in all, teleworking represents more than 20% of working hours in both entities.

2.2. Outstanding achievements

New work organisation at Belfius Bank

At the end of 2017, the unions and management of Belfius Bank reached an agreement about a revamped system for organising work in order to meet the current and future expectations of customers and staff. The new way of organising work is based on the following principles:

- Asking for, but also giving new forms of flexibility and availability. Belfius wants to have a balanced work organisation that meets the flexible needs of customers, while at the same time giving employees the ability to adjust their work-life balance flexibly.
- Progressive introduction of a revamped work organisation giving employees sufficient time to adjust so that they can feel comfortable about new ways of working on their own and with others.
- A harmonised work organisation in which each employee can participate on an equal footing and disputes from the past are settled fairly.

2018 was the year in which this new way of organising work was introduced for the first time. Group/team coaching sessions, training courses and staff communication were all used to create a more flexible form of work organisation. More than 77% of the employees involved have already made the switch to this new system, which is based on flexibility, availability, trust and cooperation.

Changes in "Teleworking" at Belfius Bank and Belfius Insurance

	% of employees doing telework			Average number of days of telework per employee who does telework			% of teleworking out of total 'productive time' »		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Belfius Bank	79.6%	78.4%	85.1%	1.9	2.4	3.6	10.6%	12.7%	21.4%
Belfius Insurance	68.2%	68.9%	69.1%	3.8	4.0	4.1	18.6%	19.8%	20.8%

In 2018, Belfius Bank embarked on negotiations with its union partners in 2018 in relation to implementing a new, long-term remuneration policy. An in-principle agreement was reached at the end of 2018, which will be developed further in conjunction with the unions in 2019.

3. Investing in new talent

3.1. Opportunities for growth

Belfius intends to start investing in tomorrow's solutions today.

As is the case for many companies, natural attrition and the need to recruit for new skills is also a major challenge for Belfius. Belfius is looking for new talent and especially for highly diverse employee profiles. This search is taking the practical form of a more active recruitment policy than in previous years. It also means greater visibility on social media and the introduction of a new recruitment website for potential candidates, as well as a more intensive presence at "milk-round" events staged at universities, colleges and business schools.

As an employer, Belfius offers a wide range of jobs, both centrally and locally, providing extensive job opportunities to potential job-applicants. In terms of "ongoing learning", Belfius has everything it needs in-house to offer a great career to talented individuals wishing to develop themselves and/or looking to take a new direction. It is vital for Belfius to position itself actively on the Belgian jobs market so that it can enhance its image as attractive employer for the talents we seek.

HR has put these aims into practice by:

- → Actively positioning Belfius in the employment market.
- → Offering a wide array of jobs in a range of different areas.
- → Pursuing diversity in our recruitment policy.
- → Emphasising authenticity as a point for attracting future employees.

3.2. Arrivals and departures

In 2018 Belfius Bank and Belfius Insurance advertised 585 open-ended internal and external vacancies.

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

	2016	2017	2018
# vacancies	487	640	585

As one of the ways of attracting new talent, Belfius played host to 78 work experience trainees. This was a significant increase compared with previous years (53 in 2017) and one striking feature was the greater representation of women, which rose from 37.5% in 2016 to 50.0% in 2018.

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

	2016	2017	2018
Male	30	25	39
Female	18	28	39
GRAND TOTAL	48	53	78

The number of new recruits also rose steadily: 323 in 2018, compared with 217 in 2017 and 186 in 2016.

Movements in the number of "arrivals" per age group in the consolidated Belfius group, excl. transfers between entities

Year	Age group	Male	Female	Total
2016	<20		1	1
	20-29	42	50	92
	30-39	30	26	56
	40-49	21	9	30
	50-59	5	2	7
TOTAL 2016		98	88	186
2017	20-29	45	50	95
	30-39	46	19	65
	40-49	27	17	44
	50-59	8	5	13
TOTAL 2017		126	91	217
2018	20-29	78	52	130
	30-39	68	51	119
	40-49	38	26	64
	50-59	8	2	10
TOTAL 2018		192	131	323
GRAND TOTAL		416	310	726

In absolute figures, the number of departures has fallen slightly in recent years. Most departures have been employees in the 60+ age bracket taking retirement, i.e. 188 of the 422 departures, or 44.5% of the total number.

Movements in the number of "departures" per age group in the consolidated Belfius group, excl. transfers between entitie

Year	Age group	Male	Female	Total
2016	20-29	16	14	30
	30-39	25	28	53
	40-49	32	21	53
	50-59	27	39	66
	60 en +	84	63	147
TOTAL 2016		184	165	349
2017	20-29	20	21	41
	30-39	23	18	41
	40-49	14	24	38
	50-59	28	30	58
	60 en +	105	45	150
TOTAL 2017		190	138	328
2018	20-29	27	19	46
	30-39	35	35	70
	40-49	28	23	51
	50-59	31	36	67
	60 en +	110	78	188
TOTAL 2018		231	191	422
GRAND TOTAL		605	494	1,099

In the years ahead, this number will continue to increase, both in absolute figures and proportionately. Continuing to invest in new, young talent will be a cornerstone of our HR strategy more than ever in the future. In 2016, both at Belfius Bank and at Belfius Insurance, natural attrition was respectively 5.81% and 6.61%.

For Belfius Bank, this figure rose slightly, while for Belfius Insurance it fell. The relatively high level of natural attrition at Belfius Insurance in 2018 was due mainly to the integration of Belfius Insurance employees into Belfius Bank.

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

	2016	2017	2018
Belfius Bank	5.81%	5.26%	6.53%
Belfius Insurance	6.61%	12.41%	11.90%

3.3. Gender Diversity

The diversity policy at Belfius has been stepped up since 2015, with new indicators established and progress monitored on a regular basis. This has resulted in a more evenly balanced "gender mix" among (younger) recruits to the company. Belfius has also set itself targets regarding diversity on other levels. Within the management population, for instance, the number of female managers has risen slightly, evolving from 27.7% in 2015 to 30.0% in 2018. Idem for the Senior Management, evolving from 25.7% women in 2015 to 31.3% in 2018. There's still work to do, thus (gender) diversity will continue to be a priority in the years ahead.

3.4. Outstanding achievements

3.4.1. Diversity

The diversity policy at Belfius is focused on giving every employee the opportunity to develop his or her talents and is based along 3 main lines:

- → gender
- → generations
- → personality type

In terms of gender, Belfius aims to support greater male-female diversity. The gender balance in Boards of Directors is laid down by law(2). Belfius aims to extend this balance to extend this aim to all levels within the organisation. This is why the Diversity Steering Committee was created, which monitors and provides a practical interpretation of this aim.

Through "Bridge Builders", Belfius shines the spotlight on the added value of collaboration between the generations. The aim of this initiative, as the name suggests, is to build bridges between young and more experienced employees on specific subjects during a two-day session.

The third cornerstone concerns the diversity of styles and personalities. Belfius is convinced that teams made up of people with different personalities, talents and backgrounds perform better. With this in mind, Belfius offers a range of training courses, such as "Discover Your Colours" and "Emotionally Intelligent Communication" and "Boost Your Creative Skills", in which participants not only get to know themselves better, but also learn to communicate and work with colleagues and customers, taking each other's personality into account.

(1) All of the figures relating to staff are for the "active" headcount (unless stated otherwise), i.e. excluding employees taking early retirement, on long-term sick leave, full-time time credits, on secondment.
(2) By 01/01/2019, at least one-third of the members of the Board of Directors appointed by the Belgian State or by a company controlled by the Belgian State are expected to be of a different gender than the other members (see Table Gender breakdown among members of the Board of Directors of Belfius Bank).

Gender breakdown among members of the Board of Directors of Belfius Bank

2016			2017			2018		
# directors	of whom women	% female	# directors	of whom women	% female	# directors	of whom women	% female
14	2	14%	15	3	20%	15	3	20%

3.4.2. "Young Professionals" (YoPro)

Two programmes give young people at Belfius a prominent place and a voice: "Belfius Young Community" (BYC) and, more recently, Belfius Young Professionals. Each year Belfius recruits around 20 Young Professionals. These are young people who have just graduated or who have already gained some business experience. During the course of 2018 and spread across the whole of Belfius, 26 young employees worked for three to four periods of 6 months on strategic projects in various departments.

4. Investing in "Learning & Development"

4.1. Continuous development

Because the proactive management of skills is important, Belfius is constantly investing in the development of employees, and their additional training should the content of their job change.

As such, Belfius acknowledges the importance of "lifelong learning", because this is the best guarantee of employees giving themselves the opportunity to adjust to the changing needs of the business and customers.

Employees take control of their own career. Having said that, Belfius gives them both the opportunities and the means to invest in themselves.

HR has put these aims into practice by:

- Proactively identifying talented people in the organisation.
- Offering a wide "Learning" range (conventional training courses, e-learning, on-the-job training, external training courses, seminars, development programmes, etc.).
- Providing a permanent range of development opportunities.
- Supporting iternal mobility.
- Guiding and redirecting staff via the Mobility Centre.

4.2. Learning & Development

In 2018, Belfius Bank recorded an average of 7 days of training for each full-time equivalent employee. The figure for Belfius Insurance was 5 days. The increase for Belfius Bank can be explained by the "on-the-job" training sessions that were not previously counted.

Movements in the average number of days' training per full-time equivalent (Belfius Bank and Belfius Insurance) (1)

	2016	2017	2018
Belfius Bank	4.75	4.42	7.00
Belfius Insurance	4.39	5.29	5.00

(1) These figures include the number of training courses actually registered in our systems, as well as alternative forms of training, such as 'on-the-job courses'.

4.3. Outstanding achievements

4.3.1. LeaderShift

In 2015, Belfius launched its new leadership model, created to enable a change in culture to be brought about by stronger leadership. The new LeaderShift programme came into being from this leadership model at the end of 2018. LeaderShift is designed to put the right mindset, tools and practices in place for participants evolve in a rapidly evolving world. To anticipate and provide guidance for the numerous challenges and changes awaiting the financial world, while respecting our vision and values.

This "shift" needs to happen on a number of different levels:

- Mindset: we need employees who are eager to learn, who have an open way of looking at things, a "growth mindset" and great adaptability.
- Skills: we need to learn to master new tools and techniques in a constantly changing world.
- Practices: managers must set example and be a coach capable of showing their staff the way and help develop their talents.
- System: we need to evolve into a more flexible organisation that is committed to transversal cooperation.

In practical terms, LeaderShift means:

- A year-long development and learning process for all Belfius managers (more than 600 of them).
- a 5-day immersion experience in small groups, with a variety of company visits, presentations, intensive learning sessions and networking.
- Learning moments in the form of workshops or presentations.

The LeaderShift programme is an investment for all Belfius employees. All managers share their knowledge and skills with their team, while introducing new working habits, step by step, in line with Belfius values.

4.3.2.Growth Mindset

Growth Mindset is a three-year programme that stimulates our organisation substantively and mentally to innovate better and deal with future challenges.

In 2018, two Growth Mindset expeditions were undertaken: the first to San Francisco and Toronto, the second to Singapore and Beijing. 49 employees found inspiration in a wide range of areas during their contacts with leading companies in various sectors.

4.3.3. The Academy

To be able to continue coping with the speed at which technological innovations succeed one another and the way customer expectations are evolving, Belfius has set up The Academy. This training process, which extends over two years, enables members of staff not only to develop in areas such as Project and Process Management, Artificial Intelligence and Innovation Technology, but also in Communication, Management, Self-Leadership and languages. Over time, 2,000 employees will go through The Academy, including 350 who did so in 2018. These were mainly Business and Functional Analysts, Business Process Owners and Project and Process Managers.

4.3.4. CLA on Talent Development at Belfius Bank

Belfius continues to invest resolutely in its own talent, through clear agreements made on reorientation. Working via the Mobility Centre, HR is committed mainly to spending up to 9 months guiding employees after a long-term absence or in cases where their positions have been removed in finding a new job.

4.3.5. Digital training initiatives

Since the learning platform (E-Lab) was revamped, staff members are able to do training courses online, when and where it suits them best. The platform can also be accessed on mobile devices.

Specific "digital training courses" have now been developed to take full advantage of the current move towards digitalisation. "Destination Digital" offers all Belfius employees a unique opportunity to become explore the digital world in a fun, original way, while at the same time becoming familiar with Belfius's digital applications.

A number of initiatives have also been developed in the area of Digital Dating, helping staff to learn more about the digital world.

5. Rotating people and talent in-house and externally

5.1. People: the backbone of the company

Belfius relies on its engaged and talented employees. It is the task of HR to nurture and grow this talent by encouraging transversal collaboration across the traditional boundaries of the various departments.
Belfius is also convinced that rotating talent needs to go beyond company boundaries so that we can achieve our aims and ambitions by exchanging knowledge and experience with our customers and partners, as well as with the academic world, students and associations.

HR put these aims into effect in 2018 by:

- → Taking full advantage of the "employability" of its staff.
- → Positioning HR as an active partner for the business.
- → Making active use of HR data in taking strategic decisions.
- → Proactively examining the impact of artificial intelligence.
- → Encouraging ways of bringing talented people together so that they can work with each other.

5.2. Changes in the workforce

Strategy 2020 provides a powerful answer to the major challenges that Belfius and the whole of the banking sector have to deal with today. To achieve this, Belfius has not gone down the path of reducing the number of FTEs, but by making the fundamental choice of providing maximum support to the "employability" of the staff we have today. As we have said before, our many talented employees form the backbone of our organisation. Together we will stand firm against the challenges of the future.

Since the Plan 2013-2016[1] was introduced, the number of employees working in the group declined steadily, before stabilising from 2016. In 2018, Belfius had 6,494 employees (3,144 women and 3,350 men), of whom 97.6% were employed on open-ended contracts.

In 84.4% of cases, employees were working full time, which was virtually identical to the situation in previous years (2017: 83.8%, 2016: 83.9%, 2015: 83.7%).

The age pyramid shows the distribution of the number of employees per age category. These figures again show that ageing is not only

(1) CLA dated 10 July 2013 regarding a framework for internal mobility, measures for early retirement, measures for reducing working hours and employment guarantees as part of the Belfius Plan 2016.

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

Type of contract	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent contract	3,202	2,193	5,395	3,209	2,184	5,393	3,251	2,229	5,480
Fixed-term contract	92	942	1,034	98	941	1,039	99	915	1,014
TOTAL	**3,294**	**3,135**	**6,429**	**3,307**	**3,125**	**6,432**	**3,350**	**3,144**	**6,494**

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

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

	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
20 year - 29 year	194	202	396	207	209	416	242	231	473
30 year - 39 year	468	572	1,040	453	521	974	478	514	992
40 year - 49 year	1,045	1,173	2,218	1,029	1,114	2,143	980	1,071	2,051
50 year - 59 year	1,416	1,136	2,552	1,422	1,231	2,653	1,411	1,251	2,662
60+	171	52	223	196	50	246	239	77	316
TOTAL	3,294	3,135	6,429	3,307	3,125	6,432	3,350	3,144	6,494

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

one of the major challenges for the near future (more than 45% of employees are aged 50 or older), but that it also offers opportunities in terms of the "employability" of "younger" staff, enabling them to progress further within the organisation.

5.3. Outstanding achievements

5.3.1. Belfius Young Community (BYC)

BYC, which currently has around a thousand members, was created by and for young Belfius employees (under the age of 36). BYC has a number of objectives: to bring young employees into contact with each other; to support their sense of involvement and commitment; and also to provide recurrent feedback to management to ensure an ongoing focus on the long-term future.

5.3.2. The Birdhouse

Once again in 2018, Belfius was the lead partner of The Birdhouse, an intensive accelerator programme for young entrepreneurs. By sponsoring The Birdhouse, Belfius supports young businesspeople financially and also in terms of insurance. These start-ups can also rely on Belfius's own business development expertise, with 37 experienced mentors guiding them for 6 months in their aim to achieve sustainable growth.

This partnership provides an attractive supplement to the expert advice that our 500 Business Banking specialists provide all over the country. Each year, 30 start-ups or scale-ups are given the opportunity to kick-start their growth with the support and expertise of Belfius. In total, 67 start-ups have already been provided with guidance.

6. Further development of a policy on wellbeing

6.1. A modern and attractive employer

As a modern and attractive employer, Belfius has invested a great deal in recent years in innovative working conditions for its employees.

6.2. A structured policy on wellbeing

Belfius aims to work proactively in favour of the overall wellbeing of its employees. One of the initiatives introduced for this in 2017 was implemented in 2018 and relates to a structured wellbeing policy for employees. This initiative will be in two parts:

- On the one hand, there was the implementation of a "wellbeing tool" that each employee will be able to use at specific times. Based on a detailed questionnaire (focusing on the work-related and personal context of the employee), it proactively identifies "welfare risks" via a personal report. It also uses an individual barometer, based on a questionnaire, to identify areas of professional and personal resilience while providing tips and practical tools for taking action. 69% (Belfius Bank) and 65% (Belfius Insurance) respectively of employees responded to the questionnaire. Once the survey was complete, each of them received an individual, personalised report setting the details of their own results.
- On the other, an Employee Assistance Programme (EAP) was introduced. This programme ensures that employees are able to access a "coach" at any time – anonymously, if they wish. The EAP enables people who find themselves in difficulties (for work-related or personal reasons), to receive support proactively.

6.3. Absenteeism

The level of absenteeism at Belfius Bank in 2018 was 4.12%, which was the same percentage as in 2017 and a slight decline compared with 2016 (4.15%).

6.4. Outstanding achievements

6.4.1. Belfius Way of Working (BeWoW)

In 2018, the revamped working environment that goes with BeWoW continued to be implemented. BeWoW creates a balance between physical elements (place of employment), digital elements (hardware and software) and behavioural elements (organisation structure, culture, leadership and empowerment). At the end of 2018, more than 5,000 staff were working in a BeWoW environment. Also last year, Belfius won the Corporate HR Award in the category for "Inspiring Workplace & Future of Work" for this innovative and inspiring project.

6.4.2. Belfius Workout & The Village

For some time now, Belfius Tower has had a fitness space where all staff are able to go and exercise, de-stress and recharge their batteries. At the end of 2018, Belfius Workout had around 800 members coming to engage in sport of some kind on a regular basis, individually, in groups or under the guidance of a specialised coach.

"The Village" has also developed into the meeting place par excellence at Belfius Tower, where people can eat, meet workmates for a chat, have meetings, organise presentations and small events or work individually on one of the login points.

FINANCIAL RESULTS

PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Changes to the scope of consolidation

1.1. Full Consolidation of Auxipar

At the end of 2016, an agreement was concluded between Belfius and the liquidators of the Arco companies under liquidation (Arcopar, Arcofin, Arcoplus and Arcosyn) with the objective to advance towards finalization of the liquidation, in the interest of all stakeholders. This agreement listed a combination of actions to finalize towards end of liquidation, including the takeover by Belfius of the Auxipar shares held by the Arco companies.

As a result of these actions moving forward, Belfius has increased, on 29 March 2018, its stake in Auxipar from 39.7% to 74.99% for a price of EUR 29.4 million. The transaction qualifies as a business combination achieved in stages. IFRS 3 is applied whereby any previously held interest is adjusted to its fair value as of the acquisition date with any resulting gain reported in the consolidated income statement. Belfius has estimated the fair value of Auxipar at EUR 82.8 million at acquisition date, in line with the acquisition price for 100% of the shares (EUR 83.3 million). The revaluation following the application of IFRS 3 of the previously held interest (recognized end March 2018 at EUR 33 million) resulted in a capital gain of EUR 23 million recorded in "Net income on investments and liabilities". The difference between the restatement of the balance sheet and the consideration paid, resulted in a goodwill of EUR 0.1 million.

One of the investments made by Auxipar is a 82.7% stake in EPC, a pharaceutical group. While Auxipar as such owns the majority of the shares in EPC, it does not have substantiated control over the investment as (a) there is a limitation of the voting rights and (b) no shareholder/control agreements exist. As a result, Belfius will consolidate EPC through the equity method. The value of EUR 20.7 million resulting from the equity method is considered as the fair value of EPC estimated at the date of acquisition of Auxipar and includes EUR 1.4 million of goodwill.

1.2. Other changes in the scope of consolidation

Belfius sold its investments in "NEB Participations" to Nethys. It concerned an associate previously accounted for through the equity method. Belfius realized a capital gain of EUR 23.6 million on this sale recorded in "Net income on investments and liabilities".

Belfius started consolidating the new entity Bancontact Payconiq Company in 2018, of which it owns 22.5% of the shares, through the equity method, following the merger between Payconiq and Bancontact on 29 June 2018.

Caring People, a 100% subsidiary of Corona performing contact center activities for Corona, is fully consolidated as from 2018.

The companies Jaimy and Charlin are fully consolidated as from date of establishment in 2018. Jaimy aims to provide a platform where users can request small home repairs. Charlin aims to offer a solution for the elderly whereby they'll be able to stay longer in their own homes without special assistance.

The digital innovation companies The Studio, Spencr, Brightknight and Smart Belgium Services are fully consolidated as from 2018. The Studio and Spencr develop and promote digital banking solutions such as Pengo and blockchain related applications. Brightknight offers services around robotisation and artificial intelligence to the Public and Corporate segment. Smart Belgium Services facilitates the dialogue between the local authorities and the entrepreneurial world.

The real estate company Offico Immo is fully consolidated as from December 2018. The investment in the holiday park De Haan and investment company M80 Capital are consolidated through the equity method as from 2018 in accordance with the shares held by Belfius Insurance in these companies. The acquisition of these latter participations fits in the long-term diversified investment strategy of Belfius Insurance.

1.3. Simplification of the group structure

The Board of Directors of Belfius Bank approved the closure of the Dublin branch on 26 April 2018, thereby centralizing the Irish portfolio in Belfius Ireland (BIRL), a subsidiary of Belfius Bank, and simplifying the group structure of Belfius. At the end of 2018, all bonds and their corresponding hedge derivatives were transferred at market price from Dublin branch to Belfius Ireland. The final legal closing occurred on 28 January 2019. This closure had a positive impact on the current tax position of Belfius Bank of EUR 31 million.

2. Fundamentals of the consolidated financial statements

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

PRELIMINARY REMARKS

As from 1 January 2018, the IFRS 9 standard on financial instruments has become applicable. The first time adoption of this standard resulted in an opening balance as at 1 January 2018 under IFRS 9 and had quite a significant impact on

- the balance sheet presentation;
- the classification of financial assets and
- retained earnings.

Belfius has taken the opportunity to review the presentation of its balance sheet as from 1 January 2018. Under IAS 39, Belfius has applied a valuation based presentation, whereby the presentation of the balance sheet was primarily based on the valuation method of the assets and liabilities. However, as from 1 January 2018, Belfius has opted to adopt a nature based presentation, whereby assets and liabilities are grouped based on their type and a grouping is performed of, for example, debt instruments.

The classification of financial assets under IFRS 9 is based on both the business model for managing the financial assets and the characteristics of the financial assets' contractual cash flows. Belfius has assessed its business models and analysed whether the contractual cash flows of the financial assets represents solely payments of principal and interest (SPPI test) on the principal amount outstanding. As a consequence, the classification of certain financial assets under IAS 39 is no longer comparable with the classification of these financial assets under IFRS 9.

Furthermore, IFRS 9 defines a new measurement model resulting from both

- business model choice and
- SPPI test as well as a new impairment model.

As a result, a transition impact can be noted between IAS 39 and IFRS 9 which is either reversed or recorded in "Other Comprehensive Income or Retained Earnings".

Under IFRS 9, an option is provided not to restate the comparatives, and Belfius has decided to make use of this exemption. As a result, Belfius presents the balance sheet and statement of income under IAS 39 as they were reported in the 2017 financial statements. Nevertheless, for comparability purposes, Belfius compares the balance sheet at Date of Initial Application (DIA) on 1 January 2018 with the balance sheet end 2018.

Seeing that no proforma is made for the statement of income end 2017, Belfius will present and comment the reported statement of income under IAS 39 end 2017 alongside the statement of income end 2018 under IFRS 9.

Note that a detailed analysis of the DIA is available in note 3 "Accounting principles on a consolidated basis", chapter "Transition tables from IAS 39 to IFRS 9".

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

Total assets decreased by EUR 3.1 billion, or 1.8%, from EUR 167.2 billion as at 1 January 2018 to EUR 164.2 billion as at 31 December 2018. The total assets are composed of EUR 146.4 billion for Belfius' Banking Group (compared to EUR 148.7 billion at 1 January 2018) and EUR 17.8 billion for Belfius Insurance (compared to EUR 18.5 billion at 1 January 2018). These amounts represent the contribution of Belfius' Banking Group and Belfius Insurance to the consolidation scope and do not reflect their respective stand alone total assets.

The decrease can be identified in "derivatives" following market evolutions as well as the corresponding collateral in "loans and advances due from credit institutions". In addition, following the decreasing outstanding in Branch 21 ("provisions for insurance activities"), a decrease can be noted due to sales of "debt securities measured at fair value through other comprehensive income" and "debt securities measured at fair value through profit or loss". Furthermore, a shift in funding sources can be identified due to the low interest environment whereby "debt securities issued" decreases against "deposits".

Synoptic Consolidated balance sheet

(In millions of EUR)	01/01/18 IFRS 9	*Contribution Bank into group[1]*	*Contribution Insurance into group[1]*	31/12/18 IFRS 9	*Contribution Bank into group[1]*	*Contribution Insurance into group[1]*	Evolution
TOTAL ASSETS	167,217	*148,725*	*18,492*	164,165	*146,356*	*17,810*	-3,052
Of which							
Cash and balances with central banks	10,237	*10,237*	*0*	8,314	*8,314*	*0*	-1,922
Loans and advances due from credit institutions	13,802	*13,756*	*46*	13,107	*13,073*	*34*	-695
A. Measured at amortised cost	13,802	*13,756*	*46*	13,107	*13,073*	*34*	-695
Loans and advances	85,406	*81,299*	*4,108*	91,123	*87,054*	*4,069*	+5,716
A. Measured at amortised cost	83,060	*78,989*	*4,072*	89,302	*85,271*	*4,031*	+6,242
C. Measured at fair value through profit or loss	2,346	*2,310*	*36*	1,820	*1,783*	*37*	-526
Debt securities & equity instruments	30,776	*17,558*	*13,219*	28,569	*16,739*	*11,830*	-2,208
A. Measured at amortised cost	21,144	*15,354*	*5,790*	21,611	*15,671*	*5,939*	+467
B. Measured at fair value through other comprehensive income	6,963	*1,352*	*5,611*	5,216	*217*	*4,999*	-1,747
C. Measured at fair value through profit or loss	2,670	*852*	*1,818*	1,742	*850*	*892*	-928
Unit linked products insurance activities	2,598	*0*	*2,598*	2,838	*0*	*2,838*	+240
Derivatives	16,415	*16,415*	*0*	12,768	*12,739*	*28*	-3,647
TOTAL LIABILITIES	157,772	*139,818*	*17,955*	154,206	*136,849*	*17,356*	-3,567
Of which							
Cash and balances from central banks	3,979	*3,979*	*0*	3,962	*3,962*	*0*	-16
Credit institutions borrowings and deposits	7,131	*7,099*	*32*	5,867	*5,810*	*56*	-1,265
A. Measured at amortised cost	7,131	*7,099*	*32*	5,867	*5,810*	*56*	-1,265
Borrowings and deposits	76,328	*76,328*	*0*	79,661	*79,661*	*0*	+3,333
A. Measured at amortised cost	76,274	*76,274*	*0*	79,610	*79,610*	*0*	+3,335
B. Measured at fair value through profit or loss	54	*54*	*0*	52	*52*	*0*	-2
Debt securities issued and other financial liabilities	28,269	*28,269*	*0*	26,687	*26,687*	*0*	-1,582
A. Measured at amortised cost	22,027	*22,027*	*0*	19,275	*19,275*	*0*	-2,752
B. Measured at fair value through profit or loss	6,241	*6,241*	*0*	7,412	*7,412*	*0*	+1,171
Unit linked products insurance activities	2,598	*0*	*2,598*	2,838	*0*	*2,838*	+240
Derivatives	21,196	*21,196*	*0*	17,740	*17,740*	*0*	-3,456
Provisions for insurance activities	14,584	*0*	*14,584*	13,908	*0*	*13,908*	-676
Subordinated debts	1,199	*1,199*	*0*	1,219	*1,219*	*0*	+21
A. Measured at amortised cost	1,199	*1,199*	*0*	1,219	*1,219*	*0*	+21
TOTAL SHAREHOLDERS' EQUITY	9,444	*8,907*	*537*	9,446	*9,009*	*437*	+2
Of which							
Shareholders' core equity	8,788	*8,730*	*58*	9,055	*8,897*	*158*	+267
Gains and losses not recognised in the statement of income	657	*177*	*479*	392	*112*	*279*	-265
TOTAL EQUITY	9,444	*8,907*	*537*	9,960	*9,506*	*453*	+515
of which							
Total shareholders' core equity	9,444	*8,907*	*537*	9,446	*9,009*	*437*	+2
Additional Tier-1 instruments included in equity	0	*0*	*0*	497	*497*	*0*	+497
Non-controlling interests	0	*0*	*0*	16	*0*	*16*	+16

(1) Information based on non-audited figures

1. Assets

1.1. Cash and balances with central banks

Cash and balances with central banks decreased by EUR 1.9 billion, or 18.8%, to EUR 8.3 billion as at 31 December 2018, compared to EUR 10.2 billion as at 1 January 2018. In view of its liquidity management Belfius deposits part of its surplus cash at the National Bank of Belgium.

1.2. Loans and advances due from credit institutions

Loans and advances due from credit institutions decreased with 5.0% or EUR 0.7 billion to EUR 13.1 billion as at 31 December 2018 compared to EUR 13.8 billion as at 1 January 2018, due to a decrease of cash collateral paid according to the market evolution of derivatives of EUR 1.1 billion and EUR 0.2 billion interbank loans, partially offset by an increase of EUR 0.6 billion reverse repurchase agreements.

1.3. Loans and advances

Loans and advances increased by EUR 5.7 billion, or 6.7%, to EUR 91.1 billion as at 31 December 2018, compared to EUR 85.4 billion as at 1 January 2018. The increase in loans was due to an increase in commercial assets of EUR 6.2 billion (mainly mortgage loans and term loans) in line with our strategy to further develop our commercial franchise and to support the Belgian economy. Other items include an increase of cash collateral paid according to the market evolution of derivatives of EUR 0.1 billion and a decrease in reverse repurchase agreements of EUR 0.1 billion. Note that at date of initial application of IFRS 9, a total stock of EUR 2.3 billion loans did not pass the SPPI-test and are therefore measured at fair value through profit or loss. It mainly concerns loans to the public and social sector with specifically structured interest rate features. Note that regular restructurings take place, transforming non-basic loans into basic loans structures. This restructuring resulted in a decrease of EUR 0.5 billion in the non-basic loans and advances measured at fair value through profit or loss at 31 December 2018.

The asset quality ratio, indicating the ratio between impaired loans and advances and the gross outstanding loans and advances, decreased slightly from 2.15% at 1 January 2018 to 2.05% at 31 December 2018.

1.4. Debt securities and equity instruments

The debt securities and equity instruments portfolio is situated in Belfius' Banking Group for EUR 16.7 billion (versus EUR 17.6 billion at 1 January 2018), and in Belfius Insurance for EUR 11.8 billion (versus EUR 13.2 billion at 1 January 2018).

Two types of business models can be distinguished within Belfius group. The bond portfolios within Belfius' Banking Group are managed within a business model whose objective is to 'held to collect' contractual cash flows until maturity apart from certain positions that were classified as "held to collect and sell". The latter concerns part of the Italian government bond portfolio which has been sold in the meantime for concentration risk management purposes. The debt securities of Belfius Insurance are managed according to their ALM policies and guidelines, resulting in the insurance group having determined that a large 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.

The debt securities measured at amortised cost increased slightly from EUR 21.1 billion to EUR 21.6 billion following the reinvestment of the proceeds from the sold Italian bonds at Belfius Bank and acquisitions at Belfius Insurance.

The financial assets measured at fair value through other comprehensive income decreased by EUR 1.7 billion or 25.1% to EUR 5.2 billion as at 31 December 2018 compared to EUR 7.0 billion as at 1 January 2018. The decrease mainly resulted from the sale of some Italian government bonds for a notional amount of EUR 0.8 billion at Belfius Bank, in line with Belfius' objective to decrease its related concentration risk. At Belfius Insurance, government bonds were sold for EUR 0.5 billion within the ALM management in the individual life segment and to finance the settlement of a segregated fund. In addition, negative fair value adjustments following higher yields and declining equity markets compared to end 2017 can be noted.

The debt securities measured at fair value through profit or loss decreased with EUR 0.9 billion, or 34.7%, to EUR 1.7 billion as at 31 December 2018 compared to EUR 2.7 billion as at 1 January 2018, principally following the decrease in outstanding of mainly monetary (mutual) funds in the non-basic fund portfolio at Belfius Insurance.

1.5. Unit linked products insurance activities

Unit linked products insurance activities (Branch 23) increased with EUR 0.2 billion, or 9.3%, to EUR 2.8 billion as at 31 December 2018 compared to EUR 2.6 billion as at 1 January 2018, mostly resulting from transfers from Branch 21 contracts coming to maturity and net new cash, though partially offset by fair value evolution.

1.6. Derivatives

Derivatives decreased by EUR 3.6 billion, or 22.2%, to EUR 12.8 billion as at 31 December 2018, compared to EUR 16.4 billion as at 1 January 2018. This was mainly due to compression services on the derivatives market and market evolutions.

2. Liabilities

Total liabilities decreased by EUR 3.6 billion, or 2.3%, to EUR 154.2 billion as at 31 December 2018, compared to EUR 157.8 billion as at 1 January 2018. Following the decreasing outstanding in Branch 21 ("provisions for insurance activities"), a decrease can be noted due to sales of "debt securities measured at fair value through other comprehensive income" and "debt securities measured at fair value through profit or loss". Furthermore, a shift in funding sources can be identified due to the low interest environment whereby "debt securities issued" decreases against "deposits".

2.1. Cash and balances from central banks

Cash and balances from central banks remained stable at EUR 4.0 billion as at 31 December 2018.

2.2. Credit Institutions borrowings and deposits

Credit Institutions borrowings and deposits decreased with EUR 1.3 billion, or 17.7%, to EUR 5.9 billion as at 31 December 2018 compared to EUR 7.1 billion as at 1 January 2018, following a decrease in cash collateral received according to the market evolution of derivatives by EUR 1.0 billion and deposits for EUR 0.2 billion.

2.3. Borrowings and deposits

Borrowings and deposits increased by EUR 3.3 billion, or 4.4%, to EUR 79.7 billion as at 31 December 2018, compared to EUR 76.3 billion as at 1 January 2018. The increase in customer borrowings and deposits was due to the organic growth of sight and saving accounts.

2.4. Debt securities issued and other financial liabilities

Debt securities issued and other financial liabilities decreased with EUR 1.6 billion, or 5.6%, to EUR 26.7 billion as at 31 December 2018 compared to EUR 28.3 billion as at 1 January 2018.

Debt securities measured at amortised cost decreased by EUR 2.8 billion, or 12.5%, to EUR 19.3 billion as at 31 December 2018 compared to EUR 22.0 billion as at 1 January 2018, due to the maturity of certificates of deposit and other debt securities, partially offset by the issuance of EUR 1.5 billion covered bonds in 2018.

The debt securities measured at fair value through profit and loss increased with EUR 1.2 billion, or 18.8%, to EUR 7.4 billion as at 31 December 2018 compared to EUR 6.2 billion as at 1 January 2018 following new issuances of (structured) debt securities for retail customers, partially offset by debt securities that came to maturity.

2.5. Derivatives

Derivatives decreased by EUR 3.5 billion, or 16.3%, to EUR 17.7 billion as at 31 December 2018, compared to EUR 21.2 billion as at 1 January 2018. This was mainly due to compression services on the derivatives market and market evolutions.

2.6. Provisions for insurance activities

Provisions for Life insurance activities decreased with EUR 0.7 billion, or 5.3%, to EUR 12.6 billion as at 31 December 2018 compared to EUR 13.3 billion as at 1 January 2018, due to the settlement of a segregated fund as well as surrenders, only partially compensated by new production volumes following the low interest rate environment. Surrenders are mostly reinvested by clients in products of Belfius Bank as well as in Branch 23 products of Belfius Insurance. The technical provision for non life products increased slightly with EUR 32 million to EUR 1.3 billion as at 31 December 2018 due to the growth in non-life activity. Belfius has used the results of the liability adequacy test (LAT) to assess the adequacy of its technical provisions for low interest rates and other risks which demonstrated that the technical provisions were more than sufficient.

2.7. Subordinated debts

Subordinated debts remained stable at EUR 1.2 billion as at 31 December 2018, compared to EUR 1.2 billion as at 1 January 2018. The 2018 Tier 2 issue was entirely offset by anticipated calls on issued debt.

3. Equity

Total equity increased by EUR 515.1 million, or 5.5%, to EUR 10.0 billion as at 31 December 2018 compared to EUR 9.4 billion as at 1 January 2018. The increase was mainly due to the profit for the year ended 31 December 2018 of EUR 649 million as well as the additional Tier 1 issue of EUR 500 million. This was partially offset by payment of the full year 2017 dividend of EUR 363 million (of which EUR 75 million was paid as interim dividend in the third quarter of 2017) and an interim dividend of EUR 100 million on the 2018 profit. Furthermore, gains and losses not recognised in the statement of income decreased with EUR 265 million.

3.1. Shareholders' core equity

Shareholders' core equity increased with EUR 267.2 million, or 3.0%, to EUR 9.1 billion as at 31 December 2018 compared to EUR 8.8 billion as at 1 January 2018. The increase was mainly due to the profit for the year ended 31 December 2018 of EUR 649 million which was partially offset by the ordinary dividend of EUR 363 million over the result of 2017, of which EUR 75 million was paid via an interim dividend in the third quarter of 2017 and an interim dividend of EUR 100 million on the 2018 profits paid in August. The payment on additional Tier 1 amounted to EUR 9 million after tax. On DIA the irrevocable choice was made to measure all equity instruments at FVOCI. As a result any realised result on equity instruments are accounted for directly in retained earnings. A total of EUR 15 million (after tax) of realised gains on such transactions was reported (mainly at Belfius Insurance).

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 265.1 million, or 40.4%, to EUR 391.5 million as at 31 December 2018 compared to EUR 656.6 million as at 1 January 2018. The contribution of the Belfius' Banking Group amounted to EUR 112 million (a decrease of EUR 65 million) and of Belfius Insurance to EUR 279 million (a decrease of EUR 200 million). The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 157 million, or 41.7%, to EUR 219 million as at 31 December 2018 compared to EUR 375 million as at 1 January 2018. This negative movement stems from an increase of the credit spreads compared to last year, realised capital gains resulting from disinvestments within Belfius Insurance and from the sale of Italian bonds within Belfius' Banking Group. The fair value of equity instruments measured at fair value through other comprehensive income decreased with EUR 112 million, or 59.9%, to EUR 75 million as at 31 December 2018 compared to EUR 187 million as at 1 January 2018 due to market evolution and sales. The remeasurement of defined benefit plans decreased with EUR 71 million, or 62.7%, to EUR 42 million as at 31 December 2018 compared to EUR 113 million as at 1 January 2018 due to the negative return on plan assets and the remeasurement of a pension plan for which Belfius is not informed anymore of the fair value of the underlying asset portfolio of its segregated fund at the end of 2018 (we refer to the chapter material litigation for more information).

The discretionary participation feature of insurance contracts increased to EUR 42 million as at 31 December 2018 compared to EUR 0 at 1 January 2018. The provision for future discretionary participation on 1 January 2018 has been fully included in the technical provisions through the statement of income. The provision for future discretionary participation increases from EUR 141 million as of 1 January 2018 to EUR 179 million as of 31 December 2018 stemming from higher volumes that, in accordance with the profit-sharing plan, may give rise to a discretionary participation right in the future.

3.3. Additional Tier-1 instrument included in equity

On 1 February 2018, Belfius issued EUR 500 million (nominal value) Additional Tier-1 instruments (AT1), that qualify as additional equity under CRR/CRD IV. The AT1 security has been analysed in respect with IAS 32 and is considered as an equity instrument. This inaugural AT1 issue was executed in the context of further diversification of funding sources and investor base. Furthermore, the AT1 securities increase the going concern loss absorption capital and contribute to the expected MREL level, as well as to the leverage ratio of Belfius. In general, this transaction increases Belfius financial and regulatory flexibility, accessing a new layer of instruments within its capital structure.

ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME

1. Income

Belfius total income increased with EUR 6.5 million, or 0.3%, to EUR 2,361.2 million for the year ended 31 December 2018, compared to EUR 2,354.7 million for the year ended 31 December 2017. Belfius Banking Group contributed EUR 1,862 million compared to EUR 1,861 million end 2017, Belfius Insurance contributed EUR 499 million compared to EUR 494 million end 2017.

1.1. Net interest income

Net interest income decreased by EUR 79.9 million, or 4.1%, to EUR 1,871.5 million for the year ended 31 December 2018 from EUR 1,951.5 million for the year ended 31 December 2017. The interest margin remains under pressure due to the low interest rate environment within a highly competitive market, though partially compensated by higher volumes in loans. In addition, the lower outstandings in Branch 21 and reinvestments at lower market yields had a negative impact on the net interest income at Belfius Insurance. The net interest income of 2017 included an exceptional impact of EUR 40 million following the standardisation of collateral contracts, and was furthermore positively impacted by a volume discount of EUR 21 million on TLTRO II since Belfius achieved its targets of increased loans to the real economy end 2017.

Synoptic consolidated statement of income

(In millions of EUR)	31/12/17 IAS 39	*Contribution Bank into group*(1)	*Contribution Insurance into group*(1)	31/12/18 IFRS 9	*Contribution Bank into group*(1)	*Contribution Insurance into group*(1)	Evolution
INCOME	2,355	1,861	494	2,361	1,862	499	+0.3%
Of which							
Net interest income	1,951	*1,482*	*470*	1,872	*1,448*	*424*	-4.1%
Net income from financial instruments at fair value through profit or loss	46	*46*	*0*	(11)	*12*	*(23)*	-
Net income on investments and liabilities	174	*21*	*153*	122	*45*	*76*	-30.0%
Net fee and commission income	553	*534*	*19*	556	*537*	*19*	+0.5%
Technical result from insurance activities	(209)	*0*	*(209)*	(54)	*0*	*(54)*	-74.2%
Other income and expense	(238)	*(233)*	*(6)*	(196)	*(193)*	*(3)*	-17.7%
EXPENSES	(1,369)	(1,133)	(236)	(1,426)	(1,195)	(231)	+4.2%
GROSS INCOME	986	728	258	935	667	269	-5.1%
Impairments on financial instruments and provisions for credit commitments	(33)	*(33)*	*0*	(66)	*(69)*	*2*	+101.1%
Impairments on tangible and intangible assets	9	*9*	*0*	(2)	*(2)*	*0*	-
NET INCOME BEFORE TAX	963	704	258	867	596	271	-9.9%
Tax (expense) income	(357)	*(270)*	*(87)*	(217)	*(151)*	*(65)*	-39.2%
Attributable to non-controlling interests	0	*0*	*0*	1	*0*	*1*	-
NET INCOME GROUP SHARE	606	435	171	649	445	205	+7.2%

(1) Information based on non-audited figures

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 56.8 million to EUR -10.7 million for the year ended 31 December 2018, compared to EUR 46.1 million for the year ended 31 December 2017. The net result from financial instruments, including debt instruments not compliant with the SPPI test, was negatively impacted by the illiquidity in the market on the last quarter of 2018 as well as the increased credit spreads.

In 2018, the net income from financial instruments at fair value through profit or loss was negatively impacted by basis risks (reflected in the net result of hedge accounting), partially offset by the net trading income. Belfius is managing basis risks through additional derivatives (economic hedges for basis risks) for which no hedge accounting is set up, meaning that the result of these economic hedges is not included in the "net result from hedge accounting" but in the line "net trading income".

In 2017, the net income from financial instruments at fair value through profit or loss was impacted by the positive response by Belfius on the global trend towards derivative standardisation. Belfius concluded agreements on certain collateral contracts of derivatives which had a positive impact on the net trading result of EUR 75 million. This positive impact was partially offset by the impact in the net result of hedge accounting of methodological refinements on ALM management of loans, by including more credit contingencies on expected cash-flows, amounting to a loss of EUR 174 million.

1.3. Net income on investments and liabilities

Net income on investments and liabilities decreased by EUR 52.3 million, or 30%, to EUR 121.7 million for the year ended 31 December 2018, compared to EUR 174.0 million for the year ended 31 December 2017.

The net income on investments and liabilities in 2018 is mainly impacted by the sale of the "NEB Participations" for EUR 23.6 million and the revaluation of the historical stake in Auxipar following step up acquisition for EUR 23 million. Belfius Insurance realised capital gains on divestments in bonds for EUR 60 million, part of these capital gains (EUR 25 million) were realized following the settlement of a segregated fund and are almost entirely compensated by an opposite movement in the technical result from insurance activities life. The Belfius Banking Group realized a capital gain of EUR 10 million following the sale of certain Italian government bond and swap packages, for a notional amount of EUR 0.8 billion in line with Belfius' objective to decrease its related concentration risk.

In 2017, the net income on investments and liabilities is impacted following a capital gain on the sale of Aviabel, North Light and Pole Star for total consideration of EUR 67 million. Belfius also recognised capital gains on divestments from bonds, funds and equities, a material portion of which were reserved in the technical provision for future discretionary participation features. Belfius Bank also realised an accounting gain of EUR 36 million on the sale of bonds as part of the final stage of its tactical de-risking programme though partially compensated by losses of EUR 13 million following the unwind of a Negative Basis Trade position classified in trading. Note that on DIA IFRS 9 the irrevocable choice was made to measure all equity instruments at fair value through other comprehensive income. As a result any realised result on equity instruments are accounted for directly in retained earnings

1.4. Net fee and commission income

Net fee and commission income increased with EUR 3.0 million, or 0.5%, to EUR 555.7 million for the year ended 31 December 2018, compared to EUR 552.7 million for the year ended 31 December 2017. The increase was principally attributable to an increase in commission income on payment services, private banking and unsecured bond lending activity within the money market. The asset management fees remained stable despite less favorable stock markets and commercial pressure.

1.5. Technical result from insurance activities

Technical result from insurance activities improved with EUR 154.9 million, or 74.2%, to a loss of EUR 53.8 million for the year ended 31 December 2018, compared to a loss of EUR 208.8 million for the year ended 31 December 2017.

The technical result from insurance activities Life improved over the year with EUR 147 million. The attribution of technical interests decreased with EUR 38 million following the declining outstanding in Life Branch 21 and a decreasing average guaranteed interest rate on the remaining volumes.

In 2018, Belfius has defined its Risk Appetite Framework (RAF) for Life reserving under IFRS. The application of the RAF confirmed that the Life technical provisions were more than sufficient. Belfius assessed these life technical provisions, in line with this RAF, taking into account the remaining uncertainties, model risks and sensitivities, resulting in a positive impact of EUR 45 million. The technical result Life was negatively impacted following the settlement of a segregated fund, offset by an opposite movement in the net income on investments and liabilities.

In 2017, a material part of the capital gains (EUR 85 million) realized within the Life Segment were reserved by the insurer in the technical provision for future discretionary participation features to ensure an accounting matching principle whereby the part of the investments results for profit sharing is attributed to the year in which effective annual profit sharing is dotated to the policyholders.

In Non Life, the technical margin improved with EUR 8 million mainly stemming from better results in the retail insurance. January and May were marked by some heavy storms. In 2018, a release of EUR 10 million of claims provision in accordance with the risk appetite framework was recorded.

1.6. Net other income and expenses

Net other income and expenses improved by EUR 42.1 million, or 17.7%, to a loss of EUR 195.9 million for the year ended 31 December 2018, compared to a loss of EUR 238.0 million for the year ended 31 December 2017. Belfius has recognised an expense of EUR 222 million in 2018 as sector levies (including the contribution to the Single Resolution Board), compared to an expense of EUR 217 million in 2017. Belfius also reports a cumulative stock of EUR 17 million irrevocable payment commitments for Single Resolution Board in its off-balance sheet. In 2018, Belfius no longer made use of this possibility. A provision for potential settlements of ongoing disputes with third parties was recognised in 2017.

2. Expenses

Expenses increased by EUR 57.1 million, or 4.2%, to EUR 1,425.8 million for the year ended 31 December 2018, compared to EUR 1,368.6 million for the year ended 31 December 2017. This primarily reflected an increase in staff expenses stemming from a positive impact in 2017 (amounting to EUR 27 million) following the restructuring of a pension plan.

2.1. Staff expense

Staff expense increased by EUR 52.4 million, or 9.3%, to EUR 614.7 million for the year ended 31 December 2018, compared to EUR 562.3 million for the year ended 31 December 2017. This increase was mainly driven by important investments in human resources to support the growth in developing markets such as bankassurance, corporate, and private & wealth management. In addition, a positive impact in 2017 (amounting to EUR 27 million) following the restructuring of a pension plan can be noted. In 2018, a restructuring provision of EUR 5 million was recognised following the decision of Belfius Insurance to focus its wholesale non-life insurance business on the segment of social sector through direct distribution and to put the wholesale non-life-activities through the brokerage channel and bank distribution channel in run-off. This freed-up resources are reallocated to its strong developing non-life insurance business with SME customers through its own (bank and DVV) distribution channels. Furthermore, a reassessment of the Belfius Bank provision for the restructuring plan took place, resulting in an increase of EUR 11 million.

2.2. General and administrative expense

General and administrative expense increased by EUR 17.6 million, or 3.7%, to EUR 496.9 million for the year ended 31 December 2018, compared to EUR 479.3 million for the year ended 31 December 2017. This increase was mainly driven by important investments in digitalization and innovation.

2.3. Network costs

Network costs decreased by EUR 24.2 million, or 9.9%, to EUR 219.1 million for the year ended 31 December 2018, compared to EUR 243.3 million for the year ended 31 December 2017 stemming from the continuous rationalisation of the service- and sales force within the network.

In 2017, Belfius recorded a negative impact of EUR 15 million following the implementation of the restructuring plan for the agency network of Belfius Bank.

2.4. Depreciation and amortisation of fixed assets

Depreciation and amortisation of fixed assets increased by EUR 11.3 million, or 13.54%, to EUR 95.0 million for the year ended 31 December 2018, compared to EUR 83.7 million for the year ended 31 December 2017. Following continuous investments in digitalization and innovation, more own development costs are being capitalised since a few years. As a result the amortisation of intangible assets increased.

3. Gross income

Gross income decreased by EUR 50.7 million, or 5.1%, to EUR 935.4 million for the year ended 31 December 2018, compared to EUR 986.1 million for the year ended 31 December 2017. Belfius' Banking Group contributed EUR 669 million compared to EUR 728 million at year-end 2017) and Belfius Insurance EUR 269 million (compared to EUR 258 million in 2017).

Following the reasons explained above, the consolidated cost/income ratio worsened from 58.1% in 2017 to 60.4% in 2018, an increase of 226 basis points.

4. Impairments on financial instruments and provision for credit commitments

Impairments on financial instruments and provision for credit commitments increased by EUR 33.4 million, to EUR 66.4 million (IFRS 9) for the year ended 31 December 2018, compared to EUR 33.0 million (IAS 39) for the year ended 31 December 2017. Some additional impairments were recorded during 2018 as a result of the growth of the loan portfolio, increased forward looking provisioning for real estate exposures and increased risk profile of certain subportfolios. Certain reversals have been noted from the sale of certain Italian government bonds in line with Belfius' objective to decrease its related concentration risk as well as from portfolio management and positive evolutions in credit files. Note that in 2017, an exceptional positive impact (of EUR 27 million) following de-risking can be noted, mainly on the sale of the remaining US RMBS bond of the former legacy portfolio.

5. Impairments on tangible and intangible assets

The impairments on tangible and intangible assets increased by EUR 11.7 million to a loss of EUR 2.1 million for the year ended 31 December 2018, compared to a gain of EUR 9.5 million for the year ended 31 December 2017. Following the investments in digitalisation and innovation, Belfius continues to review the (expected) economic use of its internally developed software and recorded, where necessary, impairments. 2017 was impacted by the reversal of an impairment on the building of Belfius' headquarters at Rogier Tower for EUR 14 million.

6. Net income before tax

Net income before tax decreased by EUR 95.7 million, or 9.9%, to EUR 866.9 million for the year ended 31 December 2018, compared to EUR 962.5 million for the year ended 31 December 2017. Belfius' Banking Group contributed EUR 596 million (compared to EUR 704 million in 2017) and Belfius Insurance EUR 271 million (compared to EUR 258 million in 2017).

7. Tax expense

The tax expense including deferred taxes decreased with EUR 140.1 million, or 39.2%, to EUR 216.9 million for the year ended 31 December 2018, compared to EUR 357.0 million for the year ended 31 December 2017.
In 2018, the tax expense was mainly impacted by the recognition

of a tax asset on the innovation income deduction by Belfius Bank, the expected recovery of the fairness tax by Belfius Insurance following the decision of the Constitutional Court to repeal the law and the closing of the Dublin branch which had a positive impact on the current tax for EUR 31 million. As a result, the effective tax rate of 2018 amounts to 25%. The reassessment of (net) deferred tax assets following the Belgian corporate income tax reform has a negative impact on Belfius net results of EUR 17 million.

In 2017, the tax expense was impacted by the reassessment of (net) deferred tax assets following the Belgian corporate income tax reform, whereby the nominal corporate income tax rate will gradually decrease from 33.9% in 2017 to 25% in 2020. This resulted in an additional tax expense for the banking group of EUR 64 million and EUR 42 million for the insurance group. Furthermore, an exceptional tax gain was accounted following the recognition of previously unrecognized deferred tax assets of EUR 33 million. Without the Belgian corporate tax reform the effective tax rate of 2017 would have been 29.5%.

8. Net income group share

As a result, Belfius net income group share amounted to EUR 649.0 million for the year ended 31 December 2018, compared to EUR 605.5 million for the year ended 31 December 2017. Total group result amounted to EUR 650 million, minority interests amounted to EUR 1 million, compared to nihil in 2017, following the acquisition of the majority stake in the participation in Auxipar.

9. Dividend

The Board of Directors of 21 March 2019, has proposed to the General Assembly of 24 April 2019 an ordinary dividend of EUR 363 million in respect of the accounting year 2018, of which EUR 100 million was already paid through an interim dividend in 2018.

10. Solvency

10. 1. Solvency at Bank level

The implementation of IFRS 9 as of 1 January 2018 (DIA, Date of Initial Application), had an impact on Belfius' solvency ratios. The impacts of the initial application of IFRS 9 were recognized in retained earnings and OCI which impacts the regulatory own funds. An additional impact was noted on risk exposures due to impacts on balance sheet exposure amounts from reclassifications. For comparison reasons, we have performed a pro forma calculation of the CET 1 ratio as at 1 January 2018, DIA of IFRS 9. We refer to the chapter "Capital management" of this report for further detail.

At the end of 2018, CET 1 ratio amounted to 16.0%, an decrease of 17 bps compared to 1 January 2018. Note that this CET 1 ratio takes into account a prudential deduction for foreseeable dividend of EUR 266 million.

The decrease in CET 1 ratio to 16.0% is the result of positive effects in CET 1 capital (+15 bps) offset by negative effects in total risk exposure (-32 bps).

CET 1 capital amounted to EUR 8,329 million, compared with EUR 8,253 million at 1 January 2018. The increase in CET 1 capital of EUR 76 million results mainly from the inclusion of the regulatory net profit, though partially offset by the correction for foreseeable dividend of EUR 266 million and despite the decrease of the "gains and losses not recognized in the statement of income".

At the end of 2018, regulatory risk exposure of Belfius amounted to EUR 52,065 million, an increase with EUR 1,026 million compared to EUR 51,039 million at 1 January 2018.

The regulatory credit risk exposure increased by EUR 1,432 million to EUR 38,931 million. New loans production (especially in mortgages, business and corporate banking) as well as RWA on speculative immovable property and on defaulted assets (excluding Arco and Hoco) and a more stringent regulatory framework (such as the new NBB macro-prudential measures on mortgages) have further raised the regulatory credit risk exposure. This increase has been partially compensated by management actions (mainly the sale of Italian bonds in the first quarter and model improvements).

The regulatory CVA exposure decreased with EUR 333 million to EUR 1,606 million following the reduction in derivatives exposures and decreasing outstanding/maturity of ex-legacy transactions.

The regulatory market risk exposure remained stable over the period at EUR 1,808 million. The increase due to interest rate delta movements and long term interest positions has been compensated by methodological improvements linked to the application of the standardized approach for calculating risk weighted assets.

Regulatory operational risk exposure remained stable over the period at EUR 2,975 million.

Regulatory risk exposure for Danish Compromise remained stable at EUR 6,751 million.

Tier 1 capital is no longer equal to the CET 1 capital and amounted to EUR 8,826 million, compared to EUR 8,253 million at 1 January 2018 following the additional Tier 1 issue of EUR 500 million (nominal value) in February 2018.

The total capital ratio amounted to 19.6%, an increase of 133 bps compared to 1 January 2018.

More detailed information is provided in the "Capital management" chapter of this annual report.

10.2. Solvency at Insurer level

The Solvency II ratio of Belfius Insurance stood at 219% at the end of December 2018, before foreseeable dividend, slightly lower than the ratio as of December 2017. This decrease is the consequence of implementing our capital management strategy, namely to make an optimal use of the capital following the transformation in the business mix and the asset management in order to maximize the financial revenues taking into account the risk taking capacity allowed by the risk appetite of the company. The Solvency ratio was furthermore negatively impacted by the performance of the financial markets and the declining positive effect of the LACDT.

This level of capital allows the payment of a foreseeable dividend of EUR 160 million, while covering any potential Pillar 2 Solvency Requirements and still leaving a pocket available for investments and business development, subject to Management decisions. The Solvency ratio after foreseeable dividend then equals 203% end of 2018.

More detailed information is provided in the "Capital management" chapter of this annual report.

SEGMENT REPORTING

Analytically, Belfius splits its activities and accounts in three segments: Retail and Commercial (RC), Public and Corporate (PC) and Group Center (GC); with RC and PC containing the key commercial activities of Belfius.

- **Retail and Commercial (RC)**, managing the commercial relationships with individual customers and with small & medium sized enterprises both at bank and insurance level.
- **Public and Corporate (PC)**, managing the commercial relationships with public sector, social sector 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.

KEY FIGURES OF THE SEGMENT REPORTING (UNAUDITED)

Balance Sheet

	31/12/17 (IAS 39)		
(In billions of EUR)	Assets	Liabilities	Equity
Retail and Commercial (RC)	56.5	77.1	2.3
Public and Corporate (PC)	41.7	26.3	2.2
Group Center (GC)	69.8	55.1	5.0
TOTAL	**168.0**	**158.4**	**9.5**
of which banking group	148.5	139.8	8.6
of which insurance group(1)	19.5	18.7	0.9

(1) Note that the assets and liabilities represent the contribution of the Belfius Insurance group to the consolidated balance sheet.

	31/12/18 (IFRS 9)		
(In billions of EUR)	Assets	Liabilities	Equity
Retail and Commercial (RC)	58.8	80.1	2.6
Public and Corporate (PC)	42.4	25.3	2.4
Group Center (GC)	63.0	48.9	4.9
TOTAL	**164.2**	**154.2**	**10.0**
of which banking group	146.4	137.3	9.0
of which insurance group(1)	17.8	16.9	0.9

(1) Note that the assets and liabilities represent the contribution of the Belfius Insurance group to the consolidated balance sheet.

The assets and liabilities allocated to Retail and Commercial (RC) and Public and Corporate (PC) reflect the commercial activities of those business lines. Where RC shows an excess of funding, PC is more asset driven. As a whole, the commercial balance sheet shows a funding excess with a sound 94% loan to deposit ratio at the end of December 2018.

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 Retail and Commercial and Public and Corporate is a normative regulatory equity. The normative regulatory equity of the business line is calibrated. The business line's CET 1 ratio is brought at 13.5% taking into account the regulatory risk exposures allocated to the business line and some CET 1 capital deductions allocated to the business line (to a very limited extent, since the most important part of CET 1 capital deductions are allocated to GC). The target 2018 was determined by the minimum CET 1 ratio of 10.75% together with a stress buffer of 2.75%.

KEY FIGURES OF THE SEGMENT REPORTING (UNAUDITED)

Statement of income

	31/12/17 IAS 39			
(In millions of EUR)	Retail and Commercial	Public and Corporate	Group Center	Total
INCOME	1,684	519	151	2,355
EXPENSES	(1,027)	(208)	(134)	(1,369)
GROSS OPERATING INCOME	657	311	17	986
Cost of risk	(40)	(28)	35	(33)
Impairments on (in)tangible assets	(4)	(1)	14	9
NET INCOME BEFORE TAX	614	282	66	963
Tax (expense) income	(171)	(89)	(96)	(357)
NET INCOME AFTER TAX	443	193	(30)	606
Non-controlling interests	0	0	0	0
NET INCOME GROUP SHARE	443	193	(30)	606
of which banking group	252	177	6	435
of which insurance group[(1)(2)]	191	16	(36)	171

(1) Note that the statement of income represents the contribution of the Belfius Insurance group to the consolidated statement of income. Belfius Insurance presents a net income of EUR 184 million in its consolidated accounts over 2017. The difference with the contribution of the insurer to the Belfius Group of EUR 171 million is mainly related to the realized result on bonds sold or bought by Belfius Insurance to or from other entities of the Belfius group that is adjusted at consolidated level, combined with the correction of the amortizations for buildings sold from Belfius Bank to Belfius Insurance, and a reversal of the impairment on a building owned by Belfius Insurance only accounted for on Belfius Insurance consolidated level (and not on Belfius group level, since never impaired at that level).
(2) Note that the statement of income represents the contribution of the Belfius Insurance group to the consolidated statement of income.

	31/12/18 IFRS 9			
(In millions of EUR)	Retail and Commercial	Public and Corporate	Group Center	Total
INCOME	1,650	533	178	2,361
EXPENSES	(1,047)	(234)	(144)	(1,426)
GROSS OPERATING INCOME	603	299	33	935
Cost of risk	(54)	(24)	12	(66)
Impairments on (in)tangible assets	(1)	(1)	0	(2)
NET INCOME BEFORE TAX	548	274	45	867
Tax (expense) income	(139)	(66)	(11)	(217)
NET INCOME AFTER TAX	409	208	34	650
Non-controlling interests	0	0	1	1
NET INCOME GROUP SHARE	408	208	33	649
of which banking group	235	188	21	445
of which insurance group[(1)]	173	19	12	205

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

RETAIL AND COMMERCIAL (RC)

1. Business description RC

Belfius Bank is the number two bank-insurer in Belgium in terms of penetration according to GfK (Growth from Knowledge), with 3.6 million retail and commercial customers served through more than 650 branches, Belfius Connect, and a large number of automatic self-banking machines. Belfius Bank is also a leader in the mobile banking space, with over 1.25 million active mobile users, the highest mobile banking penetration amongst Belgian banks (Finalta Digital and Multichannel Banking Benchmarking Study 2017). Belfius Bank is the third largest provider of mortgage loans in the Belgian market, with a 15.8% market share based on production during the last year. Belfius Bank is also the fourth largest provider of savings and investment products in Belgium, with a market share of about 12%. It is the fourth largest provider of finance to SMEs in Belgium, with approximately 0.3 million professional customers and a market share of 14.5% as at 31 December 2018, based on loans outstanding.

Belfius Insurance offers insurance products to retail and commercial customers through the Belfius Bank branch network, as well as through the tied agents network of DVV/LAP insurance. It also offers insurance products through Corona Direct Insurance, a direct insurer active via the Internet and "affinity partners", which are external parties with which Corona collaborates and which offer Corona insurance products. Belfius Insurance's business model is increasingly focused on bankinsurance. Belfius Insurance has also integrated the Elantis brand, which offers mortgage loans and consumer loans through independent brokers, for the balance sheet of Belfius Insurance, Belfius Bank and a third-party bank.

Based on the latest Assuralia study, Belfius Insurance increased its market share in life insurance from 7.0% in the year ended 31 December 2017 to 8.3% for 2018 (3Q YTD 2018). Belfius Insurance also increased its market share in non-life insurance to 5.9% for 2018 (3Q YTD 2018), making it the fifth largest insurer in Belgium.

1.1. Customer Segmentation

As part of its Belfius 2020 strategy, Belfius is focused on applying a sub-segmentation of customers across the Retail and Commercial segment. Belfius' customer segments include:

- retail, which comprises individuals with a financial footprint below EUR 100,000;
- privilege, which comprises individuals with a financial footprint between EUR 100,000 and EUR 500,000;
- private, which comprises individuals with a financial footprint between EUR 500,000 and EUR 2.5 million;
- wealth management, which comprises individuals with a financial footprint worth over EUR 2.5 million; and
- business, which comprises self-employed individuals, liberal professions (e.g., lawyers, accountants and doctors) and SMEs with turnover below EUR 10 million.

All Retail and Commercial customers can benefit from convenient digital mobile and internet banking channels and a modern remote-access interaction and service centre, Belfius Connect, which supports Belfius' omni-channel paperless service on core products with call, video, chat and e-mail functions and to interact with customers. Belfius Connect is currently available from 08:00 to 22:00, and is continuing to be developed and expanded in coordination with the increasing use of digital and remote-access channels by customers.

For **retail customers**, Belfius focuses on top quality self-service digital solutions and gives customers access to specialists at key life moments either in branch or remotely. The retail product offering mainly consists of credit cards, current accounts, non-life insurance products (e.g. car, home and family, assistance), consumer and mortgage loans, saving accounts, pension savings and other basic investment products (e.g., mutual funds and Flexinvest Plan).

For **privilege customers**, Belfius provides access to local account managers and regional insurance and credit specialists to help customers identify the best solutions for the build-up, management and preservation of their assets. Products and services include the innovative core investment product Belfius Personal Global Portfolio, and a wide range of banking, insurance and asset management services. On longevity protection and advice, such as accumulation/decumulation and related life insurance products, a new offering is currently in development.

For **private banking and wealth management customers**, Belfius offers a dedicated local private banker or a specialized wealth manager to identify solutions to structure, optimise, manage and protect their assets, including estate planning. The products and services offering includes discretionary asset management, MyPortfolio – an alternative asset management system, wealth analysis and financial planning, bespoke products, and real-estate, philanthropic and art solutions. For its wealth management customers, Belfius offers its 150 years of experience in wealth management. It initiates contact with these customers through its innovative Wealth Management Hub and Private Houses with Febelfin-certified wealth managers offering a holistic approach to wealth management. Belfius' wealth management offerings are bespoke and include estate planning, family company transmission and a dedicated digital experience that offers access to market research.

Belfius' proposition for **business customers** is targeted at liberal professionals, self-employed individuals, and SMEs, with a "professional-personal" approach at the core of Belfius' commercial approach. The offering focuses on both banking and insurance solutions at every stage of the entrepreneurial (start-up, growth and exit) and personal life-cycles (investment and mortgage loans, investment and pension planning) with specific sectoral experience for medical, accountancy and legal professionals. Products include tailored lines of credit, liquidity management and payment solutions, funding and partnership advice, and a new business pension product.

Products

The Retail and Commercial segment provides a full range of banking products and a varied selection of life and non-life insurance products that address the needs of this customer segment.

Payment Products

Payment products are offered in the form of packages of current accounts linked to a debit and credit card, depending on the level of service selected from the introductory, free Belfius Pulse package to the Platinum product. The granting of a credit card is subject to acceptance through a standard risk management process. Customers can also opt for a MasterCard Prepaid, enabling them to make payments within the limit set for their budget, anywhere in the world and also online.

Belfius has specific packages (Business Pack and Business Pack Plus) for business customers. Belfius also offers additional services tailored to their needs such as cash flow management. Given the constant evolution of payment systems in a changing European legislative framework (including the introduction of PSD2), Belfius has invested in new solutions for individual and professional customers. Belfius is also a main shareholder of Bancontact Payconiq, a market leader in local card and payment systems in Belgium, and Isabel, a [multi-banking] digital channel. Belfius also supports the development of local businesses through a comprehensive offer (POS + E/M Commerce) of means of payment.

All of these products are already very advanced digitally in all mobile and internet channels.

Credit Products

Belfius' main credit product for retail customers is mortgage loans, which are offered at a broad range of fixed or variable interest rates. It also offers consumer loan products, including car loans, personal loans and green loans.

Belfius offers credit products tailored to the needs of business customers, including tax funding, working capital facilities (particularly Belfius Business Cash+) and investment loans.

Belfius also assists start-ups in obtaining financing through the programme it launched together with the European Investment Fund (the "EIF"), where the EIF provides a guarantee for up to half of the loan amount. Belfius Bank is the only bank in the Belgian market that has co-operated with the EIF. Companies, self-employed and liberal professions meeting certain conditions are eligible for a reduction in their investment loans or leasing agreements through this arrangement.

Savings and Investment Products

Savings and investment products fall into two categories: balance sheet products and off-balance sheet products. Balance sheet products include savings accounts, current and term accounts, savings certificates and bonds, both for private and business customers. Off-balance sheet products include discretionary portfolio management, mutual funds, shares and bonds issued by third parties.

Clients can monitor all of their savings and investment products in real time on their mobile and tablet devices in the Belfius application. Belfius is MiFID II compliant in its mobile-first omni-channel advice so that it can make personalised proposals for investing via the smartphone, tablet and personal computer under MiFID II.

Belfius also provides investment products in relation to its insurance products. Belfius distinguishes between Branch 21 (life insurance with a capital guarantee and guaranteed minimum return, to which there may be added a variable profit participation) and Branch 23 (life insurance without capital guarantee but with a potentially higher return via investment funds) products. Belfius also sells a combination of capital guaranteed and unit-linked products, commercially known as Branch 44 products.

Insurance Products

Belfius Insurance offers its customers a comprehensive range of life and non-life insurance through Belfius Bank's branch network. It also offers these products through the tied agents network of DVV/LAP insurance, as well as through Corona Direct Insurance, a direct insurer active via the Internet and "affinity partners", which are external parties with which Corona collaborates and which offer Corona insurance products.

The product range includes non-life insurance cover: car insurance (third party and comprehensive), third party civil liability insurance, fire insurance, and miscellaneous risks insurance. For non-life insurance products, the most significant products are property insurance and car insurance, which accounted for 35% and 44% of gross written premiums in the year ended 31 December 2018. Health insurance, workers compensation and other types of insurance accounted for 2%, 2% and 17% of gross written premiums in the year ended 31 December 2018.

In addition, life insurance such as pension savings, mixed life insurance, savings insurance, guaranteed income cover, death insurance and credit balance insurance linked to mortgage loans are offered. Tax products such as the Private Supplementary Pension for the Self-employed and the Individual Pension Commitment are offered to business customers. The most significant product in terms of gross written premiums is Branch 21, although Branch 23 products, which are less capital intensive, are becoming increasingly important across Belfius' insurance portfolio. For the year ended 31 December 2018, Branch 21 classical products, Branch 21 financial products and Branch 23 products accounted for 35%, 22% and 43% of gross written premiums, respectively.

1.2. Distribution Channels

Belfius has an omni-channel business model aimed at striking the right balance between human interactions and efficient, user friendly digital and remote-access interactions. The digital and remote-access approach is geared towards retail customers, with value-added branch interactions for those customers at key life moments. The account management focus is geared towards privilege, private and business customers, which are also supported by digital and remote-access tools.

Belfius offers its banking and insurance products through its network of more than 650 branches, its digital channels and its Belfius Connect call centre. It also offers its insurance products through its network of more than 320 DVV/LAP tied insurance agent branches, its direct insurance subsidiary, Corona Direct Insurance and its Elantis brand.

Branch Network

Belfius Bank serves its customers through 654 branches, of which 498 are tied independent agent branches and 156 are own branches. The 654 branches are grouped into 103 organisational "clusters". On average, each cluster operates across 6 branches and has a sales staff of approximately 30 persons.

Local empowerment is a key focus, with decision-making organised as close as possible to the customer. Each branch offers access to specialists in insurance, mortgage loans and consumer finance, a local private banker, a business banker and account management for privilege customers. Propositions may differ across branches in order to take account of regional factors such as competitive dynamics and pricing. Incentives for each branch are tied to its financial and/or commercial results, customer satisfaction and legal and regulatory compliance scores.

Belfius is adjusting its branch footprint so that it will be centred on two major branch concepts, full service branches and advisory branches. It intends to evolve towards approximately 200 full service branches (two per cluster) with extended opening hours offering full service for all customer segments and all products. Belfius has recently introduced advisory branches, for which customers must make appointments, in order to offer access to account management and product specialists for the private, privilege and business customer segments.

Belfius Bank branches are the most important channel for the distribution of life insurance products, accounting for almost 80% of life gross written premiums in the year 2018. Belfius Bank branches are also expected to become the most significant channel for non-life insurance going forward.

DVV/LAP Tied Agent Network

DVV/LAP insurance has been operating for more than 85 years in the Belgian life and non-life insurance markets. Through 322 branches, each with exclusive advisers, DVV/LAP insurance offers individuals, self-employed and small enterprises a complete range of insurance products and mortgage loans.

The strategy for DVV/LAP is focused on improving its profitability and further activating its client base. It also aims to increase its customer base through the acquisition of broker portfolios and through targeting new groups of customers (e.g. the 25-30 year age group).

The DVV/LAP tied agent network is currently still the most important channel for the distribution of non-life insurance products, accounting for more than 50% of gross written premiums in the year 2018.

Corona Direct Insurance

Corona Direct Insurance is Belfius' direct insurance subsidiary. It offers its 200,000 customers insurance products through direct channels (e-commerce, telephone or mailing) or via its "affinity" partners, which are external parties with which Corona collaborates and which distribute Corona insurance products. The insurance products offered by Corona include family, car, home, funeral and other insurance policies. Corona has a full digital E2E standardised product offering at a competitive price, strong customer service and the agility to innovate, including by offering products such as kilometre-linked car insurance. Belfius believes that Corona could attract a strong share of individuals considering switching insurance providers and looking for more convenient ways of dealing with their insurance needs.

Corona accounted for 3% of life insurance gross written premiums and about 10% of non-life insurance gross written premiums in the year ended 31 December 2018.

Belfius Connect

Belfius has a remote access and service centre, "Belfius Connect". Its role is to offer increased accessibility (8:00-22:00) and to support omni-channel end-to-end paperless sales flows, using different (mostly digital) communication channels (including telephone, mail, chat and video) to interact with customers.

Elantis

Since 2012, Belfius Insurance has integrated the Elantis brand, which offers mortgage loans and consumer loans through independent brokers. As at 31 December 2018, Elantis accounted for EUR 0.3 billion, or 16%, of Belfius' consumer financing and EUR 2.9 billion, or 9%, of Belfius' mortgages.

1.3. Digital

Belfius Mobile was yet another Belfius success story in 2018. Belfius has successfully anticipated the "mobile" transformation of the retail banking and insurance model by carving out a recognised position of leadership for itself in mobile banking. This is demonstrated by the fact that in 2018 – after 2016 and 2017 – Belfius' place was once again confirmed in the Digital Leaders Peer group of Finalta Multichannel Benchmarking, in which more than 220 banks worldwide take part. This was achieved thanks to the high level of mobile take-up at Belfius, as well as the sky-high login frequency and the very wide range of features and functionalities available to users.

Belfius has established itself firmly as a leading digital mobile player in the market. In fact for the third year in a row, Belfius Mobile helped make Belfius the highest ranked provider (4.6/5) of all Belgian banks in iOS and Android app stores. In 2018, Belfius also won the award for Belgium's best banking app from Bankshopper, as well as the BeCommerce omnichannel and public prize and the Global Finance - Best Consumer Digital Bank in Belgium award. All of these awards and accolades contribute to Belfius' overall image as a digital leader and for this we have to thank our innovative efforts and performance in mobile banking, as well as the excellent customer service available to customers via our app.

Its mobile platform has continued to evolve to address customers' changing mobile needs, resulting in growth in mobile activity among its customers that has been significantly higher than that of its European peers.

At the end of 2018, Belfius Mobile apps had 1,249,000 active mobile users – adding 178,000 new users during the year. This is a figure that continues to grow, day by day. In fact the number of users of Belfius Mobile apps has doubled since 2015.

Belfius Mobile is one of the most actively used apps in Belgium (and not just for banking apps). During 2018, the average number of logins also increased to more than 30 per month per customer, meaning that the Belfius Mobile app is used at least daily by all of its users

Sales via direct channels also continued their uninterrupted growth. These channels now cover 51% of pension savings policies, for example, and one-third of new credit cards. Finally, during the final months of the year, the launch of the "app-normal" car insurance offering boosted both direct sales and sales in branches, underlining the commercial added value of an innovative digital and omni-channel approach.

These millions of contacts give Belfius the opportunity to make personalised digital sales and service proposals for financial, insurance and non-financial products to its customers. They also support Belfius' cross-selling strategy at a cost-effective price.

Belfius' digital platform allows customers to go completely digital and paperless on most of their core products, with a broad range of sales and service capabilities for its financial and insurance products available via mobile. The digital platform, supported by customer analytics, creates numerous opportunities for cross-selling also through proactive customer proposals in the high number of digital touchpoints per month per user, allowing the development of Belfius' revenue streams. The Belfius mobile banking application has received several awards, including the BeCommerce Mobile award 2017, the award for best mobile banking app of Belgium 2018 and the Trends Digital Pioneer Award 2017.

In order to leverage its digital capabilities and develop new revenue streams, Belfius uses The Studio, its dedicated digital innovation resource, in addition to Belfius' own digital capabilities, to continually test and innovate in a controlled environment. With Brightnight, The Studio successfully markets robotic process automation solutions and develops Blockchain technology applications.

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

Belfius intends to further develop its differentiated and digitally supported business model, with a balance between qualitative relationship management on the one hand, and efficient, user-friendly direct channels on the other. It is developing complementary omni-channel approaches, including an approach with a digital focus geared towards retail customers combined with value-added branch interactions at key life moments for customers (such as a first mortgage loan), as well as an account management focus geared towards privilege, private and business customers supported by convenient digital tools. Belfius is also focusing on digital transformation to enable client convenient direct sales of the ten most important bank and insurance products, supported by in-depth customer knowledge via data analysis, and paperless sales transactions enabled by digital tools and services for account managers. This is expected to help promote the cross-selling of its full range of products including cards, mutual funds, savings, consumer loans, insurance and other products.

2. Strategy RC

In 2015, Belfius launched its Belfius 2020 strategy for Retail and Commercial, which is focused on achieving four ambitions by 2020:

- → to progress from customer satisfaction (over 95% for 2018) to customer recommendation (committed customers who are prepared to recommend Belfius);
- → to further develop a differentiated and digitally supported business model, with an ideal balance between qualitative relationship management on the one hand, and efficient, user-friendly direct channels on the other. Two complementary omni-channel approaches are being developed for that purpose:
  - an approach with a digital and remote-access focus geared towards retail customers (as defined above under "— Customer segmentation") combined with value-added branch interactions at key life moments for customers; and
  - an approach with account management focus geared towards privilege, private and business customers (each as defined below under "— Customer segmentation") supported by convenient digital and remote-access tools.
- → to increase the dynamic market share in core products to a minimum of 15%; and
- → to further implement Belfius' continued focus on processes with value added for Belfius' customers, with a reduction in the cost to income ratio.

In order to achieve these aims, Belfius is implementing several initiatives across Retail and Commercial:

- → a more granular sub-segmentation of the customer base with appropriately designed value propositions for each of them (as described under "— Customer segmentation" above);
- → an accelerated digital transformation to enable client convenient direct sales of the 10 most important bank and insurance products, supported by in-depth customer knowledge via data analysis, the principle of mobile first and paperless sales transactions supported by digital tools and services for the account manager;
- → an innovative distribution strategy with a customer oriented approach which is becoming more omni-channel in every aspect. In the future, branches will concentrate even more on proactive advice for the privilege, private and business customer segments. Information, service and sales for retail customers will increasingly be conducted through digital and remote-access channels. Belfius Connect, a new "remote" advice and sales centre, ensures better commercial accessibility for customers by satisfying their needs form early in the morning to late into the evening; and
- → the further development of an all-in property offer (via Belfius Immo, a subsidiary) and the development of Belfius Investment Partners (Belfius IP), a specialised subsidiary that manages investment funds for the purpose of completing the investment products offering of Belfius for Retail and Commercial customers.

Management believes this strategy enables Belfius to continue its revenue diversification and expansion, driven by the momentum in fee and commission income, through increased cross-selling. The ratio of fee and commission income to interest income increased from 43% in 2015 to 58% in 2018, significantly offsetting a sector-wide pressure on net interest income. By more effectively cross-selling its banking and insurance products, resulting in a higher customer equipment rate, Belfius also targets an increased sales productivity and increasing direct sales of value-adding products.

Retail and Commercial (Unaudited) (in billions of EUR)	31/12/17 (PF[1])	31/12/18	Evolution
TOTAL SAVINGS AND INVESTMENTS	104.4	105.0	+0.6%
DEPOSITS	63.1	66.7	+5.6%
Savings accounts	41.5	43.9	+5.8%
Savings certificates	2.3	1.7	-25.7%
Bonds issued by Belfius	7.3	7.5	+2.3%
Current accounts	11.6	13.2	+13.8%
Term accounts	0.4	0.4	-8.0%
OFF-BALANCE SHEET INVESTMENTS	30.4	27.6	-9.1%
LIFE INSURANCE RESERVES[2]	10.9	10.7	-1.2%
Capital guaranteed products (Branch 21)	7.2	6.8	-6.4%
Unit-linked products (Branch 23)	1.6	1.9	+17.7%
Combination of capital guaranteed and unit-linked products (Branch 44)	2.1	2.1	+2.5%
o.w. capital guaranteed products	*1.2*	*1.3*	*+6.5%*
o.w. unit-linked products	*0.9*	*0.8*	*-3.0%*

(1) Pro forma ultimo 2017 figures: on 6 March 2018, the Belgian Council of State cancelled the Arco co-operative guarantee scheme (which has been organized by Royal Decrees in 2011). As a consequence thereof, and taking into account uncertainties linked to various external elements (such as, for example, timing for the closure of the liquidation procedure of the Arco companies, uncertainty whether the liquidation proceeds will be negative or not, the outcome of governmental discussions with the European Commission relating to an alternative settlement in favour of individual Arco-shareholders,...), the reporting of Arco shares has been adapted, and the current value of the shares has been set to "indeterminable".
(2) Investment products.

3. Commercial performance RC in 2018

The commercial activity of RC remained solid. At 31 December 2018, **total savings and investments** amounted to EUR 105 billion, an increase of 0.6% compared with the end of 2017. The organic growth in 2018 amounted to EUR 3.5 billion, much higher than in 2017, showing the increasing confidence in Belfius but was largely offset by a negative market effect of EUR -2.9 billion. EUR 36.7 billion (+0.3%) came from the investments of 114,000 Private customers, who called on more than 251 local Private Bankers with a certification. In 2018, clients seem to show more interest for capital protected products such as sight and saving accounts in an environment of volatile stock markets. In this context, the amount of investments entrusted to Belfius via mandates and service contracts decreased by 9% in 2018 to reach EUR 10.2 billion mainly due to regulatory constraints and negative market effect.

On-balance sheet deposits totaled EUR 66.7 billion at 31 December 2018, up (+5.6%) from the end of 2017. Customers still adopted a rather wait-and-see attitude for deposits because of the historically low interest rates. Following less favorable financial markets, commercial volume growth in savings and investments lead to a change in product mix with more non-maturing deposits. The current and savings accounts reached EUR 13.2 billion (+13.8%) and EUR 43.9 billion (+5.8%) respectively. The investments in term products continue to decrease: -25.7% for savings certificates and -8% for term accounts.

As a consequence of adverse financial market conditions at the end of 2018 which globally affected the customer's investment's values and the impact of the MIFID regulation, **off-balance sheet investments** went down by 9.1% compared to the end of 2017, to EUR 27.6 billion.

Life insurance reserves for investment products amounted to EUR 10.7 billion, down -1.2% compared to the end of 2017. Investments in Branch 21 life insurance guaranteed products decreased because of the low interest rates, but that drop was partially offset by Branch 23 and Branch 44 products.

Total loans to customers rose strongly (+8.2%) to EUR 48.7 billion at 31 December 2018. The increase occurred mainly in mortgage loans (+5.9%) and business loans (+12.7%). Mortgage loans, which account for two thirds of all loans, amounted to EUR 32.4 billion at the end 2018, while consumer loans and business loans stood at EUR 1.7 billion and EUR 14.0 billion respectively.

Retail and Commercial (Unaudited) (in billions of EUR)	31/12/17	31/12/18	Evolution
TOTAL LOANS TO CUSTOMERS	45.0	48.7	+8.2%
Mortgage loans	30.6	32.4	+5.9%
Consumer loans	1.5	1.7	+14.6%
Business loans	12.5	14.0	+12.7%
Other retail loans	0.5	0.6	+17.6%

New long-term loans granted to retail clients during 2018 amounted to EUR 6.8 billion compared to EUR 6.2 billion in 2017. In 2018, the new production of mortgage loans continued to increase to EUR 5.9 billion. During the same period, EUR 4.1 billion in new long-term business loans were granted, up 21.1% compared to 2017. In 2018, Belfius assisted 14,046 new start-ups, an increase of 13% versus 2017.

The **total insurance production** from customers in the Retail and Commercial segment amounted to EUR 2,032 million in 2018, compared with EUR 1,692 million in 2017, an increase of 20%.

Life insurance production stood at EUR 1,456 million in 2018[1], up 26% compared to 2017[2]. Unit-linked (Branch 23) premiums went up strongly (+64%) thanks to growing product suite and customer demand. Traditional Life (Branch 21/26) production decreased (-4%) following the low interest rate environment.

(1)of which EUR 960 million gross written premiums and EUR 495 million transfers/renewals.
(2) of which EUR 782 million gross written premiums and EUR 372 million transfers/renewals.renouvellements.

Non-Life insurance production in 2018 stood at EUR 577 million, up 7% compared to 2017, boosted by the Bank distribution channel (+12.4%), DVV/LAP Insurance (3%) and Corona (+9.8%), Belfius' direct insurer.

Indeed, thanks to the "one-stop-shopping" concept of Belfius, the mortgage loan cross-sell ratio for property insurance increased from 85% at the end of 2017 to 86% at the end of 2018. The mortgage loan cross-sell ratio for credit balance insurance remained quite stable at 140% compared to the end of 2017.

Total insurance reserves, in the Retail and Commercial segment amounted to EUR 13.9 billion. Life insurance reserves, dropped slightly (-0.8%) since end 2017 to EUR 12.8 billion at the end of 2018 as a result of a context characterised by historically low interest rates. Unit-linked reserves (Branch 23) increased by 12%, while traditional guaranteed life reserves (Life Branch 21/26) decreased by 3.8%, demonstrating the life product mix transformation from guaranteed products to unit-linked products. Non-life reserves remained stable at EUR 1 billion.

Retail and Commercial (Unaudited) (in billions of EUR)	31/12/17	31/12/18	Evolution
TOTAL LIFE INSURANCE RESERVES(1)	12.9	12.8	-0.8%
Guaranteed products (Branch 21/26)	10.4	10.0	-3.8%
Unit-Linked (Branch 23)	2.5	2.8	+12.0%

(1) Investment products and insurance products

Belfius continues to set the pace in **mobile banking** in Belgium and further developed its digitally supported business model. At the end of 2018, Belfius apps for smartphones and tablets had 1.25 million users (+17%) and were consulted by customers on average once a day. The extremely high satisfaction figures show that continuous innovation, focused on user-friendliness and utility for the customer is profitable.

Belfius continues to extend the functionalities of its apps. In 2018, 51% of the new pension saving contracts, 31% of the new credit cards and 28% of the new savings accounts were subscribed via direct channels.

4. Financial results RC in 2018

RC net income after tax stood at EUR 408 million in 2018, compared to EUR 443 million in 2017.

In 2018, **total income** amounted to EUR 1,650 million, down 2.0% compared to end 2017, mainly due to the low interest environment and its impact on the interest margin.

- → Net interest income of the RC bank amounted to EUR 845 million, a decrease of 6.0%, driven by margin pressure on non-maturing deposits and the running impact from the material wave of mortgage prepayments during previous years, partially compensated by the strong volume growth at margins, for loans, still above stock margins on average.
- → Net fee and commission of RC bank decreased slightly by 0.4% and amounted to EUR 488 million. This decrease is driven by the strong negative market evolution on off-balance assets (mutual funds, pension funds and mandates) which completely offset the good organic growth on those assets during 2018.
- → Life insurance contribution amounted to EUR 231 million, down 3.0% compared to 2017. This decrease results mainly from lower income due to the reduction of outstanding (volume effect) in line with strategy. Furthermore, the negative evolution of the assets at Fair Value (due to the high volatility on stock markets and the increase of credit spreads) according to IFRS 9 regulation (which came into force at the start of 2018) and the low interest rates adds extra pressure on the margins. The income Life in 2018 was however positively impacted by a reassessment of the technical provisions following in line with the Risk Appetite Framework.
- → Non-Life insurance contribution strongly increased by 8.6% and amounted to EUR 190 million. This positive result comes from the excellent results in DVV and Corona, which present a strong decrease of their Loss ratio (and therefore better profitability) and from the reassessment of technical provisions in 2018. Note also the excellent growth of premium collection, especially in the channel Bancassurance (with a positive impact on the income through higher volume effect).
- → The other income amounted to EUR -103 million in 2018 compared to EUR -117 million in 2017, an improvement of EUR +14 million.

In 2018, **total expenses** amounted to EUR 1,047 million, an increase of EUR 20 million or 2.0% compared to 2017. This increase mainly stems from staff expenses to support the digitalization and modernization strategy of the Bank. Network costs and general expenses are decreasing, while the amortizations increase as a consequence of new investments.

Financial Results RC (in millions of EUR)	2017 IAS 39	2018 IFRS 9
INCOME	1,684	1,650
Net interest income bank	898	845
Net fee and commissions bank	490	488
Life insurance contribution	238	231
Non-life insurance contribution	175	190
Other	(117)	(103)
COSTS	(1,027)	(1,047)
GROSS OPERATING INCOME	657	603
Cost of risk	(40)	(54)
Impairments on (in)tangible assets	(4)	(1)
NET INCOME BEFORE TAXES	614	548
Taxes	(171)	(139)
NET INCOME AFTER TAXES	443	409
Non controlling interests	0	0
NET INCOME GROUP SHARE	443	408
ADJUSTED NET INCOME(1)	440	400

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

Ratios (in %)	2017	2018
Cost-income ratio(1)	61.0%	63.5%
RoNRE(2)	19.4%	16.8%

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

Normative regulatory equity & risk exposures (in millions of EUR)	2017	2018
Normative regulatory equity(1)	2,300	2,605
Regulatory risk exposures	17,476	19,519

(1) 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 and some CET1 capital deductions allocated to the business line (to a very limited extent, since the most important part of CET1 capital deductions are allocated to GC).

As a result, **gross operating income** decreased to EUR 603 million in 2018, down EUR 54 million or -8.3% compared to 2017.

The **cost of risk** still remains at a good level, demonstrating a good credit quality in current benign environment, and amounted to EUR 54 million in 2018.

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

Pre-tax income stood at EUR 548 million, down EUR 66 million or -10.7% compared to 2017.

Tax expenses amounted to EUR 139 million in 2018 compared to EUR 171 million in 2017. This decrease is mainly due to lower profit before taxes, lower statutory corporate tax rate and innovation income deduction.

Total net income RC decreased by 7.8% and amounts to EUR 408 million in 2018.

Excluding special elements, the **adjusted net income RC** amounted to EUR 400 million in 2018, down -9.0% compared to end 2017.

RC cost-income ratio amounted to 63.5%, compared to 61.0% in 2017. The Return on Normative Regulatory Equity (RoNRE) stood at 16.8%.

PUBLIC AND CORPORATE (PC)

1. Business description PC

Belfius offers a comprehensive range of products and services to approximately 11,000 public and social institutions and 10,700 corporates. In 2018, the Bank led the market in the public and social segment thanks to its 150-year involvement in the sector. Belfius has also successfully developed its corporate offering, expanding its market share for loans to medium and large corporates from 8.7% in 2013 to 14.5% in 2018 (estimate). Belfius estimates that it serves approximately 50% of the Belgian market of companies with a turnover equal to or greater than EUR 10 million, based on data from Graydon and information from the company (i.e. approximately 60% penetration in the sub-segment of corporates and mid-corporates, and 25% in the sub-segment of large Belgian corporates).

1.1. Customer segmentation

Belfius offers a comprehensive range of banking and insurance products and services aimed at complementary groups of customers: entities in the Belgian public and social sectors (Public and Social) and medium and large-sized Belgian corporates (Corporate), as well as Wealth customers. The public and social segment, comprising approximately 11,000 customers, includes local public authorities (e.g. municipalities, provinces, police zones and Public Centres for Social Welfare), supra-local public entities (e.g. intermunicipal companies), regional and federal public institutions, health insurance funds and trade unions, healthcare providers (hospitals, retirement homes), education (e.g. universities, schools) and housing, as well as other customers such as foundations, social secretariats and pension funds. In the corporate customer segment, Belfius serves approximately 10,700 medium-sized and large corporates, with an annual turnover in excess of EUR 10 million. In the Wealth segment, Belfius serves some 1,800 customers, each with more than EUR 2.5 million of assets. In practical terms, the private and business segments of these customers are often closely linked.

1.2. Products

Payment Products

Belfius offers payment products that are suited to the various needs of its Public and Corporate customers, such as social accounts and prepaid cards, in addition to its standard banking products, which include accounts, debit cards, credit cards and cash pooling, as well as a full range of payment methods.

To support its corporate customers which also operate abroad, Belfius offers a wide array of products and tailor-made solutions provided by its International Cash Management Team. Outside of Belgium, Belfius works with a strong network of foreign banks, both in Europe and worldwide.

To support its public customers, Belfius offers cashier and cash management services, and is the long-time cashier for all regional Belgian authorities, bar one, and almost all Belgian municipalities. In 2018, after a competitive tendering process, Belfius renewed its cashier contracts with the German-speaking community, the Joint Community Commission and the Deposit and Consignment Office. The Federation Wallonia-Brussels also decided to appoint Belfius to perform the function of "cashier" for the period between 2019 and 2023.

Belfius has developed a 3-pronged security offering to assist corporates and public authorities with the prevention, detection and management of cyber fraud risks. This involves a scan of in-house procedures (via BDO), an IT audit of the customer's security systems (via Secutec) and an anti-fraud analysis program (via Key Business).

Credit Products

Belfius offers its Public and Corporate clients a range of credit products to help finance and grow their operations.

These credit products and services include:

- → Tailored Products for Public and Social Customers: Belfius offers its public and social customers professional debt management services, which enable customers to free up resources for new investments, and a specialised range of short- and long-term financing solutions tailored to their specific requirements, whether in the form of credits or long-term bonds.
- → DCM: Belfius is a leader in the Debt Capital Markets business for Belgian institutional customers in the semi-public and corporate sectors, having been involved in 86% of DCM transactions in the public and social customer segment and 52% in the corporate customer segment. On 16 January 2018, Belfius Bank received the "No. 1 Bond Finance House of the Year" award from Euronext for the fifth consecutive year, with EUR 6.3 billion in long-term issues since 2013.
- → Belfius again underlined its role as leader in bond issues for Belgian issuers with the Flemish Community, which raised EUR 500 million through the issue of its very first Sustainability Bond, a public issue with 61 investors from 11 different countries. Through this long-term bond, the Flemish Community emphasises the importance of investing in a sustainable environment that is "smart" for the people who live there.
- → ECM: Belfius is also active in the equity capital markets through the structuring and placement of capital market transactions for its Belgian corporate clients (IPOs, capital increases and private placements of shares). To expand its range of services, in 2017 Belfius entered into a strategic partnership with Kepler Cheuvreux. This places Belfius in the top 3 banks operating in ECM, playing a part in the majority of deals in Belgium.
- → Leasing Services: Through its wholly owned subsidiaries, Belfius Lease and Belfius Auto Lease, Belfius also offers various financial and operational leasing solutions.
- → Real Estate Financing: The real estate department of Belfius has helped build and finance over 1,000 projects in the past 25 years for public and social authorities. Belfius is able to offer to these clients a combination of in-house architects, engineers and project managers specialised in construction and financing.
- → Infrastructure Financing: Belfius is a key player in the structuring and financing of large infrastructure investment projects in Belgium, including green energy projects, as well as semi-public real estate and infrastructure projects financed through structured credits, syndicated credits and PPP finance.
- → Trade and Export Financing: Through an experienced team of approximately 40 employees, Belfius offers Belgian companies that also operate abroad a full array of products and services in trade and export finance, from documentary credits to buyer credits. The transactions are executed through a wide network of correspondents, giving Belfius a presence in major countries around the world.
- → Public Tender Financing: Belfius has developed B2G Flex, an innovative solution for financing public tenders in Belgium. B2G Flex is a flexible financing solution that allows companies to finance their working capital from the day on which they win the tender and evolves throughout the realisation of the contract to meet the necessary funding requirements.

Partnership with EIB

Since the partnership between Belfius and the European Investment Bank (EIB) was announced to encourage the development of "Smart Cities" in Belgium, more than EUR 1 billion of investments in no fewer than 121 projects has already been financed on favourable terms by the two institutions. Drawing on this success, Belfius and the EIB have signed a new agreement aimed at making an additional EUR 400 million available to provide even more support for projects contributing to the development of smart cities, the circular economy and the fight against climate warming. This new programme, called Smart Cities, Climate Action & Circular Economy II, is designed to help local authorities, intermunicipal companies and non-commercial organisations in the social sector and education in Belgium to implement their smart and sustainable projects through the granting of finance on favourable terms. The scope of the programme not only covers areas such as energy, mobility and urban development, but also water (the distribution network, sewerage, drainage, treatment), waste (selective collection, sorting, biological treatment and sludge treatment, energy production) and e-Government (particularly Open Data). In addition to an approach that is integrated, innovative and sustainable, the circular economy and action for the climate are key points to focus on when analysing and assessing projects.

Smart Building & Renovation Solution

Finally, in view of the challenge posed by the climate, the modernisation and in-depth renovation of many buildings is required urgently to make them more intelligent and especially to make them consume less energy and in so doing reduce our emissions of CO_2. It was with this aim in mind that Belfius launched the Smart Building & Renovation Solution, a tailored, all-in package designed to provide help and guidance, from A to Z, to schools, care homes, corporates and local authorities at the various stages of their projects (starting at approximately EUR 1 million). From technical and energy audits, right through to the final handover of the building. By doing this, Belfius is responding to the call from the authorities in one of the main pillars of the National Investment Pact and Belgium's urgent needs in terms of de-waterproofing and replanting. The Smart Building & Renovation Solution is part of the Smart Belgium strategy at Belfius and aims to encourage the emergence of a Belgian community that is sustainable and capable of addressing societal challenges. Working through the Smart Building & Renovation Solution – an all-in solution – Belfius aims to help respond to the crying need for the modernisation and upgrading of property assets.

Savings and Investment Products

Belfius offers two categories of savings and investment products to its Public and Corporate segment: on-balance sheet products, such as savings accounts, term accounts, saving certificates and bonds; and off-balance sheet products, such as discretionary portfolio management, mutual investment funds and bonds issued by third parties. Dedicated product managers create saving and investment products for Public and Corporate clients that respond to the specific needs of the clients in terms of risk, structure and duration.

Insurance Products

Belfius Insurance also offers life insurance products to public and social clients. Specific life insurance solutions are offered, especially pension insurance in the first and second pension pillars for civil servants and investment products in Branch 26 (life insurance with a capital guarantee and guaranteed minimum return, to which there may be added a variable profit participation feature). Non-life products are distributed to these clients by way of a selective direct approach.

In the second half of 2018, Belfius Insurance decided to switch to a direct distribution model for its property, accident and miscellaneous risks insurance products targeting customers in the social sector. At the same time, it decided to put its non-life insurance business aimed at other institutional and corporate customers through the brokerage channel into run-off. Belfius Insurance intends to reallocate the resources freed up in this way to its growing non-life insurance business that targets SME customers through its own (bank and DVV/LAP) distribution channels

Financial Analysis

Belfius conducts annual financial analyses, offering its customers insights into topics such as the development of local, municipal and provincial finances, including specific focus points for each local authority. Bespoke financial analysis is also offered to individual municipalities and hospitals, not only providing clients with insights to their own finances but also benchmarking the client in relation to regional averages or a group of peers. These studies have become key reference management tools for Belfius' public and social customers.

Against the background of the local elections in 2018, Belfius published an update to its Typology of Belgian Municipalities report. This is a unique tool that compares municipalities in Wallonia, Brussels and Flanders against a base of 150 indicators. This typology reporting makes it possible to highlight municipal development dynamics that are sometimes very contrasting – and in so doing, to demonstrate the constraints and issues facing local authority managers.

Continuing what has now become a tradition, Belfius Bank also presented its state of local finances report. This year, the study not only covered municipal budgets for 2018 but also, on the eve of the October 2018 elections, examined the state of local finances during the electoral term coming to an end. Belfius published 33 data sheets enabling the incumbent and newly elected representatives to have a clearer view of municipal finances

For the past 24 years, the MAHA study (Model for Automatic Hospital Analyses) conducted by Belfius has analysed the financial situation of general hospitals in Belgium. Whether private or public, all of them took part in this edition based on the balance sheet period for 2017. As a result, the 2018 MAHA study provides the most comprehensive image of development in the sector.

1.3. Distribution Channels

The commercial network for the public and social business includes 44 relationship managers spread across three regions. The relationship managers are dedicated to specific segments of clients and therefore have significant insight into how their clients function, allowing the managers to find the most appropriate banking and insurance solutions. Belfius Bank branches also offer some more basic banking services to specific public and social customers.

The commercial network for the corporate business includes 60 corporate bankers spread across four regions.

In the Public and Corporate segment, the relationship manager acts as the central point of contact or "hub" in the commercial relationship with the customer. He or she is the sole contact and maintains a relationship of trust with the customer throughout the customer lifecycle. Corporate bankers can also, at any time, call on in-house experts, known as "spokes", for the various product and service lines (e.g. for matters related to investments, loans, insurance, leasing, electronic banking or cash management). This "hub-and-spokes" approach is at the heart of Belfius' Public and Corporate customer service model.
Even though the primary customer contact is the relationship manager, Belfius also offers specific digital channels for Public and Corporate segment. Due to the nature and volume of transactions, desktop platforms are still the most prevalent among customers. Belfius was also the first bank in Belgium to offer a mobile banking application tailored to the needs of the public and corporate segments (e.g. allowing entities to safely sign transactions without limits on the amounts).

In 2018, Belfius expanded its digital offering with the BelfiusWeb New Technology application. This application features a new look & feel, more features and new functionalities such as PSD2 (which enables customers to combine account information and initiate payments within our digital channels (desktop and mobile). It also has a new homepage and online access management procedure. The aim is to improve ease of use and enhance customer satisfaction.

2. Strategy PC

Within the Public and Corporate market, Belfius intends to maintain its position as the leader in the public and social market and to continue its growth strategy in the Belgian corporate market.

By implementing its Public and Corporate Strategy, Belfius has set itself the goal of consolidating the robust growth it has recorded in this segment since 2015. The Bank's aim is to grow its share of the (loans) market to more than 15% in the Belgian corporate sector and in doing so to underline its position among the leading banks working in behalf of corporates in Belgium.

In April 2018, Belfius introduced a totally new, very much contemporary approach to Wealth Management, combining personalised, innovative service with integrated digitisation. The aim is for Belfius to offer its affluent customers a unique wealth management experience, for both their private and professional wealth.

Customer satisfaction is one of Belfius' top priorities, once again achieving 98% in 2018. Belfius has established a focused strategy to maintain this remarkably high standard. First, the Bank offers a wide range of classic products meeting all basic financial needs as effectively as possible. In addition to these traditional products, Belfius also looks to add value to its client relationships by leveraging its in-depth client and market understanding and offering tailor-made products and services to meet the needs of corporate and public and social clients.

In light of the challenges faced by public institutions and businesses in Belgium, Belfius continues to pursue its Smart Belgium programme. Smart Belgium is an initiative through which Belfius, together with partners from the public sector, private sector and academic institutions, has created a forum enabling smart solutions for a better society to be developed. Belfius acts as a financial partner and contact for local governments, intermunicipal authorities, new and existing businesses, hospitals, schools, retirement homes, care centres, academics and the public in general. The Bank is supporting these partners with their smart projects in different areas.

With this in mind, Belfius is also the driving force behind the Smart Belgium Awards. For the second edition of the awards in 2018, Belfius attracted 233 entrants in all, with 50 nominees in contention for the final prizes. The Belfius Smart Belgium Awards themselves were presented at a ceremony attended by over 500 experts and professionals from the world of business, local government, education and the healthcare sector. The five winners selected by the final judging panel were: the intermunicipal company IDEA, nominated for its technique for dewatering the sludge produced by water treatment stations, using renewable energy (Smart Cities ≥ 30,000 inhabitants), the local council in Bonheiden, for its innovative awareness campaign aimed at encouraging youngsters to travel to school by bike or on foot (Smart Cities < 30,000 inhabitants), the social sheltered workshop enterprise Mariasteen of Hooglede, for the Light Guide System, a system that projects operating instructions directly on to the operator's workspace (Smart Care), Glutton Cleaning Machines, a company based in Andenne, 100% electric sweeping machine Glutton® Zen® (Smart Company Award category for turnover ≥ EUR 10 million), as well as BeeOdiversity and its 7.5 million drone bees working to improve the quality of our environment (Smart Companies turnover < EUR 10 million). The Public Award went to the Mariënstede non-profit organisation for its unique cash register system adapted to assist people with a serious mental disability.

In 2017, Belfius also created its subsidiary Smart Belgium Services in partnership with Strategy&, a member of the worldwide PwC network. The aim is to help guide local authorities and businesses within a unique ecosystem and facilitate the co-creation of innovative solutions designed to make Belgium smarter. Smart Belgium Services was created to assist customers in developing a strategic framework for Smart projects, from the initial design stage to final implementation.

In 2018, SBS helped guide local authorities in their transition to becoming smart cities. This involved a Smart City Scan and the development of a Smart City strategy, as well as prototyping, co-creation and the practical implementation of the strategy itself.

In the corporate sector, Belfius builds on mutual trust and respect in order to develop sustainable and long-term client relationships. This aspiration for client intimacy means that Belfius does not focus on only selling products, but also on advising, servicing and consulting with clients. To realise these objectives Belfius took a series of actions over the past few years, including:

- Developing employee benefit products with a focus on mobility solutions (e.g., car leases), wage improvements (e.g., warrants and bonuses) and risk protection (e.g., hospitalisation, group insurance and collective pension plans);
- Supporting international trade and mitigating related risks through trade finance (e.g., documentary credits, warranties and standby letters of credit), international payment solutions and cash pooling; and
- Assisting clients with working capital management through the development of sound strategies and in-depth analyses of inventory management, credit management, and cash and treasury management.

Belfius is of the opinion that its local proximity to corporate customers and accessible decentralised decision centres provides a key competitive advantage over Belgian banking subsidiaries of international banks, enabling it to respond to customer needs quickly.

3. Commercial performance PC in 2018

At 31 December 2018, **total savings and investments** stood at EUR 32.8 billion, an increase of 2.2% compared with the end of 2017. **On-balance sheet deposits** decreased by EUR 0.4 billion (-1.8%), to EUR 22.8 billion. The **off-balance sheet investments,** especially in the Corporate segment, registered an important increase of 13.3% to reach EUR 9.4 billion. **Life insurance reserves** for investment products remain at 2017 level of EUR 0.6 billion.

Public and Corporate (Unaudited) (in billions of EUR)	31/12/17	31/12/18	Evolution
TOTAL SAVINGS AND INVESTMENTS	32.1	32.8	+2.2%
Deposits	23.2	22.8	-1.8%
Off-balance sheet investments	8.3	9.4	+13.3%
Life insurance reserves(1)	0.6	0.6	+1.3%

(1) Investment products

Total outstanding loans grew to EUR 39.7 billion (+3.7%). Outstanding loans in Public and Social banking decreased mainly due to lower demand, increased competition on the Public and Social Sector market, and the structural shift to alternative financing sources through (debt) capital markets. Belfius' intensified commercial strategy towards Belgian corporates results in an important increase of 20.4% (compared to December 2017) of outstanding loans to EUR 13.0 billion as of 31 December 2018.

Public and Corporate (Unaudited) (in billions of EUR)	31/12/17	31/12/18	Evolution
OUTSTANDING LOANS	38.3	39.7	+3.7%
Public and Social	27.4	26.7	-2.9%
Corporate	10.8	13.0	+20.4%
OFF-BALANCE SHEET COMMITMENTS	20.5	20.5	+0.3%

Belfius granted EUR 6.7 billion (+13.6%) of **new long-term loans** to the Belgian economy, for Corporate customers as well as the Public and Social sector.

Long-term loan production for Corporate customers increased by 26% to EUR 4.8 billion. Belfius is thus one of the four largest Belgian banks in the Corporate Sector, with an estimated market share in terms of assets up from 12.7% in 2017 to 14.5% (estimation) end 2018.

Despite the continued weak market demand in 2018 in the Public sector, Belfius still granted EUR 1.9 billion in new long-term funding. The Bank is and remains uncontested market leader, and replies to every funding tender from Public sector entities, at sustainable pricing terms. It manages the treasury of practically all local authorities and was attributed 69% of tendered loan files in 2018. Moreover, in December 2018, Belfius was once again chosen as the exclusive cashier of the Walloon Region until end 2023.

Belfius also confirmed its position as leader in Debt Capital Markets (DCM) issues for (semi-)Public and Corporate customers by taking part in 86% and 52% respectively of available mandates on the Belgian market. In 2018, the Bank issued EUR 4.9 billion in innovative means of funding in the form of short-term issues (average outstanding on Commercial Papers) and long-term issues (Medium Term Notes and Bonds).

With regard to **insurance activities**, the Public and Corporate segment recorded lower underwriting volumes:

- **Non-life insurance production** of EUR 128 million, which is 5.3% less than 2017, resulting from a focus on contracts with higher profitability and the pruning of some parts of the portfolio.
- **Gross production in the life segment** amounted to EUR 253 million, a decrease of 7.2%, mostly because of the impact of the historically low interest environment on products with guaranteed interest rates.

Public and Corporate (Unaudited) (in millions of EUR)	31/12/17	31/12/18	Evolution
TOTAL PREMIUMS RECEIVED	408	381	-6.6%
Life	273	253	-7.2%
Non-life	135	128	-5.3%

Financial Results PC (in millions of EUR)	2017 IAS 39	2018 IFRS 9
INCOME	519	533
Net interest income bank	361	407
Net fee and commissions bank	47	47
Life insurance contribution	31	53
Non-life insurance contribution	26	9
Other	54	17
COSTS	(208)	(234)
GROSS OPERATING INCOME	311	299
Cost of risk	(28)	(24)
Impairments on (in)tangible assets	(1)	(1)
NET INCOME BEFORE TAXES	282	274
Taxes	(89)	(66)
NET INCOME AFTER TAXES	193	208
Non controlling interests	0	0
NET INCOME GROUP SHARE	193	208
ADJUSTED NET INCOME(1)	189	184

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

Ratios (in %)	2017	2018
Cost-income ratio(1)	40.0%	43.9%
RoNRE(2)	8.8%	9.0%

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

Normative regulatory equity & risk exposures (in millions of EUR)	2017	2018
Normative regulatory equity(1)	2,235	2,408
Regulatory risk exposures	16,805	18,056

(1) 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 and some CET1 capital deductions allocated to the business line (to a very limited extent, since the most important part of CET1 capital deductions are allocated to GC).

4. Financial Results PC in 2018

PC net income after tax rose from EUR 193 million in 2017 to EUR 208 million in 2018, up 7.8% thanks to continued solid commercial performance , as well as a favourable tax rate and non taxable capital gains.

In 2018, **total income** amounted to EUR 533 million, up 2.7% or EUR 14 million more than in 2017.

- → Net interest income of the PC bank amounted to EUR 407 million, up 12.7% compared to 2017, mainly thanks to a strict pricing discipline, higher volumes and a solid contribution from Financial Management Services (like loan structuring) compensating for pressure on interest margin especially on non-maturing deposits. Some presentation changes following IFRS 9 had also a positive result of EUR 16 million (now booked in NII, formerly in other income).
- → Net fee and commission income of PC bank remained stable in 2018 and amounted to EUR 47 million.
- → Income from Life insurance contribution amounted to EUR 53 million, up 73.4% compared to 2017, mainly thanks to the reassessment of technical life provisions in line with risk appetite framework.
- → Non-life insurance contribution decreases from EUR 26 million in 2017 to EUR 9 million in 2018, due to important degradation of the Loss Ratio, (ia adjustments on large claims of previous years), partially compensated by an improving Expense Ratio.
- → The other income amounted to EUR 17 million, down 68% or EUR -37 million. This is mainly stemming from negative spread impact and fair value adjustments.

In 2018, **total expenses** amounted to EUR 234 million, up 12.5% compared to 2017, as a result of ambitious strategic initiatives and digitalization efforts.

As a result, the **gross operating income** decreased to EUR 299 million in 2018, down EUR 12 million (-3.9%) compared to 2017.

The **cost of risk** amounted to EUR 24 million in 2018. This historically low level continues to demonstrate the good credit quality of the PC franchise in a challenging economic environment.

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

Pre-tax income stood at EUR 274 million, down EUR 8 million or -2.9% compared to 2017.

Tax expenses amounted to EUR 66 million in 2018 compared to EUR 89 million in 2017 mainly from non taxable capital gains, lower statutory corporate tax rate and innovation income deduction.

As a result, Belfius' **PC net income group share** amounted to EUR 208 million in 2018, compared to EUR 193 million last year.

Excluding the special items, the **adjusted net income PC** amounts to EUR 184 million in 2018, compared to EUR 189 million in 2017.

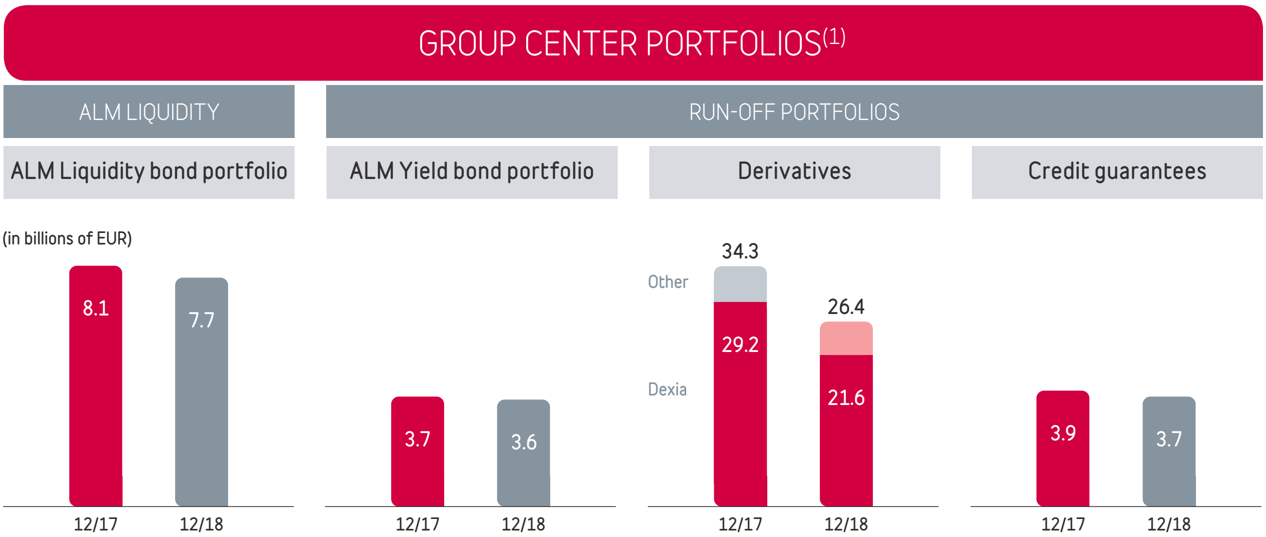
The PC cost-income ratio improved to 44% in 2018. The Return on Normative Regulatory Equity (RoNRE) stood at 9.0%.

GROUP CENTER (GC)

Group Center operates through two sub-segments.

- Run-off portfolios which are mainly comprised of:
  - a portfolio of bonds issued by international issuers, especially active in the public and regulated utilities sector (which includes the UK inflation-linked bonds), covered 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 corporate and financial market support services (e.g., Treasury), the management of two former specific loan files inherited from the Dexia era (loans to Gemeentelijke Holding/Holding Communal and Arco entities), and the Group Center of Belfius Insurance.

These portfolios and activities are further described below.



(1) Nominal amount.

1. ALM Yield bond portfolio

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

At the end of December 2018, the ALM Yield bond portfolio stood at EUR 3.6 billion(1), down 1.8% compared to December 2017, mainly due to amortizations. End of December 2018, the portfolio was composed of corporates (70%), sovereign and public sector (12%), asset-backed securities (11%), and financial institutions (7%). Almost 85% of the corporate bonds, mainly composed of long-term inflation linked bonds, are issued by highly-regulated UK hospitals, infrastructure companies and utilities such as water and electricity distribution companies. These bonds are of satisfactory credit quality, and the majority of these bonds are covered with an issuer credit protection by a credit insurer (monoline insurer) that is independent from the bond issuer.

At the end of December 2018, the ALM Yield bond portfolio has an average life of 20.1 years and the average rating remained at A. 95% of the portfolio is investment grade (IG).

2. Derivatives with Dexia-entities and foreign counterparties

During the period it was part of the Dexia Group, former Dexia Bank Belgium (now Belfius Bank) was Dexia Group's "competence center" 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. Former Dexia Bank Belgium systematically rehedged 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 remaining outstanding notional amount of derivatives with Dexia-entities and non collateralized interest rate derivatives with international non financial counterparties amounted to EUR 26.4 billion(1) at the end of December 2018 (down EUR 8 billion or -23% compared to EUR 34.3 billion at the end of December 2017), of which EUR 21.6 billion with Dexia entities (compared to EUR 29.2 billion at the end of December 2017). The fair value of those Dexia derivatives amounts to EUR 3.9 billion.

At the end of December 2018, the average rating of the portfolio stood at A- and the average residual life of the portfolio stood at 14.1 years(2).

3. Credit guarantees

At the end of December 2018, the credit guarantees portfolio amounted to EUR 3.7 billion(1), down 4.5% compared to December 2017, mainly due to amortizations. It relates essentially to Financial Guarantees, and Credit Default Swaps issued on corporate/public issuer bonds (85%), ABS (12%) and covered bonds (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) result in a portfolio that is 100% investment grade (IG) in terms of credit risk profile. This portfolio also contains Total Return Swaps for an amount of EUR 0.4 billion(1).

At the end of December 2018, the average rating of the portfolio remained at A- and the average residual life of the portfolio stood at 10.0 years.

4. ALM Liquidity bond portfolio

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

At the end of December 2018, the ALM Liquidity bond portfolio stood at EUR 7.7 billion(1), down EUR 0.4 billion or 4.7% compared to December 2017, mainly due to the sale of Italian sovereign bonds (EUR 0.8 billion) in January 2018 partially compensated by a reinvestment program of EUR in LCR eligible bonds. End of December 2018, the portfolio was composed of sovereign and public sector (66%), covered bonds (28%), asset-backed securities (4%) and corporates (2%). The Italian government bonds in the ALM Liquidity bond portfolio amounted to EUR 1.5 billion(1) as of 30 December 2018, down by one third compared to end 2017.

At the end of December 2018, the ALM Liquidity bond portfolio has an average life of 8.4 years, and an average rating of BBB+ (100% of the portfolio being investment grade (IG)).

5. Other Group Center activities

The 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 results from hedging solutions implemented for clients (so-called financial markets client flow management activities);
- the results of treasury activities (money market); and
- the results including revenues 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.

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

Financial Results GC (in millions of EUR)	2017 IAS 39	2018 IFRS 9
INCOME	151	178
Net interest income bank	222	196
Net fee and commissions bank	(4)	1
Life insurance contribution	(1)	0
Non-life insurance contribution	0	0
Other	(66)	(19)
COSTS	(134)	(144)
GROSS OPERATING INCOME	17	33
Cost of risk	35	12
Impairments on (in)tangible assets	14	0
NET INCOME BEFORE TAXES	66	45
Taxes	(96)	(11)
NET INCOME AFTER TAXES	(30)	34
Non controlling interests	0	1
NET INCOME GROUP SHARE	(30)	33
ADJUSTED NET INCOME[1]	14	(21)

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

6. Financial results GC in 2018

GC net income after tax stood at EUR +33 million in 2018, compared to EUR -30 million in 2017.

In 2018, **total income** amounted to EUR 178 million, that is EUR 27 million more than in 2017. This strong increase results from:

- revaluation of historical participation in Auxipar following step-up acquisition resulting in an upfront gain of EUR 15 million (at the Bank);
- the positive result from the sale of Italian government bonds;
- better marked to market valuation of the portfolios than in 2017 in spite of a more difficult situation on financial markets.

These positive elements are partly compensated by a lower margin (lower reversal of provision for negative interests for collateral).

Total expenses increased from EUR 134 million in 2017 to EUR 144 million in 2018, mainly following a reassessment of the provision for restructuring plan.

The **gross operating income** improved significantly from EUR 17 million in 2017 to EUR 33 million in 2018.

The **cost of risk** stood at EUR +12 million in 2018, compared to EUR +35 million in 2017 which were mainly related to reversals on provisions on the last part of de-risking, i.a. the sale of conditionally US government guaranteed reverse mortgages (part of former Side) that were downgraded to non-performing in 2016 and for which a specific impairment charge was booked in 2016, that resulted in a net book value below the sale price achieved in 2017. In 2018, the positive cost of risk is mainly stemming from the reversal of provision after the sale of Italian government bonds, slightly offset by internal downgrade of some exposures (e.g. on UK utilities).

There is no **impairments on (in)tangible assets** in 2018, while this item amounted to EUR +14 million in 2017, mainly resulting from the reversal of an impairment on Belfius headquarter in Rogier Tower.

Pre-tax income stood at EUR 45 million in 2018 compared to EUR 66 million in 2017.

Taxes amounted to EUR -11 million in 2018 compared to EUR -96 million in 2017. In 2017, the amount of taxes was negatively impacted by the reassessment of the net deferred tax assets following the Belgian Tax Reform enacted before year-end 2017 leading to a DTA reassessment of EUR -106 million, partially compensated by the recognition of previously unrecognised DTA following better taxable results (EUR +33 million). In 2018, the effective tax rate is less negative mainly thanks to the lower statutory corporate tax rate, the positive fiscal impact of the closing of our Branch in Dublin (EUR +31 million) whilst fiscal losses in Ireland are only partially recognized in 2018.

As a result, Belfius' **GC net income group share** amounted to EUR +33 million in 2018, compared to EUR -30 million in 2017.

Excluding special items, the **adjusted net income GC** stood at EUR -21 million in 2018, compared to EUR +14 million in 2017.

CAPITAL MANAGEMENT

CAPITAL MANAGEMENT AT THE BANK

1. Prudential supervision

1.1 Minimum Requirement

Belfius Bank reports on its solvency position on consolidated level and on statutory level in line with CRR/CRD IV regula*tions:*

- the minimum capital requirements ("Pillar 1 requirements") as defined by Article 92 of Regulation (EU) No 575/2013 (CRR);
- the capital requirements that are imposed by the decision following the SREP in application of 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 2013/36/EU (CRD IV).

As a result of the annual "Supervisory Review and Evaluation Process" (SREP) finalized by the ECB at the end of 2017, Belfius must comply for 2018 with a minimum CET 1 ratio of 10.125% (without countercyclical capital buffer), which is composed of:

- a Pillar 1 minimum of 4.5%;
- a Pillar 2 Requirement (P2R) of 2.25%;
- a capital conservation buffer (CCB) of 1.875%; and
- a buffer for (other) domestic systemically important institutions (O-SII buffer) of 1.5% (imposed by the National Bank o*f Belgium).*

Belfius has to respect the full combined buffer requirements (capital conservation buffer, countercyclical capital buffer, buffer for systemically important institutions and systemic risk buffer) and the Pillar 2 buffer requirements. Note that the countercyclical capital buffer, calculated at 31 December 2018, stood at 0.07%. As a consequence, Belfius must comply at the end of 2018 with a minimum CET 1 ratio of 10.195%. Also note that the ECB has also notified Belfius of a Pillar 2 Guidance (P2G) of 1% CET 1 ratio for 2018.

*The consolid*ated CET 1 ratio of Belfius stood at 16.0% at the end of 2018, well above the abovementioned 2018 applicable CET 1 capital requirement.

As a result of the annual "Supervisory Review and Evaluation Process" (SREP) finalized by the ECB in the beginning of 2019, Belfius must comply for 2019 with a minimum CET 1 ratio of 10.75% (without countercyclical buffer), whic*h is composed of:*

- a Pillar 1 minimum of 4.5%;
- a Pillar 2 Requirement (P2R) of 2.25%;
- a capital conservation buffer (CCB) of 2.5%; and
- a O-SII buffer of 1.5%.

Note that the countercyclical capital buffer is assessed on a quarterly basis. Based on the calculation at the end of 2018, Belfius must comply for 2019 with a minimum CET 1 ratio of 10.82% including the countercyclical buffer. Note that the ECB has also notified Belfius of a Pillar 2 Guidance (P2G) of 1% CET 1 ratio for 2019.

Further to these regulatory requirements, in current market circumstances and under current regulations, Belfius had defined a minimum operational CET 1 ratio of 13.5%, on solo and consolidated levels. This ratio is intended to maintain Belfius' distribution assessment and decision autonomy under stressed financial environments. In addition, Belfius will for the time being manage with a target CET 1 ratio of 15% to 15.5%, higher than this minimum operational level to take into account additional unforeseeable elements. Belfius intends to manage its solvency in line with this target ratio in normal times and on a steady state basis, unless the above mentioned buffer is (partially or entirely) used, and as long as regulations on statutory and/or consolidated capital ratios would not materially change.

1.2 Applied methodology

In line with CRR/CRD IV regulations part X, Belfius was authorised to apply transitory measures in the calculation of its regulatory own funds with limited impact on the regulatory risk exposure. The Belgian application of these measures is described in the Royal Decree of 10 April 2014 (published on 15 May 2014) and was referenced as the "phased in" calculation. The measures impacting the CET 1 capital ended on 31 December 2017, moreover Belfius Bank has no Tier 2 Instruments anymore subject to the transitional measures applicable till 31 December 2021. Without these transitory measures on CET 1 capital, on regulatory own funds and on regulatory risk exposure the calculation of 2018 is not referenced anymore as "phased in" or "fully loaded".

The regulator has authorised Belfius to apply article 49 of the CRR and to monitor and report solvency on the prudential scope, where Belfius Insurance is equity-accounted for (hence not fully consolidated but treated as a third party), and as such, *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 has 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 reportings are done on the consolidated position of the bank and insurance group.

*At the en*d of 2018, Belfius also complies with all requirements requested from a financial conglomerate point of view.

2. Impact of IFRS 9 on solvency ratios on consolidated level

The implementation of IFRS 9 as of 1 January 2018 (DIA, Date of Initial Application), had an impact on Belfius' solvency ratios. The impacts of the initial application of IFRS 9 were recognized in retained earnings and OCI which impacts the regulatory own funds. An additional impact was noted on risk exposures due to impacts on balance sheet exposure amounts from reclassifications.

We refer to the transition tables in note 3 "Accounting principles on a consolidated basis" of the consolidated financial statements of 2018 for a full description of the different impacts. Note that the transition tables refer to the consolidated impact of IFRS 9 for Belfius Group, whereas the solvency ratios are calculated at the prudential scope.

*For comparison rea*sons, we have performed a pro forma calculation of the CET 1 ratio as at 1 January 2018, DIA of IFRS 9.

The reconciliation table between accounting core shareholders' equity on 31 December 2017 towards the starting point for the regulatory core own funds on 1 January 2018 is detailed below.

Comparison of accounting core shareholders' equity (consolidated financial statements) and the base for the regulatory core own funds

(in millions of EUR)	
ACCOUNTING CORE SHAREHOLDERS' EQUITY 31/12/17	9,085
Impact IFRS 9 Date initiale d'application(1)	(291)
ACCOUNTING CORE SHAREHOLDERS' EQUITY 01/01/18	8,794
Transformation of the insurance group in a third party exposure	(46)
Élimination DIA adjustements Belfius Insurance group	(15)
STARTING POINT FOR THE REGULATORY CORE OWN FUNDS 01/01/18	8,733

(1) The tabel given above is identical to the disclosure made in the 2017 Annual Report, except for an adjustement to deferred tax. The change related to a refinement ot the tax rates used to calculate the deferred taxes.

The impacts mainly relate to the reversal of the available-for-sale reserve and the frozen available-for-sale reserve as Belfius has opted for a "hold to collect" business model for the majority of debt instruments.
This leads to the following regulatory own funds (fully loaded):

Regulatory own funds

(in millions of EUR)	31/12/17	01/01/18
COMMON EQUITY TIER 1 CAPITAL (CET1 CAPITAL) FULLY LOADED	8,037	8,253
STARTING POINT FOR THE REGULATORY CORE OWN FUNDS[1]	9,039	8,733
DEDUCTION OF FORESEEABLE DIVIDEND	(288)	(288)
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	(325)	195
Remeasurement defined benefit plans	112	112
Remeasurement available-for-sale reserve on securities and frozen fair value adjustements of reclassified financial assets	(437)	83
Other reserves	(14)	(19)
Prudential filter on the fair value reserves related to gains and losses on crash flow hedges on financial instruments	14	19
DEDUCTIONS AND PRUDENTIAL FILTERS	(389)	(387)
Deferred tax assets on losses carried forward	0	0
Investments in securisation positions	(23)	(23)
Changes in the value of own credit standing	(4)	(4)
Value adjustments due to the requirements for regulatory prudent valuation	(99)	(98)
Intangible fixed assets	(127)	(127)
Goodwill	(104)	(104)
Shortfall of provisions over expected losses for IRB portfolios	(2)	(2)
Defined Benefit Pension Plan assets	(12)	(12)
Payment Commitments IPC	(17)	(17)
TIER 2 CAPITAL FULLY LOADED	1,097	1,097
Tier 2 capital instruments	939	939
Excess of provisions over expected losses for IRB portfolios	138	138
General credit risk adjustements SA (standard approach)	20	20
REGULATORY OWN FUNDS (after approbation of result) FULLY LOADED	9,134	9,350

(1) The tabel given above is identical to the disclosure made in the 2017 Annual Report, except for an adjustement to deferred tax. The change related to a refinement of the tax rates used to calculate the deferred taxes.

The impact on regulatory risk exposures is twofold: (i) an increase on the portfolio hedge and (ii) a decrease following lower exposures after reclassification and remeasurement on certain assets.

This increase of regulatory risk exposure was partially offset by lower exposures on certain assets. As the majority of the debt instruments are held in a "hold to collect" business model, the exposure, on which RWA is calculated, decreased as the positive fair value revaluation is no longer taken into account.

The impacts can be summarized as follows:

(in millions of EUR)	31/12/17	01/01/18
Regulatory credit risk exposure[1]	39,073	39,438
Regulatory market risk exposure	1,841	1,841
Regulatory operational risk exposure	2,932	2,932
Danish compromise	6,769	6,828
REGULATORY RISK EXPOSURE FULLY LOADED	50,615	51,039

(1)The tabel given above is identical to the disclosure made in the 2017 Annual Report, except for an adjustement to deferred tax. The change related to a refinement of the tax rates used to calculate the deferred taxes.

As such, after DIA of IFRS 9 the CET 1 ratio (pro forma 1 January 2018) amounts to:

(in %)	31/12/17	01/01/18	Delta
CRR/CRD IV (FULLY LOADED)			
Common Equity Tier1 ratio (CET 1 ratio)[1]	15,9 %	16,2 %	29 bps
Tier 1-capital ratio (T1 ratio)[1]	15,9 %	16,2 %	29 bps
Total capital ratio[1]	18,1 %	18,3 %	27 bps

(1) The tabel given above is identical to the disclosure made in the 2017 Annual Report, except for an adjustement to deferred tax. The change related to a refinement of the tax rates used to calculate the deferred taxes.

3. Regulatory own funds on consolidated level

As indicated above, for regulatory reporting purposes, Belfius Insurance group is not consolidated and its assets and liabilities are to be treated as third party exposures. As a result, core shareholders' equity and the consolidated net income reported in the consolidated financial statements differ from that reported in the regulatory reporting used for the regulatory core own funds.

Again, for comparison reasons, Belfius has added the pro forma regulatory own funds calculations on 1 January 2018, DIA of IFRS 9.

(in millions of EUR)	01/01/18	31/12/18
ACCOUNTING CORE SHAREHOLDERS' EQUITY	8,794	9,055
Transformation of the insurance group in a third party exposure	(46)	(178)
Elimination DIA adjustements Belfius Insurance group	(15)	0
STARTING POINT FOR THE REGULATORY CORE OWN FUNDS	8,733	8,877

At the end of 2018, the starting point for the regulatory core own funds amounted to EUR 8,877 million, an increase of EUR 144 million stemming from the net result of 541 million for 2018 offset by the dividend of 288 million over the full year result of 2017 paid in April 2018, the interim dividend paid in August 2018 of EUR 100 million over the full year 2018 and the AT1 interest payments of EUR 9 million during 2018 (considered as dividend under IFRS).

Note that the net income (EUR 541 million) differs from the consolidated net income (EUR 649 million) due to the "prudential" consolidation scope, as described above. The scope change adjustments can be detailed as follows:

(in millions of EUR)	31/12/17 IAS 39	31/12/18 IFRS 9
Consilidated net income	606	649
Elimination of Belfius Insurance	(171)	(204)
Scope changes:		
dividend (Belfius Insurance)	120	120
other	5	(24)
REGULATORY NET INCOME	560	541

In the regulatory own funds calculations using the CRR/CRD IV regulations, Belfius Bank applies the "fully loaded" method as from 1 January 2018. The transitional measures on CET 1 capital ended on 31 December 2017, moreover Belfius Bank has no Tier 2 instruments anymore that are subject to the transitional measures applicable till 31 December 2021. The calculation is not referenced anymore as "phased in" or "fully loaded".

Regulatory own funds

(in millions of EUR)	01/01/18	31/12/18
COMMON EQUITY TIER 1 CAPITAL (CET 1 CAPITAL)	8,253	8,329
STARTING POINT FOR THE REGULATORY CORE OWN FUNDS	8,733	8,877
DEDUCTION OF FORESEEABLE DIVIDEND	(288)	(266)
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	195	99
Remeasurement defined benefit plans	112	39
OCI reserves - portfolios measured at FVTOCI	83	60
Other reserves	(19)	14
Prudential filter on the fair value reserves related to gains and losses on cash flow hedges on financial instruments	19	(14)
DEDUCTIONS AND PRUDENTIAL FILTERS	(387)	(380)
Deferred tax assets on losses carried forward	0	(1)
Investments in securitisation positions	(23)	(21)
Changes in the value of own credit standing	(4)	(5)
Value adjustments due to the requirements for regulatory prudent valuation	(98)	(92)
Intangible fixed assets	(127)	(139)
Goodwill	(104)	(104)
Shortfall of provisions over expected losses for IRB portfolios	(2)	(2)
Defined Benefit Pension Plan assets	(12)	0
Payment Commitments IPC	(17)	(18)
TIER 1 CAPITAL	8,253	8,826
Additional Tier 1 capital instruments	0	497
TIER 2 CAPITAL	1,097	1,404
Tier 2 capital instruments	939	1 120
Excess of provisions over expected losses for IRB portfolios	138	172
General credit risk adjustments SA (standard approach)	20	112
REGULATORY OWN FUNDS (after approbation of result)	9,350	10,230

CET 1 capital amounted to EUR 8,329 million, compared with EUR 8,253 million at 1 January 2018. The increase in CET 1 capital of EUR 76 million results mainly from the inclusion of the regulatory net profit, though partially offset by the correction for foreseeable dividend of EUR 266 million and despite the decrease of the "gains and losses not recognized in the statement of income".

The deduction of foreseeable dividend of EUR 266 million in 2018 is a prudential adjustment of the year-to-date undistributed regulatory net profit, considered not eligible for CET 1 capital. This amount consists of:

- a calculation of the foreseeable dividend for the ordinary shareholders on outstanding shares based on a payout ratio of 57% (i.e. corresponding to the payout ratio that has been applied to determine the 2018 dividend) multiplied by the 4Q 2018 consolidated net result reduced by the full year 2018 coupon cost after tax (accounting wise treated as dividend) on the AT1 instrument, reduced by the 1H 2018 interim dividend of EUR 100 million which was paid in Q3 2018 (to note: accounting wise already deducted from retained earnings); and
- the remaining AT1 instrument coupon cost after tax (accounting wise treated as dividend) since last coupon date, which has not yet been paid out to AT1 holders (i.e. EUR 2.7 million, which is accounting wise not yet deducted from equity, for the period between 16 October and 31 December 2018).

At 1 January 2018, a deduction of an estimated remaining dividend of EUR 288 million over the full year profit of 2017 was made (EUR 75 million was already paid out as interim dividend in 3Q 2017).

(in millions of EUR)	
Consolidated net result 2018	649,0
Correction for AT1 coupon for 2018, after tax	(11,7)
Pay out ratio (2018)	56,96%
FORESEEABLE DIVIDEND FOR ORDINARY SHARES	363,0
Interim dividend paid out Q3 2018	(100,0)
REMAINING FORESEEABLE DIVIDEND FOR ORDINARY SHARES	263,0
REMAINING COUPON FOR AT1 HOLDERS 2018	2,7
TOTAL FORESEEABLE DIVIDENDS TO DEDUCT FROM UNDISTRIBUTED PROFIT	265,7

In addition, a decrease of the "gains and losses not recognised in the statement of income" of EUR 96 million can be noted following the remeasurement of defined benefit plans due to the negative return on plan assets and the remeasurement of a pension plan for which Belfius is unable to duly assess the fair value of the underlying asset portfolio of its segregated fund at the end of 2018 due to the lack of recent information (we refer to the chapter material litigation for more information) and the sale of some Italian bonds, as these debt instruments were measured at fair value through OCI.

The deductions and prudential filters remain stable.

Tier 1 capital is no longer equal to the CET 1 capital and amounted to EUR 8,826 million, compared to EUR 8,253 million at 1 January 2018 following the additional Tier 1 issue of EUR 500 million (nominal value) in February 2018.

Tier 2 capital increased from EUR 1,097 million to EUR 1,404 million. This increase is mainly related to

- the new issuance of EUR 200 million (nominal value) in the first quarter of 2018,
- a larger excess of provisions over expected losses (EUR 34 million) and
- the increase of EUR 92 million from the integration of credit risk adjustments determined by the standardised approach.

Please note that The Governing Council of the European Central Bank (ECB) has granted Belfius permission to call three Tier 2 instruments in the first half year of 2018 for an amount of EUR 191 million (value on 31 December 2017), as a result Belfius has no longer any Tier 2 instruments treated under transitory measures.

At the end of 2018, the total regulatory own funds amounted to EUR 10,230 million, compared to EUR 9,350 million at 1 January 2018.

4. Regulatory risk exposure on consolidated level

The regulatory risk exposure includes risk-weighted exposures for credit risk, market risk and operational risk. Each of the underlying risks is detailed in the section on Risk Management in this report. Risk-weighted exposure also stems from the Danish Compromise, whereby the capital instruments issued by Belfius Insurance and held by Belfius Bank are included in the regulatory risk exposure via a weighting of 370%.

(in millions of EUR)	01/01/18	31/12/18	Evolution
Regulatory credit risk exposure	37,499	38,931	+1,432
Regulatory CVA exposure	1,939	1,606	-333
Regulatory market risk exposure	1,841	1,801	-40
Regulatory operational risk exposure	2,932	2,975	+43
Danish Compromise	6,828	6,751	-77
REGULATORY RISK EXPOSURE	51,039	52,065	+1,026

End 2018, regulatory risk exposure of Belfius amounted to EUR 52,065 million, an increase with EUR 1,026 million compared to EUR 51,039 million at 1 January 2018.

The regulatory credit risk exposure including counterparty credit risk increased by EUR 1,432 million to EUR 38,931 million. Besides, new loan's production (especially in mortgages, business and corporate banking) as well as a more stringent regulatory framework (such as the new NBB macro-prudential measures on mortgages) has further raised the regulatory credit risk exposure. This increase has been partially compensated by management actions (mainly the sale of Italian bonds in the first quarter of 2018, reduction of derivatives and model improvements).
The regulatory CVA exposure decreased with EUR 333 million following the reduction in derivatives exposures and decreasing outstanding/maturity of ex-legacy transactions.

The regulatory market risk- exposure remained stable over the period (EUR -40 million). The increase due to interest rate delta movements and financial markets activities in long term IR products has been compensated by methodological improvements linked to the application of the standardized approach for calculating risk weighted assets.

Regulatory operational risk exposure remained stable (EUR +43 million) over the period

The regulatory risk exposure for Danish Compromise remained stable at EUR 6,751million.

5. Solvency ratios for Belfius Bank on consolidated level

At the end of 2018, CET 1 ratio amounted to 16.0%, a decrease of 17 bps compared to 1 January 2018. Note that this CET 1 ratio takes into account a prudential deduction for foreseeable dividend of EUR 266 million.

The decrease in CET 1 ratio to 16.0% is the result of positive effects in CET 1 capital (+15 bps) offset by negative effects in total risk exposure (-32 bps). We refer to the comments above for further information.

At the end of 2018, Tier 1 capital ratio amounted to 17.0%, an increase of 78 bps compared to 1 January 2018. This increase was stemming from the inaugural Additional Tier 1 bond issue with a nominal value of EUR 500 million in February 2018.

The total capital ratio amounted to 19.6%, an increase of 133 bps compared to 1 January 2018.

(in%)	01/01/18	31/12/18
CRR/CRD IV		
Common Equity Tier 1 ratio (CET 1-ratio)	16.2%	16.0%
Tier 1-capital ratio (T1-ratio)	16.2%	17.0%
Total capital ratio	18.3%	19.6%

Applying the "Danish Compromise" compared to the deduction method for capital instruments of Belfius Insurance (equity deducted from CET 1 capital and subordinated debt instruments deducted from Tier 2 capital) has the following impacts: using the deduction method (fully loaded) would result in an increase of 53 bps on the CET 1 ratio and a decrease of 20 bps on the Total Capital ratio.

6. Solvency ratios for Belfius Bank on statutory level

At the end of 2018, CET 1 ratio on Belfius Bank statutory level (before inclusion of the statutory net result of EUR 480 million) amounts to 15.7%.

At the end of 2018, the available distributable items on statutory level amounted to EUR 3,598 million.

7. Leverage ratios for Belfius Bank on consolidated level

*I*n 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 balance sheet and consequently the use of excessive leverage.

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).

While public disclosure is required since 2015, the leverage requirement will become a binding requirement when the CRR 2, for which the vote in the European Parliament and the publication in the Official Journal are expected in the first half of 2019, will become applicable. The CRR 2 integrates the leverage ratio in the Pillar I requirement and sets the level of minimum requirement at 3%.

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, i.e. for Belfius without consolidation of the Belfius Insurance group.

Also note that the calculation of Tier 1 capital, leverage ratio exposure and leverage ratio are presented with comparison of 31 December 2017 (as published and reported) and 31 December 2018. The leverage ratio exposure has not been recalculated for the impacts of the initial application of IFRS 9.

(in millions of EUR) [1]	31/12/17	31/12/18
TIER 1 CAPITAL	8,037	8,826
Total assets	167,959	164,165
Deconsolidation of Belfius Insurance	(19,098)	(17,400)
Adjustment for derivatives	(21,670)	(17,649)
Adjustment for securities financing transactions exposures	3,729	3,683
Adjustment for prudential corrections in calculation of Tier 1 capital	(268)	(266)
Off-balance sheet exposures	14,959	15,782
LEVERAGE RATIO EXPOSURE	145,611	148,315
LEVERAGE RATIO	5,5 %	6,0 %

(1) unaudited.

At the end of 2018, the Belfius leverage ratio – based on the current CRR/CRD IV legislation - stood at 6,0%, an increase of 43 bps compared to the end of 2017.

This increase is due to positive effects (+54 bps) from the higher level of Tier 1 capital (see above), partially offset by negative effects (-11 bps) from the higher total leverage exposure measure mainly due to a decrease in the exposure value of derivatives stemming from market evolutions and additional deleveraging and an increase in the exposure value for other assets stemming mainly from higher volumes of loans to customers measured at amortized cost.

8. Impact of upcoming regulatory reforms

In the coming years, different regulatory reforms are still expected with an impact on the financial position of the banks.

8.1. EU Banking reform

On 4 December 2018, the Council endorsed the result of negotiations with the European Parliament on a set of key risk reduction measures of the banking reform package. The vote in Parliament and publication in the Official Journal are now expected in the first half of 2019.

The Risk Reduction Measures package (BRRD 2 – SRMR 2 – CRR 2 – CRD 5) foresees among others:

- → a binding leverage ratio, including a surcharge for the banks considered as G-SIBs and O-SII;
- → a binding NSFR ratio;
- → a new method for the measurement of counterparty credit risk (SA-CCR);
- → a broader application of the SME supporting factor;
- → a reporting requirement to supervisory authorities under a revised market risk framework (Fundamental Review of the Trading Book);
- → an enhanced framework for the interest rate risk in the banking book;
- → a revision of the treatment of large exposures;
- → a comprehensive framework covering Minimum Requirement for own funds and Eligible Liabilities (MREL) including cap for subordination and sanctions to MREL breaches and links with the bail-in rules;
- → ...

8.2. Basel III finalisation

The Basel Committee on Banking Supervision announced on 7 December 2017 its revised capital standards. The ag*reement aims at ensuring:*

- → sufficient robustness and risk-sensitivity of the standardized approaches;
- → a restored confidence in internal models by a reduction of model risks (risk underestimation) and a reduction of the undue variability of model outcomes among banks;
- → the finalization of the design and calibration of the leverage ratio and output floor.

The reform also referred as "finalisation of Basel III" includes:

- a revision of the standardized approaches for credit and operational risks, and for credit valuation risk;
- additional constraints in the use of internal models;
- an aggregate floor based on 72.5% of standardized risk weighted assets for banks using internal models;
- a surcharge in the leverage ratio for the largest institutions;
- a revision - finalised in January 2019 - of the Fundamental Review of the Trading Book.

These revised capital standards would become applicable from 1 January 2022 onwards, at the exception of the output floor for which a phasing period has been foreseen, at 50% in 2022 and increasing gradually up to 72.5% in 2027.

The monitoring of the changing regulatory landscape forms a fundamental part of Belfius capital planning, risk appetite and strategy.

Belfius has estimated the potential impacts of the Basel III finalisation package on its solvency. Based on current assessments, Belfius expects a moderate impact and considers that its solvency will be sufficiently robust in normal market circumstances to successfully comply with the provisions of this new regulatory landscape in 2022. However, this estimate is still subject to uncertainties related among others to:

- the transposition of the international agreements in EU legal framework (including use of national discretions foreseen in the international agreement and the maintenance of current EU specificities);
- the possibility of the macro prudential authority (for Belfius the NBB) to mitigate positive impacts of different measures foreseen in the final Basel agreement (e.g. LGD floor for mortgage loans); and
- the risk profile and the structure of the balance sheet and off-balance sheet of Belfius at the time of the entry into force of the finalisation of the revised standards (2022).

CAPITAL MANAGEMENT AT BELFIUS INSURANCE

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

2. Regulatory own funds

Solvency II, introduced on 1 January 2016, aims to implement requirements which better reflect the risks that Belfius Insurance faces and looks for a supervisory system that is consistent across all EU-Member States, in order to better protect our clients and to restore the confidence in the financial sector.

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.

The regulatory own funds of Belfius Insurance amounted to EUR 2,231 million at the end of December 2018. It was composed for 84% of the highest quality capital Tier 1. Tier 2 capital equaled EUR 362 million and consisted mainly of two subordinated loans granted by Belfius Bank. Compared to December 2017, the regulatory own funds of Belfius Insurance have decreased by EUR 238 million, partly due to the increase of the foreseeable dividend from EUR 120 million end of 2017 to EUR 160 million end of 2018. The decrease is further caused by the market drop in the value of equities in the last months of 2018 and an increase of the bond spreads. The impact of that bond spread increase is partially offset by means of the spread-lock which Belfius Insurance concluded for that purpose in the course of 2018. The annual update of the projection assumptions underlying the Best Estimate of Technical Provisions had the effect of slightly increasing the Technical Provisions in 2018, hence decreasing the regulatory own funds.

Belfius Insurance consolidated (in millions of EUR)	31/12/17 IAS 39	01/01/18(1) IFRS 9	31/12/18 IFRS 9
AVAILABLE FINANCIAL RESOUCES BEFORE FORESEEABLE DIVIDEND	2,589	2,589	2,391
Tier 1	2,060	2,060	1,859
IFRS Equity	2,173	1,891	1,794
Valuation difference (after tax)	(113)	169	65
Restricted Tier 1	170	170	170
Tier 2	358	358	362
Subordinated debt	347	347	351
Other	11	11	11
AVAILABLE FINANCIAL RESOUCES AFTER FORESEEABLE DIVIDEND	2,469	2,469	2,231
AFR before foreseeable dividend	2,589	2,589	2,391
Foreseeable dividend	(120)	(120)	(160)

(1) As of 1 January 2018 the IFRS equity and valuation changed due to first time adoption of IFRS 9.

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 1,097 million at the end of December 2018, a decrease of EUR 30 million compared to the end of 2017.

The decrease is driven by the transformation in the Life activity from Br21 towards Br23 products, partially offset by the further optimization of the strategic asset allocation and the declining positive effect of the Loss Absorbing Capacity of Deferred Taxes. The annual update of projection assumptions underlying the Technical Provisions – and as such also the SCR – had an effect of slightly increasing the SCR in 2018.

Market Risk is still 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 practice of a limited global duration mismatch between the assets and liabilities of Belfius Insurance.

(in millions of EUR)	31/12/17	31/12/18
SOLVENCY CAPITAL REQUIREMENT	1,128	1,097
Market risk	1,111	1,024
Credit risk	157	170
Insurance risk	603	640
Operational risk	97	94
Diversification	(491)	(511)
Loss absorbing capacity of technical provisions and deferred taxes	(350)	(318)

4. Solvency ratios at Belfius Insurance

The Solvency II ratio of Belfius Insurance stood at 219% at the end of December 2018, before foreseeable dividend, slightly lower than the ratio as of December 2017. This decrease is the consequence of implementing our capital management strategy, namely to make an optimal use of the capital following the transformation in the business mix and the asset management in order to maximize the financial revenues taking into account the risk taking capacity allowed by the risk appetite of the company. The Solvency ratio was furthermore negatively impacted by the performance of the financial markets and the declining positive effect of the LACDT.

This level of capital allows the payment of a foreseeable dividend of EUR 160 million, while covering any potential Pillar 2 Solvency Requirements and still leaving a pocket available for investments and business development, subject to Management decisions. The Solvency ratio after foreseeable dividend then equals 203%.

Solvency II-ratio

(en %)	31/12/17	31/12/18
Solvency II ratio (before dividend)	230 %	219 %
Solvency II ratio (after dividend)	219 %	203 %

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

In addition to the establishment of a complete risk framework, the Solvency II regulations also require a self-assessment in which, taking the business plan into account, the future capital buffers are highlighted and a number of sensitivities are implemented. It shows from this analysis that Belfius Insurance possesses the capital margins required to absorb shocks, as stated in the risk appetite approved by the Board of Directors.

A 25 bps fall in the interest level (compared with the level at the end of 2018) would have an impact of -5pp on the Solvency II ratio. A stock market shock of -30% on share prices would have an impact of -18pp while a drop in the real estate portfolio of 15% would decrease the solvency ratio by 10pp. Both a 50 bps rise in the credit spreads across the whole bond and credit portfolio or the elimination of the Volatility Adjustment in calculation of the Best Estimate of liabilities would result in an impact of -32pp.

Note that the reduction of the Ultimate Forward rate (UFR) from the current level of 4.05% to a level of 3% would only slightly decrease our solvency ratio by -7pp. The resulting increase of the Market Value of liabilities is limited due to the small proportion of the long-term savings liabilities in the Belfius Insurance Balance Sheet.

	Shock	Solvency II Ratio (in %)
Base case (after dividend)		203 %
Stress scenarios		
Interest rate	(25 pbs)	198 %
Equity	(30 %)	185 %
Credit Spread	50 pbs	171 %
Real Estate	(15 %)	193 %
VA	no	171 %
UFR	3%	197%

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 at a given confidence interval 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 2018).

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 inter-risk 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 complementary to Stress Tests framework for Internal Capital Adequacy Assessment Process (ICAAP) purposes. Economic Capital is also key in Belfius products pricing and profitability assessment.

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 the various models involved in calculating the economic capital and also monitors the (regulatory and economic) ratios, limits and triggers.

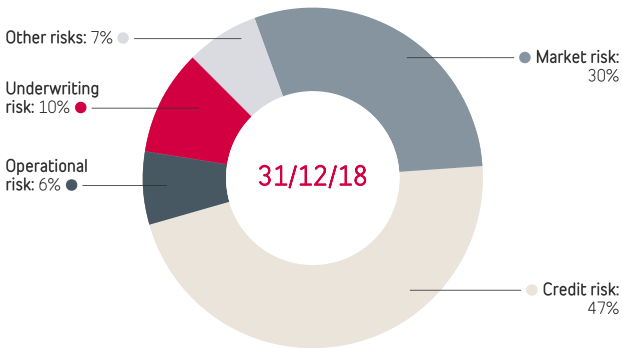
Belfius economic capital was EUR 5,319 million at the end of 2018 (against EUR 5,792 million at the end of 2017).

In 2018, the ranking between the main categories of risks remained the same as in 2017: credit risk represented approximately 47% of the economic capital and was the main contributor; market risk (inter alia including interest rate risk, foreign exchange rate risk and equity risk) was 30%, underwriting risk 10%, operational risk 6% and other risks (prepayment, funding ...) 7%. Compared to 2017, the weight of credit risk decreased (from 52% to 47%) whereas market risk share slightly increased (from 28% to 30%). Underwriting risk, operational risk and other risks remain stable.

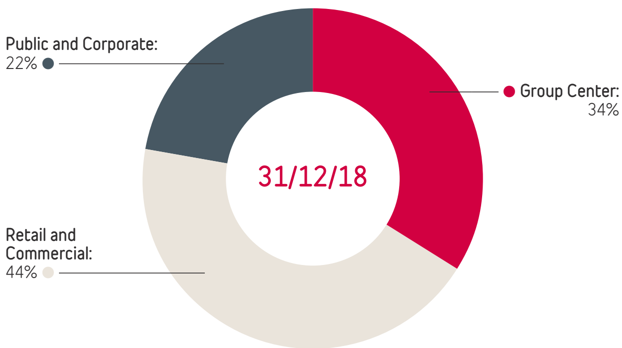
By business line, the economic capital was allocated as follows: Retail & Commercial (RC) and Public & Corporate (PC) represented 44% (39% in 2017) and 22% (19% in 2017) respectively of Belfius' economic capital; the balance was made up of 34% (42% in 2017) allocated to the Group Center (mainly for the Belfius' general balance sheet management in terms of interest and funding risks including the ALM bond portfolio and the bonds, derivatives and credit guarantees run-off portfolios).

Note that the increase in economic capital allocation observed for Retail & Commercial (RC) and Public & Corporate (PC) is driven by the significant drop in total economic capital mainly located within Group Center Credit Risk following IFRS 9 restaging and Republic of Italy de-risking.

Breakdown of economic capital by type of risk



Breakdown of economic capital by business line



NORMATIVE REGULATORY EQUITY

The total normative regulatory equity is derived from the starting point of the regulatory core own funds adjusted for the deduction of foreseeable dividend without any other prudential filter or deduction and amounts to EUR 8,611 million end 2018 compared to EUR 8,751 million end 2017.

The normative regulatory equity of the business line is calibrated. The business line's CET 1 ratio is brought at 13.5% taking into account the regulatory risk exposures allocated to the business line and some CET 1 capital deductions allocated to the business line (to a very limited extent, since the most important part of CET 1 capital deductions are allocated to GC). The delta with the total normative regulatory equity is allocated to Group Center.

(in millions of EUR)	31/12/17 IAS 39	31/12/18 IFRS 9
REGULATORY CORE OWN FUNDS	9,039	8,877
Deduction of foreseeable dividend	(288)	(266)
TOTAL NORMATIVE REGULATORY EQUITY	8,751	8,611
of which allocated to		
Retail and Commercial Banking	2,300	2,605
Public and Corporate Banking	2,235	2,408
Group Center	4,216	3,598

RISK MANAGEMENT

INTRODUCTION

Belfius' activities are exposed to a number of risks such as - but not exclusively - credit risks, market risks, liquidity risk, operational risk, insurance risk, changes in regulations as well as the macro-economic environment in general, that may have a negative impact on asset values or could generate additional costs beyond anticipated levels.

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

1. Macroeconomic environment in 2018

Economic growth disappointed in 2018 in the euro zone and also in Belgium. While growth peaked at 2.7%, respectively 1.7% in 2017, the year on year growth rates unexpectedly fell back to only 1.2% for both the euro zone and Belgium in the last quarter of 2018. Germany, France and also Italy, together about 65% of the euro zone, undershot expectations to a large extent, albeit for different reasons. While this weak performance is partially explained by one-off and temporary factors, a strong and rapid recovery did not realise. This is not anticipated to happen in 2019 either.

However, the fundamentals of the economy do remain solid in Europe: the unemployment rate at 8.1% keeps on falling and is close to pre-crisis levels, wages are slowly rising and capital expenditures by companies are still increasing. Confidence, though, fell quite strongly and points to a future growth level between 1% and 1.5%. Being a small open economy dependent on its neighbours, the Belgian data mirror this euro zone-wide picture: the labour market keeps on performing with an (harmonized) unemployment rate at on average 5.9%, a historically low level, but the business confidence moves downwards indicating a lower future growth path.

Also the international environment became less supporting: the global economic momentum was scattered, credit spreads were rising and stock indices dropped considerably in the fourth quarter of the year. The following risk factors were at the core of this:

1.1. Threat of a trade war

The USA are imposing tariffs on most of its trading partners, like Mexico, Canada and China but potentially also the EU, who tend to adopt retaliatory measures. This risks ending in a global trade war, hindering trade, creating inflation and reducing investment, consumption and global growth.

1.2. Monetary policy

The ECB announced the end of the Quantitative Easing policy and stopped increasing the money supply at the end of 2018. Long term interest rates did however not increase on the back of the slowing economy, a non-increasing core inflation rate and geopolitical risks. The yield of the Belgian OLO10Y hovered around 0.75% at the end of the year, a level lower than the one observed at the beginning of 2018. Short term rates are also believed to remain solidly in negative territory until 2020.

In the US, the monetary authorities started to restrict liquidity by reducing the money supply and hiking multiple times the policy rate. This created tensions in the market and fear that the Federal Reserve would overshoot leading potentially to a recession. As a result the stock market returns turned negative over the year leading to upticks of volatility, uncertainty and risk aversion.

1.3. Political risks

Political risks were prominent in the economic landscape. The tendency of governments to focus more on domestic issues at the expense of international collaboration created uncertainty and volatility in an otherwise globalized economy. Italian government spreads sore after the new government formulated its plan to increase deficit spending against what had been accepted in the European Stability and Growth pact. The Brexit negotiations about the orderly withdrawal of the UK from the EU have not been finalised creating uncertainty about how the movement of goods and people between the EU and the UK will be organised. Third, the relationship between the EU and the USA deteriorated due to the potential imposition of tariffs on European goods exported toward the US. This tendency towards less international collaboration increased uncertainty, depressing business confidence and investment. It created hence extra costs impacting negatively trade and growth.

2. EU-wide EBA Stress Test 2018

Belfius Bank was subject to the 2018 EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the National Bank of Belgium, the European Central Bank, the European Commission and the European Systemic Risk Board.

The stress test applied to 48 European banks (representing about 70% of total assets held by EU banks) aims to assess the resilience of those banks when confronted by a severe financial and economic stress over a three-year time horizon (2018-2020). The exercise was carried out applying a static balance sheet assumption as at December 2017 restated for IFRS 9 (hence, on pro forma

01.01.2018 accounts) and therefore does not take into account any future business strategies and management actions[1]. Hence, it is not a forecast of Belfius' profits or solvency.

The 2018 stress test does not contain a pass-fail solvency threshold, but instead was designed to be used as important information for the purpose of the supervisory review and evaluation process. The results will assist competent authorities in assessing Belfius' ability to meet applicable prudential requirements under stressed scenarios.

The final outcome of this stress test is translated into the relevant banks' solvency figures as per the end of 2020. Starting from a strong CET 1 capital ratio of 16.2% as of 01.01.2018, Belfius still displays a solid CET 1 capital ratio of 13.2% - under the adverse scenario - at the end of the stress test period.

Even though this 2018 stress test is considered to be based upon the most severe shock scenario compared to the former 2014 and 2016 stress test scenarios, the impact for Belfius (i.e. -296 bps) is the lowest since the first stress test performed in 2014. Indeed, the CET 1 ratio impact was -620 bps in the 2014 stress test and -449 bps in the 2016 stress test.

The continuous strengthening of Belfius' solvency together with its strategy of solidifying its risk profile has clearly contributed to this improved resilience.

Belfius' strong solidity and resilience are also confirmed when comparing results to those of peers. Indeed, Belfius compares favourably to the European average of the 48 participating banks in terms of (i) CET 1 ratio starting point (16.2% vs. 14.4%), (ii) impact of the adverse stress test scenario (-2.96% vs. -4.10%) and (iii) CET 1 ratio end point (13.2% vs.10.3%).

These results demonstrate the strong solvency position of Belfius, its solidified resilience towards adversities and the pertinence of having a sound financial & risk management as a cornerstone of its consistent long-term strategy.

3. Ratings

Between 1 January 2018 and 21 March 2019, rating agencies took the following decisions:

- In October 2018, Standard & Poor's (S&P) affirmed Belfius' long- and short-term ratings. At the same time S&P upgraded Belfius' stand-alone credit profile (SACP) from "bbb+" to "a-" thanks to the Bank's improved group credit profile. In line with the improved view of Belfius' stand-alone creditworthiness, S&P raised the ratings with one notch on all non preferred senior, subordinated debt and hybrid capital instruments, issued or guaranteed by Belfius Bank.
- In November 2018, Fitch affirmed Belfius' long- and short-term ratings.

Ratings of Belfius Bank as at 21 March 2019

	Stand-alone rating[1]	Long-term rating	Outlook	Short-term rating
Fitch	a-	A-	Stable	F2
Moody's	baa2	A2	Positive	Prime-1
Standard & Poor's	a-	A-	Stable	A-2

(1) Intrinsic creditworthiness.

GOVERNANCE

In line with Art. 194 of the "Banking Law", Belfius is managing risks based on a group-wide (Belfius Bank + Belfius Insurance) coordinated and integrated risk management framework. The overall objective is to have a risk management coordination, ensuring consistency while respecting the entities' specificities, responsibilities and legal/regulatory obligations. The main pillars of this risk management are an appropriate risk governance structure, risk monitoring and decision taking process.

At the level of the Risk departments of Belfius Bank and Belfius Insurance, the CRO's, assisted by their Risk Executive Committees (Risk ExCom), ensure adequate integration and coherence regarding methodologies, tools and risk management.

In terms of the risk governance structure, Belfius implements:

- a similar Committee governance and decision taking process: Board of Directors, Risk Committee (Belfius Bank) - Risk & Underwriting Committee (Belfius Insurance), Risk ExComs Belfius Bank - Belfius Insurance, ...;
- the presence of Belfius Bank Board of Directors' members in Belfius Insurance Committees assuring enhanced coherence;
- the possible organisation of common Belfius Bank Risk Committee/ Belfius Insurance Risk & Underwriting Committee.

(1) Including these conducted in 2018 YTD, e.g. the sale of some Italian government bonds in 1Q 2018.

Both entities have a similar risk policies & guidelines framework and approach:

- risk policies with focus on risk drivers, governance and decision making process;
- risk policies decided at Management Board level (with formal approval of Belfius Insurance Board of Directors;
- steered by Risk department;
- the aim is to implement best practices: mutual exchange & implementations.

Both entities use similar and/or common tools ensuring consistency and enabling coherence as well as an integrated management of risks and internal controls:

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

More information regarding the risk governance of Belfius Insurance can be found in the annual report of Belfius Insurance.

1. Risk Committees

A performant risk governance structure is considered as a central cornerstone to sound risk management. A robust risk committee set-up incorporates effective communication and reporting lines and a clear delineation of responsibilities and competences. Such a set-up ensures a two-way process of risk management instructions and feedback enabling senior management to execute its management and supervisory obligations.

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

Four risk committees have been set up within the Management Board of Belfius Bank, prepared by the Risk department and meeting 3 to 4 times a year:

- the **Risk Policy Committee (RPC)** surveys the definition and the implementation of the Bank's principal risk management and measurement policies, processes and methodologies, and supervises their validation status. Its prime responsibility is to provide a risk governance that is commensurate with the risk appetite and strategy ("Risk Appetite Framework or RAF") of the Bank compliant with regulatory requirements and is in line with best practices;
- the **Risk Appetite Committee (RAC)** surveys Belfius' risk appetite, capital adequacy and capital allocation. It manages the economic capital and stress test framework, ensures the adequacy of this framework against the nature and complexity of the risk and business composition and supervises its practical implementation;
- the **Regulatory Steering Committee** surveys the Finance and Risk regulatory reform status's of Belfius Bank.
- the newly created **Non-Financial Risks (NFR) Committee** ensures a well-governed and coordinated non-financial risk framework for an effective non financial risk management. NFR covers a.o. operational risks (including fraud, HR, IT, IT security, business continuity, outsourcing, data-related risks, privacy, …) but also reputational, compliance and legal risks.

In addition to these four risk committees, two functional areas also report to the Management Board without a separate committee being set up for them. These two areas deal with credit and Financial Markets topics.

- The newly created (starting in 2019) **Credit Risk Committee (CRC)** centralizes, in a strategic and end-to-end process view, all credit risk related topics (origination, monitoring, impairment) into one committee with presence of the Management Board members who are directly involved (CRO, Head of RCB & PCB).
- The newly created (2018) **Financial Markets Committee (FMC)** has as prime function the effective risk management oversight and steering of the Financial Markets activities. This includes reviewing business, risk and P/L reports and providing for an appropriate risk management and governance framework aligned to the risk appetite and business objectives set forward by the Management Board. It is held once a month with a strict quorum including members of the Management Board (CRO, CFO and Head of PCB).

1.2. Risk Committees on tactical/operational level

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

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

2. Risk appetite

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

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

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

The Bank's risk appetite consists of a series of quantitative elements (target Key Risk Indicators or KRI) and qualitative elements (statements) that are designed to express the risk levels and types that are not acceptable, that are tolerated and targeted in order to achieve business strategy. The quantitative framework is based on a mix of accounting ratios (gearing), regulatory ratios (solvency, liquidity) and economic ratios (economic capital, earnings at risk). The different metrics cover a wide range of risks (credit risks, solvency, liquidity, marker risks, operational risks, concentration risks, …). Next to the quantitative part, qualitative statements consisting of guiding rules aim at defining the risk appetite that cannot be expressed through quantitative ratios. This part of the Risk Appetite framework covers for instance fraud risk, compliance risk, legal/tax risks, …

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

The Risk Appetite Framework (RAF) has been updated and approved by the Board of Directors in December 2018. The updated RAF includes new detailed quantitative ratios for Non-Financial Risks. A ROE indicator materializing targets in terms Earnings growth has also been integrated.

3. Stress tests

Stress tests are designed to measure the Bank's sensitivity, in terms of losses, additional weighted risks, liquidity needs or equity capital requirements that could impact Belfius in scenarios featuring significant unexpected shocks on the financial markets and/or in the own financial situation of Belfius.

Belfius performed an internal stress testing program with its financial Plan 2019-2023. The Bank developed a set of alternative and severe macroeconomic scenarios designed to anticipate the Bank's main weaknesses and to simulate how Belfius might be affected under these circumstances. These different stress tests measure the potential deviations from the "base case" Financial Plan and from Risk Appetite targets set by the management in terms of solvency, liquidity and profitability. These stress tests were submitted to the Management Board as well as to the Board of Directors.

4. Recovery Plan

An update of Belfius' Recovery Plan has been submitted to the ECB during the second half of 2018. This plan provides a set of recovery measures that would be taken to restore the Bank's long-term viability in the event of a significant deterioration of its financial situation due to severe general macroeconomic and/or idiosyncratic stress situations.

5. Resolution

Resolution is defined as the restructuring of a bank within the Single Resolution Mechanism (SRM) issued by the Single Resolution Board (SRB) through the use of resolution tools. The objective of the SRB is therefore to ensure an orderly resolution of failing banks with minimum impact on the real economy and on public finances of the participating Member States and beyond.

Belfius, being considered as significant financial institution in Belgium, has to ensure that all necessary information will be provided to the SRB, responsible for preparing a resolution plan that would be available in case of a severe crisis leading to an hypothetical failure of the Bank.

Belfius resolution therefore consists of the application of identified resolution tool(s) to the Bank which best achieve resolution objectives.

IFRS 9 IMPAIRMENT METHODOLOGY

1. Introduction

1.1 Scope

Belfius Bank, and all its subsidiaries, recognize loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at Fair Value through profit and loss:

- investments in debt instruments (loan and securities) measured at amortized cost;
- investments in debt instruments measured at fair value through other comprehensive income (FVOCI);
- all loan commitments not measured at fair value through profit or loss;
- financial guarantee contracts to which IFRS 9 is applied and that are not accounted for at fair value through profit or loss;
- lease receivables that are within the scope of IAS 17, Leases (IFRS 16 starting 1/1/2019); and
- trade receivables or contract assets within the scope of IFRS 15.

No impairment loss is recognized on investments in equity.

Belfius has translated this scope in its Chart of Account through the flagging of the relevant accounting classes on and off-balance for which the ECL calculation is executed.

1.2. Accounting principles

With the exception of purchased or originated credit-impaired (POCI) financial assets, ECLs are required to be measured through a loss allowance at an amount equal to:

- A 12-month ECL, i.e. the ECL that results from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- The Lifetime ECL that results from all possible default events over the expected life of the financial instrument, (referred to as Stage 2 and Stage 3).

ECL are a probability-weighted estimate of credit losses over the expected life of the financial instrument. 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. Because ECL consider the amount and the timing of payments, a credit loss arises even if the entity expects to be paid in full, but later than when contractually due.

The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognized as a loss allowance or provision depends on the extent of credit deterioration since origination.

1.2.1. Purchased or originated credit-impaired financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition.

At initial recognition, POCI assets do not carry a loss allowance for 12-month expected losses but lifetime expected credit losses are incorporated into the calculation of the effective interest rate. The amount recognised as a loss allowance for such assets is not the total amount of lifetime expected credit losses, but instead the change in lifetime expected credit losses since initial recognition of the financial asset, which may be a negative or positive amount.

For these assets, Belfius recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss.

1.2.2. Modification and derecognition of financial assets

A modification of a financial instrument occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

When a derecognition occurs it is followed by the recognition of the new financial instrument and will therefore follow the regular impairment process and staging determination.

1.2.3. Write Off

Belfius endorses the importance of timely writing off uncollectable loans.

Nevertheless, an automatic and systematic write-off of files with a default status after a certain period of time elapsed would entail several risks taking into account Belgian regulation, and this as well from an accounting, legal as tax point of view.

For this reason, Belfius books write-offs only in the following cases:

- Debt forgiveness;
- The sale of the receivable;
- The closing of the insolvency proceedings, or the receipt of a written statement evidencing that no more recoveries can be expected. Note that bankruptcy trustees, or other insolvency officers such as liquidators, are encouraged to close insolvency proceedings as soon as possible, or, at least, to send Belfius an attest of «un-recoverability» without any delay, once it appears that no recoveries can be expected;
- There is an objective evidence that the file is uncollectable, and, therefore, Belfius' Stage 3 Impairment Committee decides – based on an individual assessment, case by case, and only in exceptional and limited cases – not to pursue any longer an active recovery and/or enforcement strategy.

2. Credit Risk Principles

During the 2008 financial crisis, the delayed recognition of credit losses associated with loans and other financial instruments was identified as a weakness in the accounting standards at that time. This was primarily due to the fact that impairment requirements under IAS 39 were based on an "incurred loss model" meaning that a credit impairment was not recognized until a credit loss event occurred. This gave room to postpone losses and this is why the impairment requirements in the new accounting standard IFRS 9 are based on an "expected credit loss model". This model requires an entity to recognize ECL at all times, and to update the amount of ECL at each reporting date to reflect changes in risk.

Belfius' impairment calculation under IFRS 9 is based on a twofold building block approach. First, determining the appropriate stage per exposure ("staging") and second calculating the expected loss per contract.

The methodology developed for both building blocks to obtain IFRS 9 compliant parameters is based on the existing Risk Architecture and Basel processes, methodologies and models to which appropriate adaptations were made. The fundamental changes with regards to Basel models involve different time horizons and a point-in-time (PIT) approach using forward-looking macro-economic information, rather than a through-the-cycle (TTC, for PD) or downturn calibrated (for LGD) approach.

2.1. Basel Internal Rating Systems

The internal rating systems used by Belfius in the prudential Framework are set up to evaluate the three Basel parameters: Probability of Default (PD), Loss Given Default (LGD) and Credit Conversion Factor (CCF). For each counterparty type in the advanced method, a set of two models, one for PD and one for LGD, has been developed. Regarding the CCF parameter, Belfius makes a distinction between retail and non-retail counterparties: an advanced model is applied for retail counterparties, while non-retail counterparties use the regulatory values.

The PD models estimate the one-year probability of default on a through-the-cycle1 (TTC) basis. Each model has its own rating scale and each rating on the scale corresponds to a probability of default used for regulatory and reporting purposes. The correspondence between rating and PD for each scale is set during the calibration process, as part of the model development, and is reviewed and adjusted during the yearly back testing when applicable. In addition, each scale has been attributed two default classes (named D1 and D2).

For non-retail, LGD models estimate the ultimate loss incurred on a defaulting counterparty before considering the credit risk mitigants. The unsecured LGD depends on various factors such as the product type, the level of subordination or the rating of the counterparty. The granularity of the estimate is a function of the quantity and quality of data available. For retail, LGD is mainly determined by product type based on workout recoveries.

CCF models estimate the portion of off-balance-sheet commitments that would be drawn should a counterparty go into default. The regulation authorizes the use of CCF models only when CCF under the Foundation Approach is not equal to 100% (as it is for credit substitutes for instance). CCF granularity also depends on availability of data.

Internal estimates of Basel parameters are widely used within Belfius Bank. They are notably used in the decision making process, credit risk management and monitoring, internal limit determination, provisioning methodology and pricing, in addition to the calculation of the regulatory risk weighted exposure amounts.

2.2. Transformation of Basel parameters to IFRS 9 parameters

The Basel models serve as a starting point for the IFRS 9 parameters. This is possible because the same definition of default is used.

In order to compute point-in-time PDs, we base ourselves on through-the-cycle[1] PDs, expected rating migration behavior and macro-economic information that is common to a whole portfolio. Consequently, two counterparts with the same rating within the same model will have the same point-in-time PD term structure. A more granular approach can be added through judgment calls outside the model. For segments that are treated in standardized approach for regulatory capital computations, a mapping to Basel models is defined.

LGD is an estimate of the loss conditional to default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models use explanatory variables that are asset class and product specific. Whereas LGD is calibrated to an economic downturn in the Basel context, best estimates are applied for IFRS 9. These parameters are computed using the most recent workout observations and forward-looking estimates of collateral values.

EAD (Exposure at default) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. Belfius approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early prepayment, changes in use of undrawn commitments and credit mitigation actions taken before default. Belfius uses EAD models that reflect the characteristics of the portfolios.

2.3. Rating and PD at inception

In order to support the Stage determination within the Belfius methodology, an important effort has been performed in order to capture the rating or the best estimate rating at inception applicable by contract.

Ratings used as a starting point are historically available Basel ratings or best estimates. In order to associate these ratings to an IFRS 9 compliant point-in-time PD, a backward-looking view on the economic performance of each origination year was integrated. This view takes into account the availability of historical data and the materiality of credit exposures. This transformation is performed in 2 steps:

- → Step 1: Analyse the evolution of three variables[2], occurring in the pillar II stress test models, between 1995 and 2015 and qualify each year on a scale "Good / Average / Bad".
- → Step 2: Based on the aforementioned qualification we simulate the Point-in-Time PD's as of a past date. For average years, these are computed as described in section 2.2 using through-the-cycle parameters. For bad years, the resulting PD's are adjusted upwards and for good years, the PD's are adjusted downwards.

From 2016 on, the real point-in-time PD's are stored as PD at inception for all new originated contracts.

2.4. Incorporation of Forward Looking information

Within Belfius, an Expert Panel is in charge of the definition of the different macro-economic scenarios incorporating forward looking information. These scenarios are built upon information delivered by Belfius' chief economist, who uses external and internal information to generate a 'Neutral' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

(1) One must note that a rating system that remains relatively constant though different business conditions is a "Through-the-cycle" rating system whilst a rating system that changes period by period is a point-in-time (PIT) rating system.
(2) Equity market, Belgian annual unemployment rate, Belgian annual GDP-growth.

Belfius attributes probabilities to the forecast scenarios identified. The base case scenario is the most-likely outcome and consists of information used by Belfius for strategic planning and budgeting. Belfius has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. Belfius has not made changes neither in the estimation techniques nor in the significant assumptions made during the reporting period.

The forward-looking information in our PD models is performed according to four scenarios:

- → Neutral Scenario
- → Optimistic Scenario
- → Pessimistic Scenario
- → Stress Scenario

2.5. Time lag

The calculation of ECL for exposures in Stages 1 & 2 requires the processing of a huge number of records. Belfius assumes that concentrating these calculations on the reporting date itself would imply as well an operational as a technical risk. In addition, there is a clear need to work with stabilized accounting and risk data, and several IFRS 9 governance steps have to be gone through.

For all these reasons, Belfius applies a time lag, and uses thus the exposure data of the previous reporting date for its ECL calculations, with exception of the Bond portfolio for which no time lag is applied.

Nevertheless, significant credit events post observation date are taken into account for ECL calculation.

2.6. Management judgement

ECL estimation is complex and to a certain extent judgmental. It depends on a wide range of data that may not be immediately available, including forward-looking estimates of key macro- and micro-economic factors as well as management's assumptions on the relationship between forecasts, amounts and timing of recoveries.

ECL computation may have substantial impacts on the financial statements as well as regulatory metrics. It is thus important that ECLs are determined in a well governed environment. To that extent the Impairment Committee is in charge of including potential ECL effects from forward looking (macroeconomic) evolutions not captured by the mechanical calculation

To address this, a "management call" layer can be accounted. This layer can be positive or negative and aims to include all elements entering in the ECL calculation that were not taken into account by the mechanical computation on individual level or (sub)portfolio level.

3. Staging

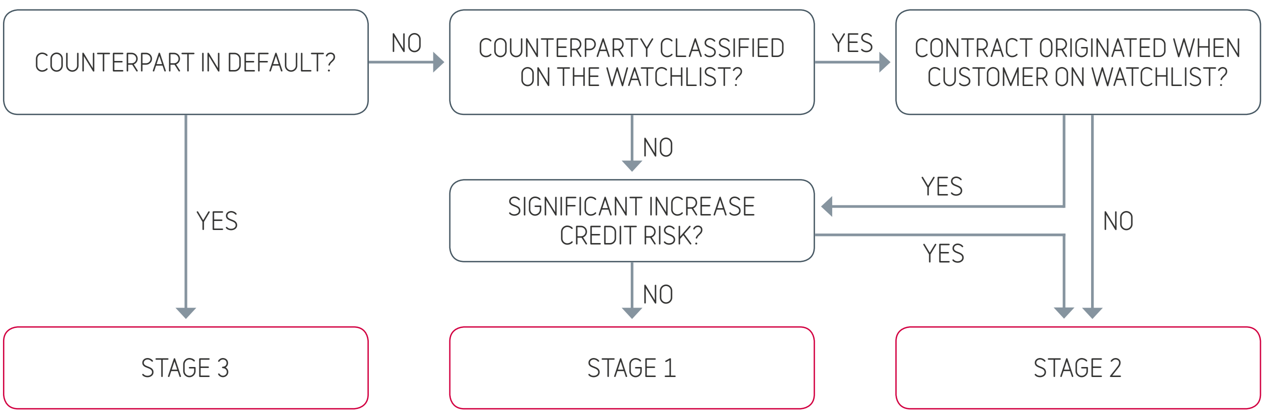
3.1. Definition

IFRS 9 distinguishes 3 Stages:

- → Stage 1: Performing credit exposures, i.e. exposures for which there has not been a significant increase in credit risk since origination.
- → Stage 2: Under-performing credit exposures, i.e. exposures for which there has been a significant increase in credit risk between the moment where the entity originated or purchased the financial instrument and the reporting date.
- → Stage 3: Non-Performing credit exposures, i.e. exposures that become credit impaired.

This process is applied at each reporting date and results in a Stage allocation for each contract.

The staging definition within Belfius can be synthetized as follows:



3.2. Definition of Default

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 will update its guideline to comply with the updated EBA definition of default.

Under IFRS 9 all financial assets, which have an objective evidence of impairment at reporting date, should be transferred to Stage 3. A financial asset is considered to be credit-impaired when one or more events – that have an unfavorable impact on its estimated cash flows – have occurred.

At Belfius the definition of default and the Stage 3 «allocation» are fully aligned, since Belfius only books a specific impairment for counterparts/products with a default status. This implies that:

- All individual exposures on a counterpart will be transferred to Stage 3 as soon as the latter receives a default status;
- All exposures classified in Stage 3, i.e. exposures treated as credit-impaired under IFRS 9, will be treated as defaulted.
- The lifting of the default status by Belfius' Default committee implies by definition a reclassification of the related exposures, to either Stage 2 (if there is still a clear indication of increased credit risk since origination) or Stage 1.

3.3. Watchlist definition

The Watchlist Guideline defines internal and external indicators to identify an increase of credit risk that may lead to an intensive follow-up and/or management of credit files. On a quarterly basis, dedicated Risk Committees identifies the files requiring a higher level of monitoring.

Belfius classifies automatically all exposures figuring on the Watchlist in Stage 2 since the presence of the customer on the Watchlist is considered as a signal of increased credit risk since origination. There is however one exception: a new contract may be classified in Stage 1 if, when originating the contract, the customer already figures on the Watchlist. In two situations, there will be a mandatory classification on the Watchlist:

- If one or more credit products of the counterpart received a "Forbearance flag"[(1)]
- If an exposure is overdue for more than 30 days, unless one can clearly prove that it concerns an operational past due or that the overdue is not a sign of a significant increase of credit risk since initial recognition.

3.4. Significant increase in Credit Risk

To assess whether a significant increase in credit risk occurred since origination, Belfius compares lifetime PDs at the date of origination with lifetime PDs at reporting date. As previously detailed, the PD term structure viewed at a given date is a function of rating, client segment or product type, macro-economic conditions at that given date and remaining maturity. The PDs used for staging purpose are fully consistent with the PDs used for measuring loss allowances for ECL.

For staging purposes, Belfius approximates the (change in) lifetime PD as the (change in) three-year point-in-time PD, such that with an unchanged rating and unchanged macro-economic conditions, evaluation of PD change cannot lead to an increase or a decrease in credit risk. The time horizon of three years allows to capture all that affect the entire PD term structure within Belfius PD models. Note that for exposures with a shorter maturity than 3 years, Belfius uses a 1 year PIT PD for staging purpose.

The PD change is compared to a threshold. The threshold has been calibrated to match a three-notch downgrade for as many ratings as possible given unchanged macro-economic conditions.

Some counterparts do not have a rating at inception and/or at reporting date. In such a case it is not possible to determine any change in credit risk since origination. Belfius took a prudent approach and reports therefore unrated exposures by definition as Stage 2 exposures.

4. Expected Credit Loss

4.1. Impact of the Staging

To the exception of POCI financial assets (see point 1.2. above), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

To calculate a 12-month ECL for a credit exposure figuring in Stage 1, Belfius applies the formula described on next page with a time horizon of one year. To calculate a lifetime ECL for a credit exposure figuring in Stage 2, Belfius applies this formula with the residual maturity of the exposure as time horizon.

(1) EBA defines the concept of forborne exposures as being debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

4.2. Reference formula

Belfius uses the following formula in order to calculate its expected credit losses:

$$\sum_{t} \frac{(1\text{-}CPR(t))*PD(t)*EAD(t)*LGD(t)}{(1+EIR)^{t-1}}$$

Where

1-CPR (t) is the proportion of the portfolio that will not be prepaid in year t, or the ECL parameter that reflects the expected value of the proportion of the exposure that will still be existing at that moment.

PD (t) is the probability of default in year t, taking into account macro-economic conditions and forward looking information.

EAD (t) is the exposure at default in year t, or the ECL parameter that reflects the estimation of the extent to which a bank may be exposed to a counterparty in the event of, and at the time of that counterparty's default. Belfius calculates the EAD component (Credit Conversion Factor included) as the sum of all cash flows between t and the maturity date of the financial instrument.

LGD (t) is the loss given default in year t, or the ECL parameter that reflects the share of an asset that is lost if the borrower defaults. LGD is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

EIR is the Effective Interest Rate of the contract, i.e. the rate that exactly discounts the estimated cash payments or receipts through the expected life of the financial asset to the amortized cost of a financial asset that is a purchased or originated credit-impaired asset.

t is the yearly discretization.

5. Governance

5.1. Introduction

ECL estimation is complex and to a certain extent judgmental. It depends on a wide range of data which may not be immediately available, including forward-looking estimates of key macro- and micro-economic factors and management's assumptions about the relationship between these estimates, the amounts and timing of recoveries.

The changes brought by IFRS 9 to the ECL calculation and subsequent staging have significant impacts on the financial statements and regulatory metrics requiring a well governed environment. The need of Belfius to oversee and govern IFRS 9 Impairments resulted in a modified committee structure, consisting of one Expert Panel and two dedicated Impairment Committees.

5.2. Expert Panel IFRS 9 Impairment

The Expert Panel IFRS 9 Impairment has a transversal character and acts for Belfius Bank and all its subsidiaries.

Membership to the Expert Panel is reserved to representatives of Risk Management and Finance (chief economist function included) and meets quarterly.

The main mission of the Expert Panel is to monitor the evolution of the macro-economic environment and, thereupon, to formulate proposals for scenario's allowing the derivation of the Point-in-Time (PIT) parameters needed to calculate the ECL under IFRS 9.

In addition, the Expert Panel discusses the possible evolutions of the parameters used and assesses frequently the appropriateness of the (portfolio specific) Staging thresholds.

Finally, the Expert Panel also formulates portfolio and/or sector outlooks, and can assess individual exposures with shared credit risk characteristics in order to determine whether there has been a significant increase of credit risk.

Note that all proposals formulated by the Expert Panel are submitted subsequently to the Stage 1 & 2 Impairment Committee for decision.

5.3. Stage 1 & 2 Impairment Committee

The Stage 1 & 2 Impairment Committee has a transversal character and acts for Belfius Bank and all its subsidiaries.

Membership is reserved to representatives of Risk Management and Finance. The Stage 1 & 2 Impairment Committee meets quarterly.

The Stage 1 & 2 Impairment Committee challenges and/or decides the input received from the Expert Panel and decides on the ECL accounted for in Stage 1 & 2, as well on their ventilation.

5.4. Stage 3 Impairment Committee

Belfius has two Stage 3 Impairment Committees, one at the level of Belfius Bank and one at the level of Belfius Insurance. Please note that the Stage 3 Impairment Committee of Belfius Bank acts as well for all other subsidiaries except Belfius Insurance. This committee meets on a quarterly basis.

The Stage 3 Impairment Committee of Belfius Bank is organized at a transversal and at a local level, with competences linked to the amount of the individual impairment amount. Membership is reserved to representatives of Risk Management, Finance, Customer Loan Services and Front Offices.

The Stage 3 Impairment Committee determines and decides the Stage 3 specific (individual) impairment amounts, before these figures are communicated to Finance for transcription in the financial accounts.

Finally, the Expert Panel also formulates portfolio and/or sector outlooks, and can assess individual exposures with shared credit risk characteristics in order to determine whether there has been a significant increase of credit risk.

Note that all proposals formulated by the Expert Panel are submitted subsequently to the Stage 1 & 2 Impairment Committee for decision.

CREDIT RISK

1. Methodology

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

The 2017 and 2018 Targeted Review of Internal Models (TRIM) by the ECB, mainly focusing on models related to mortgage loans and for market risks, did not reveal major weaknesses and resulted in a number of recommendations in the course of 2018 and early 2019 (mainly governance improvement, data quality framework and model documentation). A next inspection and in-depth analysis is scheduled for the beginning of 2019, and will focus on models related to the Corporate segment. Together with the new definition of default and the new guidelines regarding PD and LGD models, it demonstrates the growing attention of supervisory bodies for models used to calculate the Bank's solvency ratios.

The internal models' lifecycle can be divided into three blocks: the development and approval of the internal model, the monitoring of its use and the maintenance of the model. The Model Manager is key in the process of the development and the maintenance of the model and he/she consults frequently with commercial business lines and credit departments. Next to that, several control functions are effective within the organization: Validation, Rating Committee, Quality Control and Internal Audit.

1.1. The main stages in the development of a model

- defining the area of application of the rating model, i.e. for what population/target audience of counterparties the model will be used;
- gathering all of the relevant quantitative and qualitative information with regard to the target audience (financial data, economic, regulatory and institutional context, information about the number of defaults, etc.);
- defining, developing and extensively testing the criteria that will be used in the model and will lead to an internal rating;
- validating, implementing and documenting the model, whether or not linked to an IT development project. Formal validation of the model is carried out by "Validation", an autonomous direction within the Risk department which provides an independent and objective report on the models.

1.2. The main control mechanisms

In accordance with good governance and the demands of the regulator, various control mechanisms are in place regarding the operational use of models, their intrinsic performance and the entire process for management of the model lifecycle.

- Independent Quality Control on the rating models, defined in accordance with the statutory guidelines, ensures appropriate use of the ratings models, operational efficiency and the existence of an audit trail in the rating process;
- back testing consists of seeing whether, based on historical data, the model is still in line with historical statistics;
- stress tests are performed to see how portfolios and models react under unexpected and/or extreme circumstances;
- Internal Audit carries out a regular general check to ensure that all guidelines and instructions are being followed and to see whether all of the parties involved are assuming their responsibilities correctly (Have sufficient tests been carried out? Has the model been adequately validated internally? Is there sufficient quality control? Are the mandatory annual back tests being carried out? etc.).

1.3. Maintenance of the model

There may be a number of different elements that could lead to an update of a model. These are mainly:

- the results of the annual back testing and stress tests;
- the feedback/observations from the other control mechanisms (Quality Control, Rating Committees, Internal Audit);
- changes to the regulatory framework.

Launching a revision results in a process very similar to the one used to develop a model: (re)viewing the parameters, testing, a new internal validation of the adjusted model and possibly a validation by the ECB depending on the materiality of the revision.

2. Credit limits and credit committees

The robustness of the credit acceptance process is one of the main pillars of risk management at Belfius. It relies on a large range of directives, delegation rules and other governance instruments, aimed at strictly controlling credit risks, such as those established in the Risk Appetite Framework.

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

Credit limits represent the maximum risk level acceptable on individual counterparties and/or economic groups and thus reflect the Bank's risk appetite in its individual customer relations. Credit limits are set on the basis of the customer's risk profile, the focus being mainly (but not exclusively) on their internal rating. In addition to individual credit limits, Belfius Bank also uses a number of portfolio guidelines.

The credit decision processes within Belfius consist of three different types:

- automated decisions where the Bank compares the customer's credit application with a series of technical risk and commercial parameters;
- delegated decisions, i.e. decisions taken by staff to whom, intuitu personae and based on the certification of their risk competencies, decision-taking powers have been delegated;
- the regular process of the credit committees.

When granting credits to individuals (essentially mortgage loans), to self-employed and to small enterprises, standardized and automated processes are mainly used, in which the results from the scoring and/or rating models play an important role.

When granting credits to medium-sized and large enterprises as well as Public and Social customers, an individualized approach is implemented. Credit analysts examine the file autonomously and define the customer's internal rating. Then a credit committee takes a decision on the basis of various factors such as solvency, the customer relationship, the customer's prospects, the credit application and the collateral. In the analysis process, credit applications are carefully examined and only accepted if the perspective of continuity and the borrower's repayment capacity are demonstrated. To support the credit decision process, a RAROC (Risk Adjusted Return on Capital) measures the expected profitability of the credit transaction or even of the full relationship with the customer, and compares it with a required RAROC level (target rate). As such, the RAROC is an instrument for differentiating the risks and for guiding the risk-return combinations in an optimal way.

Belfius Bank has further intensified in 2018 its strategy of being close to its customers. This approach provides a significant added value to our customers, regardless of the segment in which they operate. Credit and risk committees are regionalized and the delegation of decision-making powers to the regional commercial and credit teams is continued, strengthening the principle of decision-by-proximity. This resulted in a greater involvement of the various teams in the decision-making process, as well as stronger monitoring of the use of the delegated powers mentioned above.

The Bank monitors the evolution of the solvency of its borrowers throughout the whole credit lifecycle. The different portfolios of the Retail and Commercial Business for which risk management relies on a portfolio approach are reviewed periodically. Customer ratings, using an individualized approach, are also updated periodically, in line with the Bank's choice to apply AIRB (Advanced Internal Rating Based) models. The economic review process of credit applications guarantees that any signs of risk can be detected in time and subsequently monitored and/or addressed. This review process is organized, according to the Credit Review Guideline, in an annual cycle, with in-depth analyses for customers with important credit exposures and/or significant (positive or negative) evolutions in their risk profile.

3. Fundamentals of credit risk in 2018

3.1. Banking activities in Retail and Commercial

The Belgian GDP growth slowed down slightly in 2018 compared with previous year. The employment growth, however, remained important and the inflation hardly cooled down. Against this background, lending to the Retail and Commercial business line remained at a high level, and this based on a stable lending policy in general, albeit adjusted for some elements (see further).

The production of consumer loans in 2018 was 20% higher than the previous year. Mainly the volume of car loans and loans for private use increased sharply due to commercial actions. The criteria used for granting consumer loans remained generally unchanged from the preceding years and in line with the "Responsible Lending" charter of the Belgian Financial Sector Federation (Febelfin). The production of consumer loans applied via mobile channels came at cruising speed in 2018; 20% of the consumer loans were applied by using the Belfius App. The rules for evaluating mobile loan requests remained basically the same as for loans requested through traditional channels. Belfius remains however very vigilant on the risk profile of mobile loan requests, both in terms of credit risk and fraud risk.

The production of mortgage loans was very sustained throughout 2018, and remained at almost the same level the previous years. The early repayment wave (and the consecutive internal financing) which characterised 2015 and 2016, faded out in 2017 and disappeared almost completely in 2018. Nevertheless, Belfius' portfolio of mortgage loans substantially grew over 2018, due to the increased financing of new real estate projects, i.e. property acquisitions or constructions. The share of loans with a higher LTV combined with a longer maturity in the portfolio slightly increased, because of the evolution of the product mix (higher proportion of loans to younger borrowers for a first home acquisition). Notwithstanding this evolution, the overall credit quality of the mortgage portfolio remained excellent and even slightly improved (as illustrated by the average probability of default).

The historical low risk level of the mortgage portfolio is also reflected by the cost of risk that remains at a very low level. The Risk Department continued its reinforced monitoring of the potential higher risk segments of mortgage loans (combinations of longer repayment terms, higher loan-to-value financing ratios and higher debt service costs vs. income ratios, as well as buy-to-let transactions). The results of this monitoring are presented periodically through the appropriate governance channels (i.e. the various credit risk-related committees, including the Management Board, the Audit Committee and the Risk Committee).

On this basis, the Bank took measures to keep production in these niches within strict limits. This approach is in line with the concerns expressed by the National Bank of Belgium with regard to the evolution of the Belgian residential real estate and mortgage market.

Belfius has more than 275,000 self-employed workers, professionals and SMEs as customers. Each one of them can rely on the personal service of a business banker. Belfius Bank's approach to have lending decisions for business loans taken by local teams working close to the customer was further intensified in 2018. This strategy contributes to a better customer service while numerous tests and realised statistics indicate that the risk remains under control. The continuous fine-tuning of the decision-making logic and the enhanced and quickly reactive monitoring on deteriorating risk profiles is bearing fruit. Through the continuation of the "Go-4Credits" project, Belfius enhanced also in 2018 the efficiency of its credit approval process for the Commercial Business line.

The overall profitability and strength of Belgian SMEs remained good, although the latter are more and more confronted with a changing consumer pattern (e.g. e-commerce). In 2018, according to Graydon, 10,714 companies were forced to cease business against 10,831 in 2017, a decrease of 1.08%. However, the number of bankruptcies (3,102) in the Brussels-Capital Region remained at a very high level. This is an increase of 14.8**%** compared with 2017, an absolute record. The average size of failed companies declined in considerable measure through 2018. Merely 2 companies with more than 100 employees went bankrupt, which is unique. As a result, the number of jobs put at risk by a bankruptcy of the employer decreased substantially faster than the number of bankruptcies. When looking at the relation between sectors and jobs put at risk due to a bankruptcy, the catering industry and the construction industry still swallow the highest job losses. But there is a fundamental difference between both industries: never before more jobs were lost in the catering industry, while the number of jobs put at risk in the construction industry decreased. Overall, the cost of business loans at Belfius Bank remained at a good risk/return level and within the target levels. Belfius therefore intends to keep supporting the production of business loans, also in relation to start-ups. At the same time, the Risk department continues the improvement of the process of early warning indicators in order to keep permanently the risks in this market segment well under control.

3.2. Banking activities in Public and Corporate

In 2018, Belfius kept providing the public and social sector, as well as mid & large companies, with an extensive and integrated range of dedicated products and services. It strengthened its partnership with the customers from the public and social sector by continuing to invest in having an in-depth knowledge of their needs and continuing to be able as such to offer them new and tailored solutions to fund their operations, manage their finances and meet their insurance requirements. The strategy to also become the reference partner for corporates that service this public and social sector (Business-to-Government) was further implemented.

The Public Sector loans portfolio maintained its very low risk profile. The balance of payments of the majority of Belgian municipalities showed in 2018 an equilibrium, or even a surplus. Local authorities continue in such a way their collective contribution to the budgetary surplus of the country as a whole. Another eye-catching evolution in 2018 was the decline of indebtedness of municipalities, together with the decrease of the interest charges. (historic low interest). Nevertheless, 4 big challenges with an important financial impact will remain for the local authorities in the following years:

- → The expected growth of the pension costs related to their statutory staff;
- → The demographic evolution (the ageing population in general and the population growth in the big cities) and social cohesion;
- → The impact of the tax shift that gradually erodes the taxable basis of the personal income tax;
- → The investment capacity of local authorities in the context of the Stability Pact (ESA-standards).

In such a way, it is not surprising that the local landscape is changing fast. Just as the police zones in the past, the former municipal fire brigades are transformed into a separate local public administration: the "assistance" zone. Municipalities and provinces pass on more and more specific activities to autonomous companies. Public centers for social welfare increasingly create associations that take over their custodial activities, and15 Flemish municipalities will merge into 7 new municipalities in early 2019. At the same time, provinces lose a part of their competences and financial means, while municipalities and regional agencies take over some of their assignments.

From a risk management point of view, the hospital sector remains a focus of attention. The hospital sector continues to show a sound financial structure from an aggregated point of view, but the evolution of the profit and loss accounts is more worrying. Especially smaller hospitals are struggling to survive. They insist on an alternative financing with more money for their nursing activities. Currently they are losing money on these activities, what they try to compensate through profits on medical devices and pharmacy. The government is however not ready for such a reform. The competent minister first requires regional collaboration, in order to develop thereupon a healthier sector within the same budget. For this purpose a first step was taken in November 2018. An agreement was reached on the repartition of the 25 future hospital networks. There will be 13 networks in Flanders, 8 in Wallonia and 4 in Brussels. The hospitals determine themselves with who and how they will collaborate. Nevertheless, there must be clarity not later than 1 January 2020. At that moment it should be clear who closes which departments and which hospitals concentrate which activities.

Belfius' corporate business is focused on Belgian companies with a turnover in excess of EUR 10 million. Belfius has taken the necessary measures to ensure that her growth strategy in this segment goes hand in hand with a good creditworthiness and acceptable risk concentrations. The credit profile of the corporate lending remained fairly stable during 2018, which also meant that the cost of risk remained at an acceptable level and within the limits set. Real GDP growth in Belgium slowed down slightly in 2018 to 1.5%, driven by the normalising pace of the expansion of business investments and the slowing export. The progress of private consumption, however, was supported by the increasing purchasing power, even though the employment growth steadily lost power. Protectionist measures often have a bigger negative impact than just their direct effect on the countries concerned or the products affected, because of the uncertainty created by such measures, and because of the global interconnectedness of the production chains. The escalating trade war between China and the USA, but also the budget problems in Italy or a hard Brexit can in such a way spoil 2019. Belfius keeps monitoring actively the global Brexit risks and impacts at a portfolio level. Until now, this monitoring did not reveal elements leading to a special concern.

Belfius monitors sector risks in a proactive way and defined specific measures with regard to a limited number of more vulnerable sectors. In the shipping industry, Belfius Bank continued to focus exclusively, as it has done in previous years, on shipping companies and other shipping-related businesses that have a commercial relationship with the Bank and a clear link with the Belgian economy. Connections with companies that do not meet these criteria were further substantially reduced in the course of 2018, mainly through a targeted pruning action that was already started in 2017. The residual credit risk on these companies has been reduced to a negligible level. The shipping industry experienced in 2018 a consolidation unprecedented since 2014. With costs rising, rates limping and private-equity investors seeking exits, more consolidation should follow.

Real estate financing, related to both residential and commercial real estate, is an important business activity within Belfius. Also on industry level, the Bank's lending activity in the real estate sector continues to increase considerably. The evolution of real estate financing over the last years is to be evaluated in the context of the following factors: the sustaining low interest rate environment, the fact that Belgian banks have a large deposit base and are confronted with a search for yield, the gross debt ratio of Belgian households that has increased and has recently slightly exceeded the average EUR area ratio. This combination of elements induces a concern at NBB level about an overvaluation of the Belgian (residential) property and about the threat of strong volume growth with potentially lower credit standards, lower margins and low provisioning levels. Belfius is aware of these potential pitfalls and has traditionally applied strict origination and acceptation criteria (LTV, maturity, collateral valuation) on new transactions and a solid monitoring of projects, in both residential and commercial real estate financing. Belfius real estate credit exposure is considered as being correctly diversified in terms of underlying asset types, individual name concentration and geographical spread.

Finally, it is worth mentioning that Belfius further intensified its portfolio management in the course of 2018, in the first place through the gradual sale of higher risk exposures and/or exposures that are no longer considered as being core business (e.g. shipping-related business without a commercial relationship), but also by developing risk hedging and risk sharing programs.

3.3. Insurance

The management of the credit risk of Belfius Insurance is the responsibility of Belfius Insurance risk management team, albeit in collaboration with the credit risk teams of Belfius Bank and aligned with the risk management guidelines that are applicable for the whole Belfius group. As such, this implies that credit limits are defined on a consolidated basis and that transfers of limits between the Bank and Insurance are permitted, on the condition that both parties agree. The CROs of Belfius Bank and Belfius Insurance coordinate the requests among each other.

3.4. Financial Markets

The mission of Financial Markets, aligned with the mission of Belfius Bank, is to serve its clients and the Belgian economy with essential financial services. Next to this general objective, Financial Markets operates as a competence and service centre with regard to Belfius business lines. In this context, the risk and return generated by Financial Markets are reallocated to the business lines Retail, Commercial, Public and Corporate. As such, Financial markets complete the business lines' offering towards clients in order to ensure a long term relationship and ensure a quick and efficient time to market for new products. Innovative Financial Markets also contribute to the liquidity profile of the Bank through the management of Short Term and Long Term wholesale funding and to the management of the investment portfolios: both the ALM Liquidity and Yield portfolios (run-off management of the portfolio inherited from the past).

Credit risks in relation to Financial Markets activities are monitored by the Credit Risk Limit Framework which is part of the Risk Appetite Framework. Counterparty and country limits are monitored by FM Risk Management in order to limit risk concentrations.

Credit risk in financial markets remained relatively stable during 2018. Nevertheless, in the last quarter, the issues related to the Italian budget plan, the fear of a hard Brexit and the American-Chinese trade war weighed on the markets and increased volatility. Our main concentrations remain British inflation-linked corporate bonds and Italian sovereign bonds, which are of satisfactory credit quality and are closely monitored. 2018 was also marked by further de-risking, namely the sale of more than EUR 1 billion Italian government bonds in January and unwinds and compression of derivatives (EUR -133 billion, remaining notional year-end 2018: EUR 318 billion).

The money market activity has been influenced by the persisting low interest rate environment, the volatility of collateral and the challenging yield environment for the reinvestment of the liquidity buffer.

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

Belfius applies since the start of 2018 the IFRS 9 principles regarding impairments. An impairment is made for each loan as from the origination, and this for an amount equal to a 12 months expected credit loss (ECL), i.e. the ECL that results from default events that are possible within 12 months. If there is a significant increase of credit risk since the origination of the loan, an impairment is made for an amount equal to a lifetime ECL, i.e. the ECL that results from all possible default events over the remaining expected life of the loan (cf. the section dedicated to the IFRS 9 impairment methodology).

The detection of changing credit risks by means of an efficient and performant process and the constitution or not of impairments is a major pillar of efficient credit risk management. Belfius frames this process in a coherent set of risk policies and guidelines, risk committees and operational procedures.

The Watchlist guideline defines those internal and external indicators which reveal an increased credit risk, and which might give rise to more intensive monitoring of the credit file concerned. Files placed under higher surveillance are submitted each quarter (or more frequently if necessary) to a Risk Committee which, if necessary, decides on the appropriate risk measures.

The European Banking Authority's Forbearance guidelines - designed to enable the analysis of the quality of credit portfolios and hence also the risk profile of all European banks in a more proactive and consistent way - are already since 2014 transposed into a Belfius guideline and integrated into the Bank's risk and financial reporting. In practical terms, forbearance boils down to the granting of concessions to borrowers in financial difficulties. These concessions may take the form of modifications to the loan contract or some refinancing. 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.

At the end of 2018, an amount of EUR 688 million of loans at Belfius complied with the forbearance definition, of which EUR 44 million related to Belfius Insurance, compared with respectively EUR 652 million and EUR 34 million in 2017. Appropriate Stage1, 2 and 3 impairments were recorded in relation to this volume of forborne loans via the usual risk processes.

When a counterparty's solvency is weakening, early warning indicators may be activated which will take the counterparty concerned into our internal risk systems towards a default status. Depending on the seriousness of the indicators, which show the degree of probability of the counterparty's default, Belfius puts the counterparty in D1 or D2 status. These indicators are described in the Default guidelines. The Default committee within the Risk department, is competent to define the default status of a counterparty. 2018 showed an increased attention of the ECB for non-performing loans, as was already the case in 2017. In a European perspective, the NPL-ratio's of Belfius' different asset classes remained at a very low level. Once a counterparty is classified in default, an assessment is made, as a fundamental element of the risk management process, of the need to make a specific impairment of the credit file(s) with the counterparty. This assessment examines whether and to what extent the guarantees Belfius holds are sufficient to reimburse the credit risk exposure, in the various scenarios possible (from business continuity to active recovery). The Impairment committees make this assessment and, if necessary, decide to make a specific impairment.

For the credit portfolios of the Retail and Commercial Business, where risk management relies on a portfolio approach, the same principles are valid, but applied in a less granular and more automated manner.

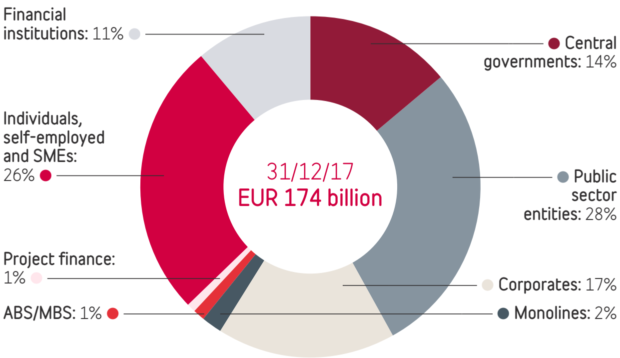
4. Exposure to credit risk

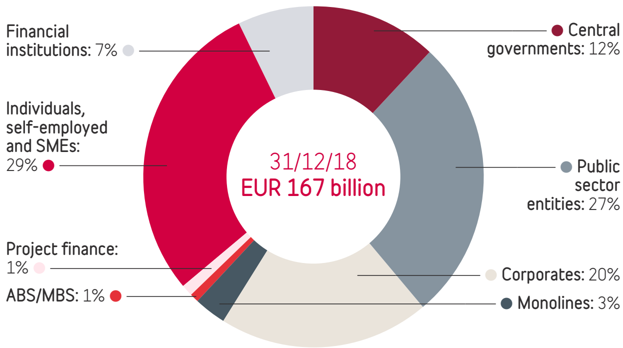
The Full exposure at default (FEAD) expresses the Maximum Credit Risk Exposure, and is determined as follows:

- → for balance sheet assets (except for derivatives): the gross carrying amounts (before credit risk adjustments);
- → for derivatives: the fair value of derivatives after netting, increased with the potential future exposure calculated under the current exposure method (add-on);
- → for Securities Financing Transactions (repos and reverse repo's): 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, in millions of EUR)	31/12/17 IAS 39	31/12/18 IFRS 9	of wich	
			Bank	Insurance
Central governments	24,799	20,488	14,662	5,827
Of which government bonds	*12,900*	*9,625*	*4,014*	*5,611*
Public sectorentities	47,375	45,694	43,807	1,887
Corporate	29,509	32,904	31,574	1,330
Monoline insurers	3,517	4,519	4,519	-
ABS/MBS	997	840	736	104
Project Finance	2,034	2,222	2,222	-
Individuals, self-employed and SME's	45,168	47,917	44,356	3,561
Financial institutions	19,656	12,145	10,892	1,253
Other	745	-	-	-
TOTAL	173,802	166,729	152 768	13,962

Breakdown of credit risk by counterparty





Belfius credit risks are based on a consolidation scope that includes its fully consolidated subsidiaries, Belfius Insurance included.

As at 31 December 2018, the total credit risk exposure, within Belfius reached EUR 166.7 billion, a decrease of EUR 7.1 billion or 4.1% compared to the end of 2017.

At bank level the credit risk exposure decreased with 3.1% to EUR 152.8 billion. At the level of Belfius Insurance, the credit risk exposure went down by 13.3% to EUR 14.0 billion at the end of 2018.

The credit risk exposure on public sector entities and institutions that receive guarantees of these public sector entities (27% of the total) and on individuals, self-employed and SMEs (29% of the total) constitute the two main categories. The credit risk exposure on public sector entities decreased with EUR 1.7 billion while the credit risk exposure on individuals, self-employed and SMEs increased by 2.7 billion due to increasing commercial activities. The expansion of Belfius' corporate activities is also reflected in higher credit risk exposure (+ EUR 3.4 billion) for this segment leading to an increase of its relative proportion from 17% by the end of 2017 to 20% by the end of 2018.

The relative proportion of the segment central governments declined from 14% end 2017 to 12% end 2018. This decrease is mainly explained by the sale of Italian and Belgian government bonds in the first quarter of 2018 and by lower excess liquidities posted at the National Bank of Belgium. Inside this segment, the credit risk on government bonds decreased from EUR 12.9 billion at the end of 2017 to EUR 9.6 billion at the end of 2018. More than half (54%) of the government bonds portfolio is invested in Belgian government bonds. While at bank level the Belgian government bonds represents 40% of the total government bond portfolio, the relative proportion at Belfius Insurance stood at 64%.

The credit risk exposure on financial institutions further decreased in 2018 by EUR 7.6 billion and stood at 7% at the end of 2018 against 11% at the end of 2017, resulting from the incorporation of excess collateral received in the netting of derivatives. The credit risk on monoline insurers is predominantly an indirect risk arising from credit guarantees written by Belfius Bank and reinsured with monoline insurers, mainly on bonds issued by infrastructure companies and utilities. During 2018, the relative proportion of the monoline insurers increased from 2.0% at the end of 2017 to 2.7% at the end of 2018. The increase is namely due to the extension of some hedges and to the fact that some existing credit guarantees started substituting the underlying risk as from 2018 due to either a deterioration of the underlying's credit risk and/or an improvement of guarantor's credit risk.

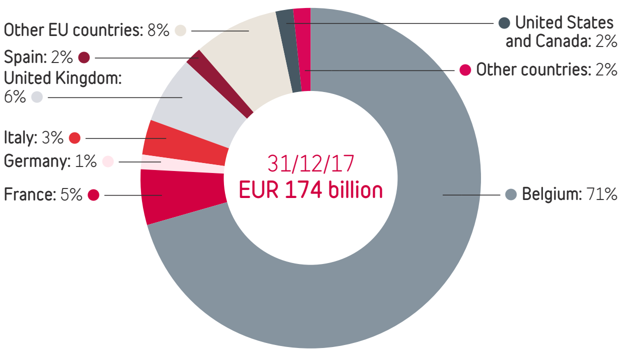
Belfius' positions are mainly concentrated in the European Union: 96% or EUR 146.1 billion at bank level and 98% or EUR 13.7 billion for Belfius Insurance. 75% of the total credit risk exposure is on counterparties categorised in Belgium country exposures, 5% in the United Kingdom and in France, 2% in Italy and in the United States and Canada and 1% in Germany and in Spain.

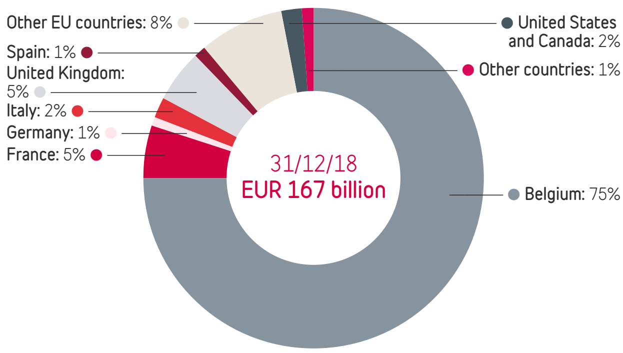
The credit risk exposure to counterparties in the United Kingdom amounted to EUR 8.8 billion. About half of this credit risk exposure concerns bonds, of which close to two-third are inflation-linked, issued by utilities and infrastructure companies in the United Kingdom that operate in regulated sectors such as water, gas and electricity distribution. These bonds are of satisfactory credit quality (100% investment grade), and moreover the majority of the outstanding bonds are covered with a credit protection issued by a credit insurer that is independent from the bond issuer. The remainder concerns the bond portfolio of Belfius Insurance, a short-term credit portfolio for treasury management of Belfius Bank and receivables on clearing houses. The credit risks on those portfolios are also of satisfactory credit quality.

The credit risk exposure of Belfius counterparties in Italy went down from EUR 5.6 billion at the end of 2017 to EUR 2.5 billion at the end of 2018, of which EUR 2.2 billion of Italian government bonds.

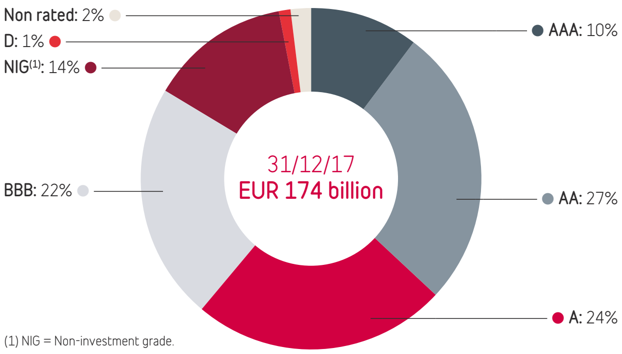
At the end of December 2018, 82% of the total credit risk exposure had an internal credit rating investment grade (IG).

Breakdown of credit risk by geographical region

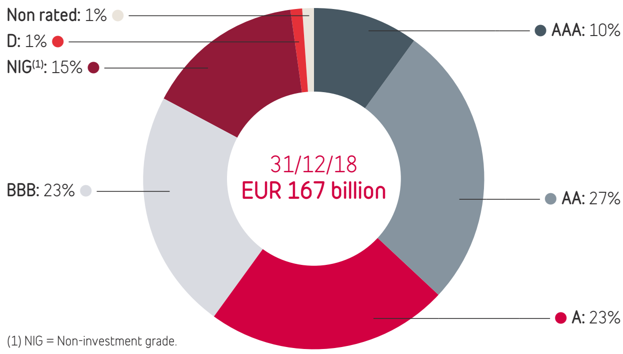




Breakdown of credit risk by rating



(1) NIG = Non-investment grade.



(1) NIG = Non-investment grade.

5. Asset quality

At the end of 2018, the amount of impaired loans and advances to customers was EUR 1,863 million, which is a slight increase of 2.3% compared to 1/1/2018. Nevertheless the asset quality ratio improved from 2.15% to 2.05% following the strong increase (+7.4%) in gross outstanding loans. In 2018, the stage 3 impairments (formerly: specific impairments) on loans and advances remained stable. As a consequence the coverage ratio slightly decreased to 61.6% at the end of 2018. The stage 1 & 2 impairments (formerly: collective impairments) on loans and advances to customers increased by EUR 15 million since 1 January 2018 to EUR 337 million at the end of the year.

Asset Quality(1) (in millions of EUR. except where indicated)	31/12/17 IAS 39	01/01/18(2) IFRS 9	31/12/18 IFRS 9
Gross outstanding loans and advances to customers (measured at amortised cost)	91,520	84,535	90,786
Impaired loans and advances to customers. (measured at amortised cost)	1,822	1,822	1,863
Stage 3 impairments on loans and advances to customers (formely: specific impairments)	1,153	1,153	1,147
Asset quality ratio(3)	1.99%	2.15%	2.05%
Coverage ratio(4)	63.3%	63.3%	61.6%
Stage 1 & 2 impairments on loans and advances to customers (formely : collective impairments)	310	322	337

(1) Belfius Insurance included.
(2) Due to the application of IFRS 9 and the new presentation of the balance sheet (bonds in "loans and advances to customers" were transferred to "Debt securities & equity instruments"). the presentation and figures of 31 December 2017 are different from the opening balance of 1 January 2018. We refer to the transition IFRS 9 tables for a detailed description.
(3) The ratio between impaired loans and advances to customers and the gross outstanding loans and advances to customers.
(4) The ratio between the Stage 3 impairments and impaired loans and advances to customers.

MARKET RISK

1. Overview

1.1. Market Risk Definition

Overall, market risk can be understood as the potential adverse change in the value of a portfolio of financial instruments due to movements in market price levels, to changes of the instrument's liquidity, to changes in volatility levels for market prices or changes in the correlations between the levels of market prices.

Management of market risk within Belfius encompasses all Financial Markets activities of the Bank and focusses on interest rate risk, 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's. 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 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).

1.2. Risk types

The sources of market risk are changes in the levels of:

- interest rates;
- credit spreads (specific interest rate risk) and liquidity;
- inflation;
- foreign-exchange rates;
- equity prices;
- commodity prices;

and their related risk factors like volatility or correlation for example.

Interest rate risk may be understood as the variation of the value of assets or liabilities of the Bank following changes in interest rates quoted on the markets. It is most pronounced in debt instruments, derivatives that have debt instruments as their underlying reference asset and other derivatives whose values are linked to market interest rates.

Credit spread and liquidity risks are the risks that the value of a certain portfolio can change as the result of movements in credit spreads even if the credit quality (rating) remains the same. The spread of a position is that single spread that has to be added to the whole zero-coupon curve (swap) in order to obtain discount factors that lead to a present value of expected cash flows equal to the current fair value of the position.

Foreign-exchange risk is the potential risk that movements in exchange rates may adversely affect the value of a financial instrument or portfolio. Despite exchange rates being a distinct market risk factor, the valuation of foreign-exchange instruments generally requires knowledge of the behaviour of both spot exchange rates and interest rates.

Equity price risk is the potential risk for adverse changes in the value of an institution's equity-related holdings. Price risks associated with equities are often classified into two categories: general (or non diversifiable) equity risk and specific (or diversifiable) equity risk.

Commodity price risk is the potential risk for adverse changes in the value of an institution's commodity-related holdings. Price risks associated with commodities differ considerably from other market risk factors since most commodities are traded on markets in which the concentration of supply can magnify price volatility. Belfius only has some commodity price risk on CO_2 certificates holdings.

2. Non Financial Markets activities

2.1. Policy on asset & liability management

Managing structural exposure to market risks (including interest rate risk, equity risk, real estate risk and foreign exchange risk) is also known as Asset & Liability Management (ALM). The structural exposure at Belfius results from the imbalance between its assets and liabilities in terms of volumes, durations and interest rate sensitivity.

Belfius' Board of Directors has the ultimate responsibility for setting the strategic risk tolerance, including the risk tolerance for market risks in non financial markets activities. The Management Board of Belfius Bank and Belfius Insurance have the ultimate responsibility for managing the interest rate risks of Belfius within the above set risk tolerance and within the regulatory framework.

The real operational responsibility of the effective asset & liability management (ALM) is delegated to the Asset & Liability Committee (ALCo). The ALCo manages interest rate risk, foreign exchange risk, and liquidity risk of the Bank's respectively insurer's balance sheet within a framework of normative limits and reports to the Management Board. Important files at a strategic level are submitted for final decision to the Management Board, that has the final authority before any practical implementation.

The ALCo of the Bank is responsible for guiding and monitoring balance sheet and off-balance sheet commitments and, doing so, places an emphasis on:

- the creation of a stable income flow;
- the maintenance of economic value;
- the insurance of robust and sustainable funding.

The ALCo meets regularly, chaired by the Chief Financial Officer (CFO), with meetings attended by the Chief Risk Officer (CRO) and members of the Management Board responsible for commercial business lines (or their mandatees).

The ALCo of Belfius Insurance plays the same role for the insurance company pursuing the same objectives but with a focus on the economic value and solvency according to the Solvency II regulation. The risk indicators are calculated based on a harmonised risk method for Belfius, supplemented by factors specific to Belfius Insurance relating to their risk management.

2.2. Interest rate risk

2.2.1. Interest rate risk of the banking activities

In respect to the interest rate risk, Belfius Bank pursues a prudent risk management of its interest rate positions in the banking book within a well defined internal and regulatory limit framework, with a clear focus on generating stable earnings and preserving the economic value of the balance sheet and this in a macro-hedging approach, thoughtfully considering natural hedges available in the bank balance sheet.

The management of non-maturing 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 forms: economic value volatility and earnings volatility. The measurement of both of these forms is complementary in understanding the complete scope of interest rate risk in the banking book.

Banks' ALM objective is to protect the net interest income for downward pressures in current historically low interest rate environment, while respecting the limits on variation of economic value.

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 if interest rates move by 10 bps across the entire curve. The long-term sensitivity of the ALM perimeter was EUR -15 million per 10 bps at 31 December 2018 (compared to EUR -34 million per 10 bps at 31 December 2017), excluding interest positions of Belfius Insurance and of the pension funds of Belfius Bank.

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 effect. A 50 bps increase of interest rates has an estimated positive impact on net interest income (before tax) of EUR +60 million of the next book year and an estimated cumulative effect of EUR +175 million over a three year period, whereas a 35 bps decrease would lead to an estimated negative impact of EUR -44 million of the next book year and an estimated cumulative effect of EUR -189 million over a three year period.

Besides directional interest rate risk also curvature risk, due to steepening or flattening of the interest rate curve, is followed up within a normative framework by the ALCo. The same goes for basis spread risk between Euribor and Eonia and cross-currency spread risk.

The low interest rate environment puts considerable pressure on the Bank's standard transformation model. On the one hand, the interest paid to depositors remains close to zero or is even legally prohibited to go below 11 bps while the interest received on commercial loans is constantly lowered following markets rates and competitive pressures. On the other hand, customers continued to refinance and prepay their mortgages. Furthermore, the negative interest rate policy of the ECB increases the collateral cost for derivative contracts used to hedge the Bank's exposure to interest rate risk.

2.2.2. Interest rate risk for the insurance activities

The aim is to manage and limit the volatility in the income statement that can be caused by interest rate fluctuations and to safeguard the economic value of the shareholders' capital. Therefore, Belfius Insurance, as a matter of policy, does not hold any exposure with a high interest rate risk.

The duration that reflects the interest rate sensitivity of the balance sheet, is considered to be the leading measuring instrument for interest rate risk. The partial and global sensitivities of the interest rate risk per time bucket are more precise indicators that are monitored by the ALCo.

The limits for the interest rate risk are approved by the management board and the board of directors. They are translated to the Investment Framework and monitored by the ALCo.

Belfius Insurance maintained its ALM strategy which is targeting to keep the duration between assets and liabilities pretty much balanced. The current low interest rates therefore have a limited impact on the existing assets and liabilities.

If the historically low interest rates persist for a longer period, Belfius Insurance will be forced to revise its current product range substantially. Taking into account the Solvency II capital requirements in combination with the low interest rates and the current taxation rules, it is not easy to offer customers attractive investment insurance products in Branch 21 and Branch 26. In the meantime, there are several initiatives on which we give customers an opportunity to foresee a certain degree of security in their investment in Branch 23 through the Branch 44 concept.

2.2.3. Aggregate interest rate risk for the Belfius group

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

(in thousands of EUR)	31/12/17	31/12/18
BELFIUS BANK		
Sensitivity (+10 bp)	(34,179)	(15,441)
Earnings at risk (+50 bp)	37,436	59,864
BELFIUS INSURANCE		
Sensitivity (+10 bp)	16,560	10,874
Earnings at risk (+50 bp)	2,743	2,347

2.3. Credit spread risk

The credit spread risk of the non financial market activities is dealt with in the "Credit risk" section.

The sovereign and credit portfolio is managed by the investment departments under supervision of the respective ALCo's of Belfius Bank and Belfius Insurance. Its management is carried out according to a risk framework monitored by the risk department. The framework provides risk guidance for the investments. It sets risk appetite and operational limits for ensuring the credit quality of the credit portfolio within the well defined limits and a sound diversification (e.g. among industry sectors or countries). Sensitivity analysis and stress testing are regularly performed.

At Belfius Insurance, the credit spread risk has been fully integrated in the Risk Management. Indeed, moving toward Solvency II, the credit spread risk became more than before a key driver of the solvency position of the insurance company both for the net asset value's sensitivity and for the capital requirement.

2.4. Equity risk

The major part of Belfius' equity risk stems from the insurance perimeter, given that the equity portfolio of the Bank is very small.

The equity risk is also a key contributor to the net asset value's sensitivity and the capital requirement of the insurance company. The equity portfolio is managed by a dedicated Investment team under supervision of the ALCo. The investments are again framed by risk guidance and operational limits according to the risk appetite of Belfius Insurance.

Market risk management tools include stress test measurements that provide an indication of the potential market value loss under different scenarios and the solvency ratio's resilience.

The table below shows the price sensitivity of Belfius' equities portfolio to a downward shock of 30%.

(in thousands of EUR)	31/12/17	31/12/18
BELFIUS INSURANCE		
Market value - quoted shares & assimilated	583,819	492,831
Market value - quoted real estate	501,502	318,592
Shock 30% (negative)	(325,596)	(243,427)
VaR (99%, 10days)	35,720	53,400

2.5. Real estate risk

The property investments are made of deals offering long term stable returns mostly on the Belgian market. As such, these property investments must be viewed as a way of optimizing the risk/return of the investment portfolio and are allocated to the long-term life insurance business.

The table below shows the price sensitivity of Belfius Insurance real estate risk to a downward shock of 15%.

(in thousands of EUR)	31/12/17	31/12/18
BELFIUS INSURANCE		
Market value	592 835	645 291
Shock 15 % (negative)	(88.925)	(96.794)

2.6. Foreign exchange risk

The foreign exchange rate risk is not significant at Belfius Insurance, as less than 1% of the portfolio's total market value is denominated in foreign currencies. The possibilities of holding exposures in foreign currencies is moreover deliberately limited by the Investment Framework.

The current exchange rate risk mainly comes from exposures in Danish krone (Danish mortgage bonds), whose value is strongly linked to the Euro. The exposure to the Danish krone increased in 2018 by EUR 7.5 million.

2.7. Pension funds

Specific reports on the pension funds are submitted to the investment committees of those funds as a result of the delegation given by the ALCo. These investments committees analyse the impacts of the funds' position on interest rate, inflation and equity risk.

3. Financial Markets activities

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

With the purpose of effectively managing the market risks Belfius Bank is facing, FM Risk Management has identified the following cornerstones as key pillars of the risk management of the risks Belfius Bank is confronted with for its Financial Market (FM) activities:

- an efficient organisation fostering an accurate identification, analysis and reporting of the different risks Belfius Bank is bearing, as well as a continued training of people in order to remain up to date with the latest evolutions in theories, regulatory issues, metrics or market changes;
- a robust limit framework with differentiated limits by activity or risk factor that is to be respected by all parties involved in market activities. On top of the VaR limits or P&L triggers, several other metrics have been identified as key controlling tools in the risk management process:
  - limits on notional amounts
  - limits on maturities
  - limits on type of products
  - limits on sensitivities (known as "Greeks": delta, etc.)
  - back testing
  - stress tests
- finally, this framework is regularly submitted for revision to the FM Risk Committee in order to be commensurated to the risk appetite defined by the Board of Directors of Belfius Bank.

3.2. Market Risk Measures

The Value-at-Risk (VaR) concept is used as the principal metric for 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 (SVaR) on top of its regular VaR, which also enters into the computation of weighted risks for Market Risk. This SVaR measure consists of calculating a historical VaR on 250 consecutive business days observation period which generates the largest negative variations of Net Present Value in the Bank's current portfolio of financial instruments.

3.3. Market Risk Exposure

Following a removal of the Credit Derivatives from the VaR scope , the Financial Markets VaR limit has been further reduced in October 2018 from EUR 32 million to EUR 26.5 million. The overall average VaR of Financial Markets activities increased at EUR 18.1 million in 2018 vs EUR 17.7 million in 2017.

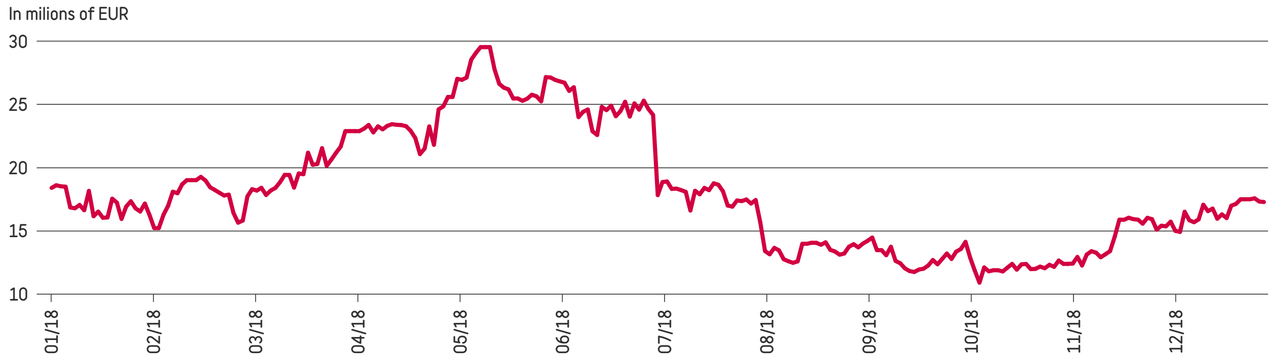
VaR increased during first half of the year mainly due to IR delta evolutions in Group centers. The VaR decreased during the summer due to IR delta movements in Flow Management (PCB Public and Group center), due to reduction of the Market volatility and due the to removal of the Credit Derivatives from the VaR computation scope. The VaR increased again at the end of the year following increase of FM activities in long terms IR products.

Value-at-Risk by activity

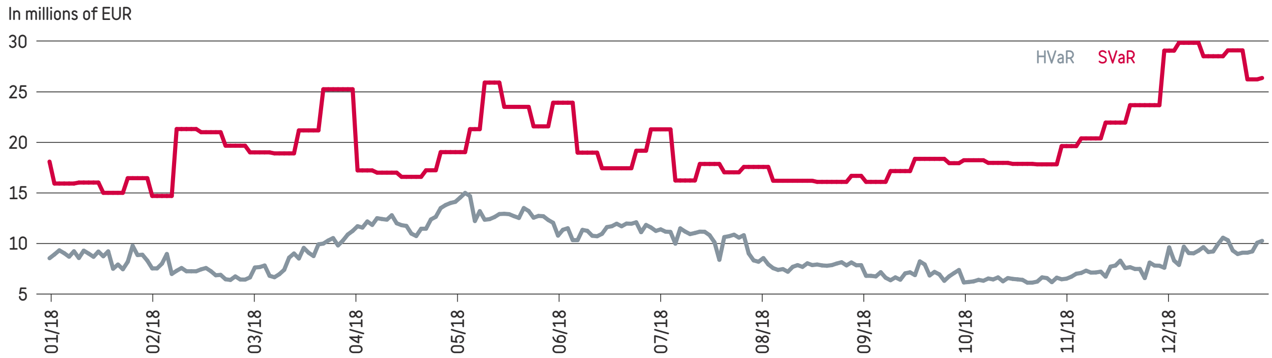
VaR(1) (99 %, 10 jours) (in millions of EUR)	31/12/17				31/12/18			
	IR(2) & FX(3)	Equity	Spread	Other risks(4)	IR(2) & FX(3)	Equity	Spread	Other risks(4)
By activity								
Average	8.1	4.3	3.8	1.5	9.0	5.6	2.5	1.0
End of year	8.9	5.8	2.7	1.1	9.2	6.8	0.5	0.8
Maximum	13.0	6.3	7.1	2.1	15.5	7.6	6.1	2.2
Minimum	4.4	2.3	2.1	1.1	4.2	4.4	0.2	0.4
Global								
Average	17.7				18.1			
End of year	18.4				17.3			
Maximum(5)	24.1				29.5			
Minimum	13.2				10.9			
Limit	32.0				26.5			

(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
(3) FX: forex risk.
(4) Inflation and CO_2. risk
(5) Maximum reached before the reduction of limit to 26,5 M.

Evolution of global VaR in 2018



Evolution of HVaR and SVaR (Internal Model) in 2018



3.4. Stress tests – Market risk

Although the VaR is a very useful risk management tool for controlling day-to-day loss-risk exposures, it does not withstand fully the test of abnormal market movements, and it does not always give a total accurate picture of market exposure. Stress tests reveal sometimes better such information by gauging Belfius' vulnerability of the market positions to exceptional events and hence by providing additional information about market risks alongside the information embedded in the VaR. These risks include those associated with extreme price movements and those associated with scenarios not reflected in recent history or implied by the parameters used to compute the VaR. Consequently, Belfius Bank uses stress tests in addition to the VaR approach.

The stress testing framework applied to Financial Market activities of Belfius Bank can be described as follows:

→ sensitivity tests are run on the following risk factors: interest rates, foreign-exchange risk, volatilities, credit spreads, correlation, IR basis (difference between the Eonia rate and the Euribor 3-month rate) and dividends/share prices;
→ historical scenarios, which consist of simulations mirroring simultaneous significant historical market movements on several risk factors. More specifically, the following scenarios are applied:
  - equity crash of 1987
  - monetary crisis of 1992
  - market movements of 2001
  - financial crisis of 2008
  - combined scenario where shocks on interest rates and credit spreads are simultaneously applied.

3.5. Back Testing

The aim of back testing is to test the accuracy and the mathematical soundness of the internal market risk measurement methodologies by comparing the calculated market risk figures with the volatility of the actual results. Back testing is a prerequisite for Belfius Bank since we use internal models to calculate own regulatory capital requirement for market risks.

The result of the back test is the number of actual market losses greater than their corresponding VaR figures (i.e. "the number of exceptions"). According to this number, the regulators among others will also decide on the multiplier to be applied for determining the regulatory capital requirement for market risks.

Currently, two types of back testing are processed at Belfius Bank:

→ Hypothetical back testing compares the hypothetical results, of the portfolio's end- of-day value and, assuming unchanged positions, its value at the end of the subsequent day. This result is therefore without any provisions adjustments and other non-involved risk factors. The holding period is one day. In 2018, there was no exception to the hypothetical back testing.
→ Real back testing compares the portfolio's end-of-day value and its actual value at the end of the subsequent day excluding fees, commissions, and net interest income. In 2018, there was no exception to the real backtesting.

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. Available liquidity reserves also play a key role regarding liquidity: at any time, Belfius Bank ensures it has sufficient quality assets to cover any temporary liquidity shortfalls, both in normal markets and under stress scenarios. Belfius Bank defined specific guidelines for the management of LCR eligible bonds and non LCR eligible bonds, both approved by the Management Board. All this is laid down in the liquidity guideline, approved by the ALCo.

Asset and Liability Management (ALM), a division situated within the scope of the Chief Financial Officer (CFO), is the front-line manager for the liquidity requirements of Belfius Bank. It identifies, analyses and reports on current and future liquidity positions and risks, and defines and coordinates funding plans and actions under the operational responsibility of the CFO and under the general responsibility of the Management Board. The CFO also bears final operational responsibility for managing the interest rate risk contained in the banking balance sheet via the ALM department and the ALCo, meaning that total bank balance sheet management lies within his operational responsibility.

ALM organises a weekly Asset and Liability Forum (ALF), in presence of the Risk department, the Treasury department of the Financial Markets and representatives of the commercial business lines. The Asset and Liability Forum is in the first place a discussion forum on all topics with a link to the ALCo in preparation to the ALCo memo's. This forum has been mandated by ALCo to translate the strategic funding plans into tactical and operational funding strategies aligned to the financing needs stemming from Belfius' balance sheet and within the regulatory constraints (LCR, NSFR, encumbrance, MREL…).

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 monthly 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 hypothesis 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 and similar customers and the way these funds are allocated to customers through all type of loans;
→ the volatility of the collateral that is to be deposited at counterparties as part of the CSA framework for derivatives and repo transactions (so called cash & securities collateral);
→ the value of the liquid reserves by virtue of which Belfius Bank can collect funding on the repo market and/or from the ECB;
→ the capacity to obtain interbank and institutional funding.

1.3. Liquidity Risk Management

Strategies, scope and processes of liquidity risk management
The Liquidity report covers Belfius Bank on a consolidated level, i.e. the Bank with its subsidiaries and branches, incl. companies for securitization, excluding Belfius Insurance.

The strategy of the liquidity risk management is described in the Liquidity Risk Management Guidelines and in the Risk Appetite Framework (RAF). The RAF constitutes the highest level of risk limits and principles that express the risk tolerance of the Bank.

Monitoring is done through internal and regulatory liquidity Key Risk Indicators (KRI), with respective internal limits set up in the RAF. The liquidity KRI are reported on a regular basis and any exceeding of the limit is reported to the ALF and to ALCo, which has power of decision. Respect of those KRI is also tested under stress scenarios.

In addition, a series of Early Warnings indicators are monitored daily to identify as soon as possible liquidity tension on the markets. In addition to the regulatory indicators, liquidity risk management focusses on:

→ **Internal liquidity ratio**: a daily ratio that measures if Belfius Bank can survive a severe crisis for a minimum period of 3 months without recovery options (excluding repos on liquidity buffer and a limited amount of ECB funding).
→ **Funding Gap**: a daily follow up of the maximum funding gap limits by currency and by maturity bucket.
→ **Funding Plan and stress testing**: development of a strategic Funding Plan with the projection of the funding sources and requirements over the next 5 years giving a projection of the liquidity reserves, LCR ratio, NSFR ratio and Asset Encumbrance ratio. A severe stress scenario, combining Belfius specific and market specific events is applied on this Funding Plan: all RAF limits on liquidity KRI have to be respected.
→ **Collateral management**: daily monitoring of collateral position and collateral needs of the Bank and their respective impact on liquidity and asset encumbrance.

- **Intraday liquidity risk**: in order to meet payment and settlement obligations on a timely basis under both normal and stressed conditions Belfius must have a sufficient buffer for operational and stressed outflows. The intraday liquidity is managed by the Treasury desk and controls are performed by Operations and Risk Management with a quarterly reporting of these tests to the ALF.
- **Contingency Funding Plan (CFP)**: through a daily dashboard Belfius Bank created an adequate early warning system to detect market specific or Belfius specific liquidity events. A set of recovery measures is defined and regularly tested in the market with realistic amounts of funding, time to market and pricing. The CFP is consistent with the crisis management organization of Belfius Bank and has a clear decision process about responsibilities and organization of an ad-hoc ALCo to decide to activate the recovery measures.
- **Recovery Plan (RP)**: in the RP a number of stress scenarios are defined that could bring the Bank near to failure. Recovery measures that can be launched to avoid this failure are tested in various scenarios.
- **Liquidity Adequacy Statement (LAS)**: the ILAAP (internal liquidity adequacy assessment process) results in the LAS where the Management Board confirms in a statement that Belfius has enough liquidity to fund its activities and to sustain severe stresses and that liquidity risk is in line with the defined RAF and compliant with ILAAP requirements.

Belfius Bank developed the Liquidity Risk Management Guidelines and the RAF limits in order to remain sufficiently liquid in stress situations, without resorting to recovery actions which would generate significant costs or which would interfere with the core banking business of Belfius Bank.

1.4. Consolidation of the liquidity profile

During 2018, Belfius consolidated its diversified liquidity profile by:

- maintaining a funding surplus within the commercial balance sheet;
- continuing to obtain diversified long-term funding from institutional investors by issuing, amongst others, Covered Bonds and Preferred Senior Bonds (PS) anticipating the future final MREL objectives;
- collecting short and medium-term (CP/CD/EMTN) deposits from institutional investors.

The Liquidity Coverage Ratio (LCR) is based on the Delegated Act requirements and measures the ability to fund liabilities over a one month horizon. Belfius Bank discloses its 12-month average LCR in accordance with the European Banking Authority's guidelines on LCR disclosure. Belfius Bank closed the year 2018 with a 12-month average LCR of 135%

The Net Stable Funding Ratio (NSFR), defines a minimum acceptable amount of stable funding based on the liquidity characteristics of the assets over a one year horizon. The NSFR based on our current interpretation of Basel III rules, stood at 116% at year-end 2018.

1.5. Minimum requirement for own funds and eligible liabilities

At the end of May 2018, the National Bank of Belgium (NBB) has notified Belfius Bank of the MREL requirement imposed by the Single Resolution Board (SRB).

The Bank Recovery and Resolution Directive (BRRD) provides that institutions established in the European Union (EU) should meet a minimum requirement for own funds and eligible liabilities ('MREL') to ensure an effective and credible application of the bail-in tool. The SRB MREL determination follows the methodology laid down in the "SRB 2017 MREL Policy", published by the SRB on 20 December 2017. The MREL shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds (TLOF[1]).

The SRB determines the consolidated MREL requirement for Belfius Group at the level of 9.70% of its total liabilities and own funds, to be met at all times and taking into account an evolving balance sheet. Taking into account data as of 31 December 2016, this MREL requirement corresponds to an amount of EUR 12.48 billion. Based upon data as of 31 December 2018, the MREL requirement of 9.70% of TLOF amounts to EUR 12.46 billion.

Following the current SRB methodology, Belfius Group exceeded the MREL requirement based on data 31 December 2016, and hence no transitional period has been defined by the SRB for Belfius.

As mentioned in the SRB 2017 MREL Policy, the SRB has also set out a subordination benchmark for O-SIIs[2].The total subordination benchmark for Belfius has currently been set as 16% of the total risk exposures.

The SRB reserves the right to adjust the aforementioned policy at a later stage in the light of the future design of the BRRD and further development of the MREL policy.

1.6. Liquidity reserves

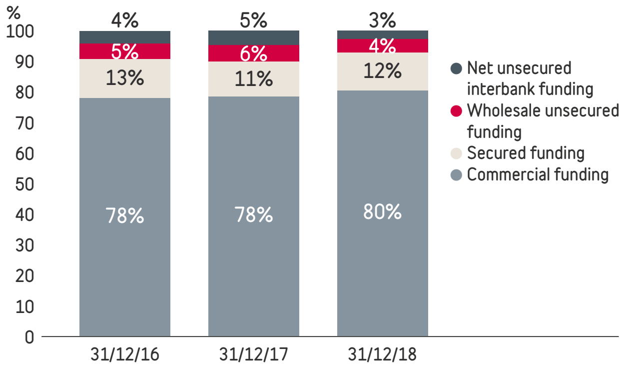
At the end of 2018, Belfius Bank had quickly mobilisable liquidity reserves of EUR 28.8 billion. These reserves consisted of EUR 7.7 billion in cash, EUR 11.7 billion in ECB eligible bonds (of which EUR 7.7 billion are CCP-eligible (Central Counterparty-eligible)), EUR 6.9 billion in other assets also eligible at the ECB and EUR 2.3 billion in other liquid bonds.

These liquidity reserves represent 5.4 times the Bank's institutional funding outstanding end 2018 and having a remaining maturity of less than one year.

(1) TLOF : based on prudential scope of consolidation with prudential netting of derivatives exposures
(2) O-SIIs : Other Systemically Important Institutions

1.7. Funding diversification at Belfius Bank

Evolution of main funding sources



Belfius Bank has a historical stable volume of commercial funding that comes from its RC and PC customers. Seeing the further increase of commercial funding, this source of funding represents an increasing part of total funding of Belfius Bank. RC and PC funding equals EUR 90.2 billion of which EUR 67.5 billion is from RC. The increase of EUR 4.5 billion commercial funding compared to 2017 is used to finance the increase of commercial loans.

The loan-to-deposit ratio, which indicates the proportion between assets and liabilities of the commercial balance sheet, was 94% at the end of 2018.

Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 8.7 billion from covered bonds (EUR 6.3 billion backed by mortgage loans and EUR 2.4 billion by public sector loans) and EUR 4.0 billion in TLTRO funding from ECB as at 31 December 2018. Note that during 2018 Belfius Bank issued 1.25 bn Covered Bonds and 0.5 bn Preferred Senior Bonds. The Preferred Senior Bonds will enable us to further contribute to the new expected regulatory requirement of MREL.

The remainder of the Bank's funding requirements comes from institutional short-term deposits (Treasury) mainly obtained through placement of Certificates of Deposit and Commercial Paper.

Next to that, Belfius Bank also has a historical bond portfolio, including an ALM portfolio for liquidity management purposes, with highly liquid assets.

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 low interest rates, in net terms, Belfius Bank posts more collateral than it receives.

1.8 Encumbered assets

Encumbered assets represent the on- and off-balance sheet assets that are pledged or used as collateral for Belfius' liabilities. Belfius has encumbered a part of its loan portfolio for issuing covered bonds and residential mortgage-backed securities (RMBS). Furthermore, assets are encumbered for repurchase agreements and collateral swaps. Belfius also participates in TLTRO, for which assets are pledged as collateral. Finally a part of Belfius' encumbrance results from collateral posted to secure derivatives transactions. Belfius Bank has an internal RAF limit set at maximum 25%.

Belfius is active on the covered bond market since the set-up of the first covered bond programme in 2012.

The Bank is also collecting funding through repo markets for a limited amount and other collateralised deposits. A small part of the credit claims is pledged directly as collateral for intraday liquidity.

Since 2017 in the context of the management of its liquidity buffer, Belfius is also active in securities lending transactions under agreed Global Master Securities Lending Agreements (GMSLA).

The balance of encumbered assets is mainly linked to collateral pledged (gross of collateral received) for the derivatives exposures under the form of cash or securities. A significant part of collateral pledged is financed through collateral received from other counter-parties with whom the Bank concluded derivatives in the opposite direction.

Regarding the "Other assets" (unencumbered) on balance sheet, they are mainly composed of assets not available for encumbrance such as derivatives value, fair value revaluation of portfolio hedge and tax assets.

At year end 2018 (point-in-time) the sources of asset encumbrance (matching liabilities) mainly consisted of:

- → own covered bonds issued (EUR 8.7 billion)
- → TLTRO (EUR 4 billion)
- → Derivatives exposures (EUR 11.3 billion)
- → securities lending transactions (EUR 1 billion)

For the full disclosure under EBA guidelines we refer to the Risk Report of Belfius Bank.

2. Liquidity risk at Belfius Insurance

As an insurance company, Belfius Insurance bears mainly 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. Several regulatory and internal liquidity indicators demonstrate that Belfius Insurance constantly holds enough liquid assets to cover its commitments on the liability side of the balance sheet.

In addition, Belfius Insurance also holds a significant amount of unencumbered assets that are eligible at the ECB. More specifically, the company invests a significant part of its bond portfolio in government bonds eligible for repos in the context of its liquidity management.

The Investment department is responsible for Belfius Insurance's liquidity and cash-flow management. Therefore, it uses long-term projections of the cash-flows of assets and liabilities. These cash flows are simulated under both normal and stressed situations. Projections of cash-flow requirements for next twelve months are also used.

Please find table with the list of asset and liabilities per residual duration.

	2017	
(in millions of EUR)	Actif	Passif
< 1 year	868	729
1 < 5 year	4,204	6,610
5 year and +	11,818	7,407
Undetermined	5,288	3,486
TOTAL	22,178	18,232

	2018	
(in millions of EUR)	Actif	Passif
< 1 year	947	668
1 < 5 year	3,736	5,720
5 year and +	11,253	7,173
Undetermined	4,745	3,236
TOTAL	20,680	16,798

The assets are valuated in market value. The "Undetermined" category includes the Branch 23 and shares.

The Liability side includes repo transactions and B23 products within the "Undetermined" category.

OPERATIONAL RISK

1. Policy

The operational risk framework has been extended to "Non-Financial Risk" in 2018. The term Non-Financial Risk (NFR) has to be understood as a broad umbrella covering all risks except "financial risks" (such as market, ALM, liquidity, credit and insurance risks). NFR covers among others operational risks (including fraud, HR, IT, IT security, business continuity, outsourcing, data-related risks, privacy …) as well as reputational, compliance, legal risks, etc.. Consequently, NFRs are not independent, and do not constitute a predefined list of risks, resulting in the need for a regular review of the scope of these risks in light of emerging risks and new regulations..

The NFR framework determines the principles that ensure an effective management of the NFR of Belfius. The principles are further elaborated in specific Policies / Guidelines adapted to the business activities.

These general principles are in compliance with the applicable legal requirements.

The framework is based on four axis:

- establish 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;
- enforce clear roles and responsibilities, as well as a well-defined way of working together for all the risks including the 3 LoD model;
- set up a strong governance / committee structure involving the appropriate level of management; and
- transversal risk processes and related policies, such as: self assessment of risks and internal controls, incident monitoring, risk reporting, risk appetite definition and follow up, business continuity and crisis management.

Specific attention is also paid to more recent or evolving types of risks, such as cyber risk, conduct risk, sourcing risk, cloud risk, privacy risk, reputation risk, compliance risk, …

2. Risk Appetite

The formal definition of a Risk Appetite Framework (RAF) is the key reference for the group Risk Management practice and it covers not only Financial Risk but also NonFinancial Risk (NFR).

The RAF for NFR has been reviewed in depth in 2018. It contains qualitative and quantitative statements and is articulated around three concepts on which limits are defined:

- "Risks": What are the risks? How to appreciate the risk level ?
- "Returns": What are the potential losses / gains related to those risks?
- "Capacity": What is the capacity to absorb / manage the risks?

For NFR, there are two levels of limits: the highest level of risk limits is part of the RAF (with limits and follow-up at BoD / Risk Committee level), and those are further declined into consistent sublimits with a follow up at NFR Committee level (Management Board level).

3. Measuring and managing NFR

Managing NFR is based on the following elements:

3.1. Decentralised responsibility

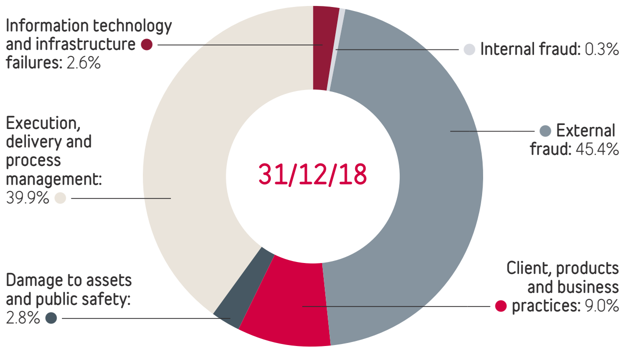
Each of the Bank's line management organisations has the primary responsibility for monitoring the NFRs in its individual sphere of activity (first line of defence). It establishes the way its activities are organised, including the checks that need to be implemented to limit NFRs. It also defines the corrective measures required to counter significant incidents or when major risks have been identified. Risk / NFR team ensures the regular monitoring of NFRs and incidents and establishes a quarterly report for all activities (second line of defence). This process allows the internal control system to be improved on an ongoing basis and ensures that the main risks are effectively managed.

3.2. Gathering data about operational incidents

The systematic collection and control of data on operational incidents is one of the main requirements of the Basel Committee regarding operational risk management, whatever the approach adopted for capital calculation ("Standardised Approach" or "Advanced Measurement Approach") may be.

The reporting mechanisms ensure that the responsible parties are notified quickly if incidents occur. Major incidents are also reported to the CRO/Management Board, and these reports always include an action plan for avoiding, mitigating or limiting risks in the future. This is developed under the responsibility of the relevant line management.

Breakdown of potential net losses by standard category of incidents over the past three years at Belfius Bank



For the period 2016-2018, Belfius Bank's average annual potential net losses stemming from operational incidents amounted to EUR 3.9 million.

The main areas of operational losses were 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.

For Belfius Insurance and Belfius Investment Partners, the establishment of an overview of the operational incidents is also crucial to achieve a better understanding of the operational risk associated with each activity. This constitutes a relevant source of information for management (for example, the annual loss). The major operational incidents are investigated thoroughly and are subject to a specific action plan and appropriate follow-up.

3.3. 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 for Belfius, performed at Belfius Bank, Belfius Insurance and Belfius Investment Partners. This is achieved through a bottom-up Self Assessment of Risks and Internal Controls held in all departments and subsidiaries at Belfius, based on the COSO methodology. These exercises may result in additional action plans being developed to limit potential risks further and they provide an excellent overview of the main risk areas in the various businesses. These self-assessments are conducted annually and use the same methodology both for the Risk Control Self Assessment (RCSA) and for the yearly reports submitted to the respective Boards of Directors regarding the assessment of internal control. Belfius Bank submits the senior management report on the assessment of the internal control also to its regulator.

3.4. Information Security

For Belfius, the purpose of information security is to protect Belfius' information that has a value for the organization:

- → the information generated by the business;
- → the information belonging/pertaining to our clients;
- → 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 the information are:

- → their loss of integrity;
- → their loss of confidentiality;
- → their unplanned unavailability.

The mission of information security, is to guard 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:

- → loss of customers' confidence;
- → loss of money;
- → loss of reputation within the customers and shareholders;
- → loss of peer confidence (regulators, financial markets);
- → loss of confidence of our business partners.

An information security strategy derived from these principles has been approved by the Board of Directors. The organization has now a framework applicable to all actions pertaining to information security.

Belfius' Risk Appetite accompanies and supports the information security strategy. It includes a qualitative statement and quantitative Key Risk Indicators explicitly related to Information Security stipulating how Belfius wants to meet the highest standards with regard to information security. The KRI will monitor the matching between Belfius Risk appetite and the reality on the field.

The information security strategy has four major ambitions translated in 9 strategic objectives..:

- → be mature: maintain an information security maturity level throughout Belfius on par with peers, covering all Belfius Bank's information regardless of location;
- → be aware: ensure Belfius Bank employee and agent awareness results in proper responses to threats & attacks;
- → be resilient: be resilient to cyber attacks: prevent attacks through identification and appropriate mitigation of vulnerabilities to prevent successful data breaches;

- be compliant: be compliant with applicable information security laws and regulations and resolve applicable audit recommendations in due time.

Under the ambition "Be Mature", there are three strategic objectives:

- operational excellence: Belfius wants to develop excellence in its operating model and technological choices for addressing the threats against information security;
- hiring talents / training the workforce: Belfius wants to constantly find the right balance between new and experienced staff, between "in house" and external staff. Attracting and retaining new talents and training/upgrading current staff are key measures to manage this balance;
- third party management: Belfius wants to manage the risks linked to the third parties it uses. Managing this risk can take different forms: methodologies, framework, contracting, shareholdership, governance,...

Under the ambition "Be Aware", there are two strategic objectives:

- knowledge and inventory of the information: Belfius wants to manage its assets (data & systems), users and the relationships between them. Inventoring, mapping, managing and securing them are paramount to realize this objective. In order to enhance the skills and the awareness with regard to information security of the staff members of Belfius, awareness- and formation initiatives are set up regularly;
- knowledge and mastering of the threat landscape: Belfius wants to maintain an independent vision of the threat landscape that may impact its operations and the consequences an exposition to these threats could have. Belfius wants to constantly identify the gaps in its information security by comparing its vision with the security input provided by its suppliers, integrators and security vendors.

Under the ambition: "Be Resilient", there are two strategic objectives:

- rebalancing prevention, detection and response: Belfius wants to ensure a good balance between prevention, detection and response (including resilience & continuity). Belfius wants to maintain an environment that promotes the return of experience of incidents affecting information security;
- multiple lines of defence: Belfius wants to be organized in different layers of defence, to be able to control if its security posture is coherent with its framework and policies. Belfius wants to continue to empower the business to protect the information they own.

Under the ambition "Be compliant", there are two objectives:

- thoughtful and reasonable use of norms and standards: Belfius will reconsider regularly which frameworks (norms, standards) are the most adapted for its organization. Belfius wants to maintain into the organization a culture that leads it to manage the uncertainty efficiently;
- alignment global risk management & information security risk management: Belfius wants to integrate information security risk management in a global risk framework. Belfius wants to be able to answer to the most fundamental question whether the organization is enough protected.

3.4.1. Governance and Strategy

In order to guarantee the information security within Belfius, the Information Security Steering (ISS) 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 towards information security.

The ISS is chaired by the Chief Risk Officer (CRO).

These ambitions will be monitored on a regular basis by the ISS through:

- a regularly updated information security road map which is compliant with regulations and in line with Belfius' risk appetite;
- a periodic reporting of the key risk indicators;
- an incident and threat analysis;
- an approval and follow-up of information security projects.

A Chief Information Security office (CISO) has been set up within NFR: it is led by a CISO and groups all the persons taking care of Information risk management. It provides a coherent workforce able to sustain and support Belfius ambitions' regarding information security.

Belfius outsources its ICT infrastructure to PI2, a company jointly owned by Belfius and IBM. The formalization of what Belfius expects from PI2 with regard to information security is defined in the Information Security Controls (ISEC) document.

3.4.2. Main evolutions of Information Security projects

For information security, Belfius follows a risk-based approach. This means that based upon risk assessments decisions are made on where improvements are most needed to effectively realize the stated ambitions and to align the actual risk posture with the risk appetite. This approach is used by the individual teams to define priorities and areas that need improvement whilst adhering to a defence in depth principle.

The high-level priorities and goals are translated in concrete projects. To effectively face cyber attacks that become ever so complex, Belfius focusses on projects that increase the capabilities of 3 types of controls: technology, process and people.

The ever-evolving security threat landscape requires organizations to be resilient and anticipate on existing and future threats. A new security roadmap (2018-2019) approved by the board of directors is now executed: It focuses on:

- Boost the Cyber Immune System: Provide or improve tools and education to repel cyber security threats;
- Assume Compromise: Detect, observe and respond to advanced cyber attacks;

- Disappearing Perimeter: Protect a continuously changing interconnected environment especially when Belfius strategy is towards more cloud technology.

Belfius frequently performs internal and independent tests to provide assurance about all aspects of the security organization. Such tests help in determining the effectiveness of existing controls, identifying new risks, checking compliance with regulatory requirements or measuring the maturity of security related processes. If deemed necessary, actions plans are established to grade up the level of information security.

A cyber security insurance was underwritten in 2015 and is renewed on a yearly basis since then.

3.4.3. Data privacy

On 25 May 2018 the General Data Protection Regulation (GDPR) became applicable. This introduced a number of new aspects compared to the old European directive from 1995. In general, the GDPR grants more rights to natural persons - such as Belfius customers - and imposes more obligations on processors and controllers of personal data - including Belfius and its partners / suppliers. On 5 September 2018, the law on the protection of natural persons with regard to the processing of personal data was published in the Belgian Official Journal (le Moniteur belge/Belgisch Staatsblad).

For the implementation of GDPR in the Belfius group, a project has been steered by the Risk department (in close collaboration with all business and operational lines and the management boards).

Strategy and vision

- The respect for privacy and the protection of personal data is a key commitment at Belfius. GDPR conformity is integrated into every process to offer (existing, adapted and new) products, innovative digital tools, services and information sharing to its clients. GDPR is a focus in approval processes and partners with DPO,CISO, ITSO, ORM, legal and compliance to respect GDPR.

Information to data subjects & exercise of their rights

- **Privacy charters and information to clients & staff:** Belfius published a revised privacy charter on 24/5/2018 and informed its customers via messages in its online channels, letters, video and radio spots. Also towards the staff, an HR-privacy charter has been published and the staff has been Informed via the internal media.
- **Respect the GDPR-rights:** Before 25 May 2018, procedures were put in place to be able to handle all the rights and answer them in time. In addition to the traditional communication channels (mail and letter), Belfius also provides the possibility, as an innovative digital bank, to exercise the most common rights (right of access, right of rectification and right to object to direct marketing purposes) via Belfius Direct Net, Belfius Direct Tablet and Belfius Direct Mobile. In this case, the exercise is immediately applicable (the right of access is made available online on the following day and / or sent at the latest). During the first months after 25 May 2018, a weekly follow-up was organised with the major departments in Belfius Bank and Insurance to follow-up the demands, executions and reactions / complaints. No major issues were reported, detected which resulted in a limited number of complaints.

Internal Governance, processes and tools

- **Privacy risk policy and guidelines:** Belfius set up a privacy risk policy and associated guidelines.
- **Privacy Steering:** a dedicated steering related to GDPR has been setup and reports to the Management Board / NFR Committee.
- **Incident and breach management of personal data:** Belfius has developed a multi-stakeholder governance and tool to deal with incidents involving personal incidents:
  - To report;
  - To score according to scoring methodology;
  - To analyse and whether or not to confirm them as a breach according to GDPR;
  - To document the confirmed breach and whether or not to report it to the data protection authority and/or the individuals. Belfius is very committed to clearing out any incidents as quickly as possible, if applicable, with the individuals concerned, which results in minor impacts on the individuals and high mitigation and minor impact of breaches. Every breach results also in an action plan. In communication, we will continue to put a lot of effort into repeating messages to ensure that incidents are reported.
- **Set up and maintain a record of processing activities:** activities treating personal data are all centrally documented by the business lines in a privacy register, which was setup in 2017. For existing activities (before 25 May 2018) a completeness and correctness review of this register has been performed and will be repeated on a regular basis. All new activities are being added in this same register.
- **GDPR and third party contracts:** all contracts are being adapted to comply with GDPR. A risk-based approach is followed to prioritize the list of contracts to be adapted. Defining the role of each party - controller, processor of joint-controller for each activity - and the negotiation of the contract clauses is time-consuming, also due to the fact that GDPR does not clearly determine these criteria to determine the roles.

Internal organisation & Internal awareness

- **Assign a Data Privacy Officer (DPO):** one of the obligations for Belfius was the assignment of a DPO. Belfius assigned a DPO for the Belfius Group.
- **Privacy correspondents:** privacy correspondents in the business and operational lines, regularly informed on GDPR, are relays between the DPO and the business line to foster the continuous attention for GDPR in the business lines.
- **GDPR-awareness to all employees:** many internal communications, information sessions, videos, interviews, ... were developed to have and keep GDPR and privacy top of mind. A GDPR e-Learning will have to be followed by everyone between Q4 2018 & end of Q4 of 2019 (phased roll-out).

3.5. Business continuity

The policy on business continuity (BC) requires the various departments to analyse the business impact on critical activities, to develop recovery plans and to provide the necessary documentation, as well as to ensure that the plans regarding business continuity are tested and if necessary adjusted at least once a year on the occasion of the yearly evacuation exercises of the two main buildings. Based on regular reporting, the Management Board approves the strategies, any residual risks and action plans aimed at achieving further improvements if need be. Belfius Insurance and Belfius Investment Partners are fully in line with Belfius Bank concerning business continuity.

Following events in 2018 are noteworthy:

- the exercise program has been extended to be in line with the more complex and disruptive risk landscape. At each exercise, the BC Plan was successfully deployed and all KPI's were compliant with the risk appetite; in 2018 no real crisis triggered Belfius to deploy the BC Plan;
- the threat analysis has been updated as the threats have evolved and may be more disruptive and persistent in time. Accordingly, awareness and preventive measures have been taken to lower further the likelihood or to decrease the impact (e.g. by creating additional or updating existing stress scenarios (like "Power outage" or "Cyber Attack") to be rolled-out during "the golden hour" after a corporate crisis arises);
- update and further formalization of the overall governance where appropriate; the corporate crisis procedures of Belfius Bank and of Belfius Insurance have been further coordinated; the technical supports and communication tools at deployment have been professionalized or extended; an extensive internal training program on used tools, procedures and techniques has been organized;
- update of the Business Impact Analysis due to the digitization strategy, the development of new products and services and due to different internal reorganization projects; extension with dependencies and "alternative continuity strategies" in case of an unplanned IT disruption, where possible and appropriate;
- review of the mix of used relocation strategies in favour of "Home Office" and "Dual Office"; as a consequence all systemic activities are executed on at least two geographical distinct locations so that in the event of a major disruption on one place, these activities are simply continued in the other place without any disruption to the clients; the relocation strategy for the department "Financial Markets" was changed in 2018;
- on the occasion of each BCP deployment, "lessons-learned" and action plans to improve the resilience of Belfius have been drawn-up. All action plans are being executed according to plan;
- finally the main change in the regulation on Business Continuity & Security (circular NBB 2015-32) is the decrease of the Response Time Objective (RTO) for systemically important activities from 4H to 2H. The exercises and simulations of 2018 have proved that Belfius fully complies with this requirement.

3.6. Managing insurance policies

The possible financial impact of Belfius' operational risks are also mitigated by taking out insurance policies, principally covering professional liability, fraud, theft and interruption of business and for cyber risk . This is standard practice in the financial services' industry.

3.7. New Product Approval Policy

The process of developing a "product, activity, process or system" involves a number of steps that must be completed before the new product can be introduced to the market. The policy establishes the overall process and the accountability of the parties involved in this process. Therefore, it defines the governance and describes the new product approval process.

The objectives of the process are the following:

- ensure that the development of a "product, activity, process or system" fits within the strategy of Belfius;
- ensure the risk acceptance (in function of the risk tolerance/appetite);
- ensure that necessary resources are available;
- ensure customer satisfaction;
- avoid unknown or unwanted risks in the future.

3.8. Fraud policy

As fraud risk is relevant and in constant evolution, Belfius has adapted both its fraud risk governance and its Fraud Risk Policy. In line with the overall commitment to deliver value-adding products and services Belfius wants to be extremely severe when assessing capacities with regards to fraud. A zerotolerance policy is applicable for all forms of fraud (internal, external as well as mixed fraud).

The Chief Risk Officer is in general, as for all risks, responsible for the sound management within the 3 Lines of Defence model. This implies in a concrete manner that Business / Support lines are the first risk managers and the CRO & Risk / NFR team with the Anti-Fraud Officer as expert has a clear 2nd LoD role.

The Fraud Steering Committee, acting as a sub-committee of the Non Financial Risk Committee, is defining and monitoring the fraud risk management on strategic and tactical level. It is the platform to reflect on and organize a dialogue between the internal control functions and the stakeholders mainly operating in the decentralized expert units (handling specific types of fraud.

The Anti-Fraud Officer, acting in its 2nd LoD challenger role is key to steer and coordinate, harmonize, monitor and challenge, and consolidate the knowledge of the decentralized expert units.

Each year, a fraud report is submitted to the Management Board (acting as NFR Committee) and Audit Committee to provide senior management with relevant information to be able to review and assess the evolution of the fraud risk.

INSURANCE RISKS

1. Definition

Belfius Insurance, as a part of Belfius, takes up risk through the insurance contracts that it underwrites. The risks within the underwriting risk category are associated with both the exposure covered by the specific line of insurance (Life or Non-Life) and the specific processes associated with insurance business (claims processing, premium collection, pricing, selection, etc.).

The risks that apply to all lines of the insurance business can be globally categorised as follows:

Life underwriting risk: is the risk arising from the underwriting of life insurance contracts. It is split up into:

- Mortality risk, which is the risk that mortality occurs when increases. It applies to all undertakings for which the pay-outs are expected to be paid out increase when there is a rise in mortality.
- Longevity risk is the opposite of the mortality risk. It applies to policies for which a fall in mortality would result in an increase in the expected payouts (e.g. pension policies). Improvements in medical treatments that prolong life without restoring the ability to work could cause these risks to materialise at a greater frequency than currently observed.
- Morbidity or disability risk relates to the risk of loss or disadvantageous movement in expected benefits caused by changes in the level, nature, trend or volatility of the degree of disability.
- Lapse risk for Life is described as the risk of loss or increase in pay-out caused to a difference between the effective exercise rate of the contractual options by the policyholder and the expected exercise rate. The term "options" should be viewed in the broad sense of the word: this submodule contains options in relation to redemption, cancellation or premium reduction, as well as the expansion of the guarantees. For some policies, exercise may be at the benefit of the insurance company, while for others it may result in a loss. As a result, this submodule features two scenarios: one in which the options are exercised more frequently than expected and another where they are exercised less frequently.
- The risk relating to management costs corresponds with the risk that those management costs are higher than expected or that they subdue to higher inflation than expected.
- Revision risk only applies for the annuities whose amounts may be valued negatively for the insurer as the result of a change in the statutory environment or in the policyholder's health situation.
- Catastrophe risk is restricted to policies where an immediate and dramatic rise in mortality would result in an increase in benefits.

Non-Life underwriting risk: is the specific insurance risk arising from Non-Life insurance contracts. This uncertainty about the results of the insurer's underwriting could be defined as:

- Premium risk which is the risk where the amount of premiums received is not sufficient to pay claims that occur during the coverage period to which the premiums relate to
- Reserve risk is the risk of loss or unfavourable change in the value of the insurance undertakings arising from changes in the frequency and severity of the insured events, as well as in the date and amount of the claims to be paid
- Catastrophe risk is the risk arising from unpredictable events including, but not limited to, windstorms, coastal inundation, floods, severe winter weather, and other weather-related events, pandemics, large-scale fires, industrial explosions, earthquakes and other man-made disasters such as civil unrest and terrorist attacks, that is not covered by the premiums or reserves

2. Managing the insurance risk

The Risk & Underwriting Committee gives recommendations about strategy in the area of underwriting and reserves for the insurance companies within Belfius Insurance and the resulting policy, in particular with regard to the following points:

- types and characteristics of the insurance business that Belfius Insurance is willing to manage;
- selection criteria for the risks that match the risk appetite;
- the way in which the actual underwriting is monitored;
- the managing between, on the one hand, the insurance premiums collected and, on the other, the claims to be paid out when costs are borne;
- identification of the risks arising from the undertakings of Belfius Insurance, including the implicit options and the capital that is guaranteed by the insurance products;
- making provisions for claims.

The overall strategy is developed by each concerned entity and is follow-up by the local persons in charge.

Reinsurance is one of the methods used to limit the insurance risk. The main objective of reinsurance is to reduce volatility in capital requirements and profits, and to diminish the uncertainty associated with the risk in the insurer's valuation.

The drivers of reinsurance are:

- capacity: reinsurance gives insurers greater flexibility in terms of scope, type of risk and business volume that they can safely accept. This enables insurers to embark on new business or to expand their activities for a short period.
- stability: structured reinsurance programmes enable insurers to stabilise their operating income.
- protection: reinsurance provides protection against cumulative financial losses caused by a succession of events (such as poor weather) or against significant financial losses arising from a single event.
- funding: reinsurance can be an alternative to a capital increase.
- expertise: reinsurers assist insurers in their area of expertise. The qualified staff of reinsurance companies offer their services, for instance in establishing a new business.

3. Sensitivities

Belfius Insurance evaluates the effect of sensitivities on available financial resources. The technical reserves are expressed in fair value.

Given the low market rates, the value of the technical reserves is higher than the redemption value, which results in a negative impact on capital in the event of a reduction in the lapse rate. The sensitivity to the lapse rate has slightly increased in 2018

The review of cost assumption has a negative impact on the available financial resources and its sensitivity.

The insured capital on death is higher than the fair value of technical reserves, which results in a positive impact on available financial resources if there is a decrease in mortality rates.

In non-life, lower administrative costs lead to a higher result, while an increase of claims leads to a lower result.

Underwriting risk Life: scenario that corresponds to(1)

	Impact on available financial resources before taxes	
(in millions of EUR)	31/12/17	31/12/18
An increase of 15% in mortality	(35)	(34)
An increase of 10% in costs + 1 % inflation	(126)	(158)
A decreasze of 10% in the redemption rate	(21)	(23)

(1) Impact for Belfius Insurance SA (=Belins solo), Branch 23 included.

Underwriting risk Non-Life: scenario that corresponds to(1)

	Impact on income before taxes	
(in millions of EUR)	31/12/17	31/12/18
An increase of 10% in administrative costs	(9)	(8)
An increase of 5% in claims made	(18)	(19)

(1) Impact for Belfius Insurance SA and Corona SA (Belins conso).

4. Development of claims

The claims triangle is the usual method for expressing the settlement of claims stretched out over a number of years. Inter alia it enables actuaries to assess the appropriateness of the technical provisions. In Non-Life insurance, between the event and closing date of a claim, the insurer can in general not determine the exact amount on total cost of the claim. During this period, the insurer establishes a reserve that equals to the estimated amount of future payments for the claim.

Given the reserve is only an estimate, there is a risk that the amount effectively paid is higher. To assess that risk, it is necessary to study the variation of two amounts:

→ the total of payments made prior to that date;
→ the reserve established on that date for future payments.

The sum of these two components is called the total incurred claims cost.

The table below shows the evolution for Belfius Insurance SA and Corona SA since 2007 of the sum at the end of each year, of the total incurred claims cost per year of occurrence.

Claims development (excluding reinsurance and internal costs)

(In thousands of EUR)	Year of occurrence										
Year of settlement	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Estimation at the end of the year of occurrence	284,441	331,831	376,927	368,410	366,403	365,798	415,445	389,632	427,822	417,069	441,459
1 year later	286,182	315,094	377,982	365,547	350,517	324,524	392,976	361,479	402,910	396,145	
2 years later	276,197	302,958	376,143	355,306	334,313	312,883	381,044	353,512	385,904		
3 years later	266,868	302,314	370,819	350,249	329,882	306,454	374,836	351,551			
4 years later	267,226	300,159	370,924	352,804	328,046	303,051	371,983				
5 years later	266,805	299,236	363,378	350,780	323,899	301,179					
6 years later	267,520	296,773	360,537	351,335	319,633						
7 years later	267,249	293,969	357,875	344,245							
8 years later	264,048	293,741	354,384								
9 years later	264,340	292,906									
10 years later	262,520										

(In thousands of EUR)											
Actual estimation	**262,520**	**292,906**	**354,384**	**344,245**	**319,633**	**301,179**	**371,983**	**351,551**	**385,904**	**396,145**	**441,459**
Cumulative payments	**(228,718)**	**(268,076)**	**(302,729)**	**(300,328)**	**(272,831)**	**(251,659)**	**(311,647)**	**(265,894)**	**(278,323)**	**(247,810)**	**(197,009)**
Actual provisions	**33,802**	**24,830**	**51,655**	**43,918**	**46,802**	**49,520**	**60,336**	**85,657**	**107,581**	**148,335**	**244,450**

(In thousands of EUR)	
Provisions (after 2008)	896,885
Provisions (before 2008)	129,820
Internal costs	47,256
Accepted deals	25,795
TOTAL(1)	**1,099,756**

(1) Claims reserves 31 December 2017 - note 6.5.2.

CORPORATE GOVERNANCE

COMPOSITION OF THE MANAGEMENT BOARD AND THE BOARD OF DIRECTORS OF BELFIUS BANK

1. Management Board

1.1. Composition

On 31 December 2018, the Management Board of Belfius Bank consisted of six members, namely: Mr. Marc Raisière, chairman, Mr. Dirk Gyselinck, Mr. Eric Hermann, Mr. Olivier Onclin, Mr. Dirk Vanderschrick and Mr. Johan Vankelecom.

Chairman	Marc Raisière
Members	Dirk Gyselinck
	Eric Hermann(1)
	Olivier Onclin
	Dirk Vanderschrick(2)
	Johan Vankelecom

(1) Until 31 December 2018. Replaced by Marianne Collin as from 1 January 2019.
(2) Until 31 December 2018.

On 25 April 2018, the directorship of Mr. Dirk Gyselinck was renewed by the Ordinary General Meeting of Shareholders for a period of 4 years to end at the close of the Ordinary General Meeting of Shareholders in 2022.

Mr. Dirk Vanderschrick, responsible for RCB, and Mr. Eric Hermann, CRO, resigned as director and member of the Management Board, effective 1 January 2019. Mr. Dirk Vanderschrick is, effective 1 January 2019, full-time chairman of the Management Board of Belfius Insurance. Mr. Eric Hermann is, effective 1 January 2019, advisor to the Management Board in different fields related to risk.

The Board of Directors co-opted Mrs. Marianne Collin as a director in order to temporarily replace Mr Eric Hermann and appointed her as a member of the Management Board, effective 1 January 2019. Her definitive appointment as a director was approved by the Extraordinary General Meeting of Shareholders dated 19 March 2019.

The powers of the Management Board were redistributed among the 5 members of the Management Board.

Since 1 January 2019, the Management Board of Belfius Bank has been made up of 5 members, namely: Mr. Marc Raisière, chairman, Mrs. Marianne Collin, Mr. Dirk Gyselinck, Mr. Olivier Onclin and Mr. Johan Vankelecom.

In addition, the Management Board in concertation with the Board of Directors appointed three associated members. They took up their position on 1 January 2019. These are Mr. Patrick Devis, IT manager, Mrs. Camille Gillon, HR & Building Management manager and Mr. Geert Van Mol, Data & Digital manager. The associated members attend the meetings of the Management Board in an advisory capacity.

A Group Management Committee was also established from 1 January 2019. This Committee is made up of the 5 members of the Management Board of Belfius Bank, the chairman of the Management Board of Belfius Insurance (Mr. Dirk Vanderschrick). Each of them has the right to vote. The associated members attend the Group Management Committee but have an advisory role only. The purpose of this Committee is to deal with various strategic group files and important issues for a bankinsurer. In principle, this committee meets once per week.

The renewal of the directorships of Mr Olivier Onclin and Mr Johan Vankelecom for a period of 4 years will be submitted to the Ordinary General Meeting of Shareholders of 2019.

1.2. Remit

The Board of Directors has delegated its management powers to the Management Board set up from among its members. The members of the Management Board form a college. Such delegation of its powers does not extend to the determination of the general policy of the Bank, or to any other powers that are reserved pursuant to the Companies Code or to the Banking Law to the Board of Directors.

As a result, the Management Board is responsible for the effective management of the Bank, directing and coordinating the activities of the various business lines and support departments within the framework of the objectives and general policy set by the Board of Directors.

The Management Board ensures that the Bank's business activities are in line with the strategy, risk management and general policy set by the Board of Directors. It passes on relevant information to the Board of Directors to enable it to take informed decisions. It formulates proposals and advices to the Board of Directors with a view to define or improve the Bank's general policy and strategy.

The members of the Management Board have to carry out their duties in complete objectivity and independence.

BOARD OF DIRECTORS OF BELFIUS BANK (Financial year 2018)	MAIN FUNCTION	NON-EXECUTIVE DIRECTOR	MEMBER OF THE MANAGEMENT BOARD	INDEPENDENT DIRECTOR	AUDIT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE	RISK COMMITTEE	MEDIATION COMMITTEE
Jozef Clijsters	Chairman of the Board of Directors of Belfius Bank SA	★				■	■		★
Marc Raisière	Chairman of the Management Board of Belfius Bank SA		★						
Dirk Gyselinck	Member of the Management Board of Belfius Bank SA Responsible for Public and Corporate Banking, Financial Markets, Wealth Management and Customer Loan Services		■						
Eric Hermann(1)	Member of the Management Board of Belfius Bank SA Chief Risk Officer		■						
Olivier Onclin(2)	Member of the Management Board of Belfius Bank SA Chief Operating Officer, responsible for Operations, IT, Purchasing & Facility Management		■						
Dirk Vanderschrick(3)	Member of the Management Board of Belfius Bank SA Responsible for Retail and Commercial Banking		■						
Johan Vankelecom	Member of the Management Board of Belfius Bank SA Chief Financial Officer, Responsible for Accounting, Strategic Planning & Performance Management, Socio-Economic Research, Strategic Corporate Development, Asset & Liability Management, Legal and Tax		■						
Paul Bodart	Professor in Financial Markets at the Solvay Business School	■		■	■				
Jean-Pierre Delwart	Chairman of the Board of Directors of Solvac	■		■					■
Carine Doutrelepont	Lawyer and Ordinary Professor at the Université Libre de Bruxelles	■		■		■	■		
Georges Hübner	Full Professor at the HEC Liège, Liège University	■		■	★			■	
Diane Rosen	Financial and Human Resources Director of BAM Belgium SA	■		■				■	
Chris Sunt	Lawyer	■		■	■			■	
Lutgart Van den Berghe	Part-time professor at the Vlerick Business School	■		■		★	★		
Rudi Vander Vennet	Full Professor in Financial Economics and Banking at the University of Ghent and lecturer Banking and Insurance at Solvay Business School (ULB).	■		■				★	

★ Chairman

(1) Until 31 December 2018. Replaced by Marianne Collin as from 1 January 2019.
(2) From 1 January 2019: Responsible for Retail and Commercial Banking and Customer Transaction Services.
(3) Until 31 December 2018.

Under the supervision of the Board of Directors, the Management Board takes the necessary measures to ensure that the Bank has a robust structure suited to the Bank's organisation, including supervisory measures, with a view to guaranteeing the effective and prudent management of the Bank in accordance with the Banking Law.

In principle, the Management Board meets once per week.

2. Board of Directors

2.1. Composition

As at 31 December 2018, the Board of Directors consisted of fifteen members, six of whom were members of the Management Board (cf. table on the previous page).

As a result of the changes made to the Management Board of Belfius Bank, the Board of Directors of Belfius Bank is made up since 1 January 2019, of fourteen members, five of whom are members of the Management Board.

The appointment of a new director, Mrs. Martine De Rouck, as well as the renewals of the mandates as directors of Mr. Jean-Pierre Delwart, Mr. Georges Hübner, Mr. Olivier Onclin and Mr. Johan Vankelecom, will be submitted to the Ordinary General Meeting of Shareholders of 2019.

The Board of Directors consists of professionals from a variety of industries, including the financial sector and has the expertise and experience required associated with the Bank's various operating businesses.

2.2. Remit

The Board of Directors defines and supervises the strategy and objectives of the Bank as well as the risk management, including the level of risk appetite, on proposal or recommendation of the Management Board.

The Board of Directors is actively involved in the context of this responsibility for general policy, in particular with regard to supervision of the risk policy, organisation and financial stability of the Bank and its governance, including the definition of the Bank's objectives and values.

The Board of Directors also approves the Bank's Governance Memorandum.

In 2018, the Board of Directors met 18 times.

RELATIONSHIP BETWEEN THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

Management of the credit institution's activities comes under the sole jurisdiction of the Management Board. Such management takes place without any outside intervention and is carried out within the framework of the general policy laid down by the Board of Directors.

ADVISORY COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

The Board of Directors established various advisory committees to assist in its task, i.e. a Nomination Committee, a Remuneration Committee, an Audit Committee and a Risk Committee. These committees are exclusively composed of non-executive directors. At least one member of each advisory committee (and the majority of the members for the audit committee) is independent within the meaning of Article 526ter of the Companies Code. The members of these advisory committees sit at a maximum on three of these committees. A Mediation Committee has also been created within the Belfius Group.

1. Nomination Committee

The Nomination Committee plays an advisory role and prepares decisions of the Board of Directors of Belfius Bank in relation to appointments. It also ensures the application of provisions concerning corporate governance. With a view to efficiency and consistency regarding group policy, this committee also prepares decisions of the Board of Directors of Belfius Insurance, Corona and Belfius Investment Partners in this regard.

1.1. Composition

1.1.1. General aspects

As at 31 December 2018, the Nomination Committee for Belfius Bank consisted of the following members: Baroness Lutgart Van den Berghe, chairman, Mr. Jozef Clijsters and Mrs. Carine Doutrelepont.

Chairwoman	**Lutgart Van den Berghe**
Members	**Jozef Clijsters** Chairman of the Board of Directors of Belfius Bank and Belfius Insurance(1)
	Carine Doutrelepont
	Johan Tack Director of Belfius Insurance, invited as representative of Belfius Insurance

(1) Chairman of the Board of Directors of Belfius Insurance until 31/12/2018.

1.1.2. Independence and expertise

All the members of the Nomination Committee are non-executive directors.

Baroness Lutgart Van den Berghe, Doctor in Economics, is an extraordinary professor at the Vlerick Business School and at the University of Ghent. She is also member of the Koninklijke Vlaamse Academie van België voor Wetenschappen en Kunsten.

Mr. Jozef Clijsters, Master in Applied Economics, is chairman of the Board of Directors of Belfius Bank.

Mrs. Carine Doutrelepont, Doctor of Law, is a lawyer at the Brussels Bar and at of the Bar of Paris and ordinary professor at the Université Libre de Bruxelles. She is also member of the Académie Royale des Sciences, des Lettres et des Beaux-Arts de Belgique.

Mr Johan Tack, Master in Economics, is currently Director and advisor in the banking and insurance sector. Johan Tack is a member of the Nomination Committee for matters related to Belfius Insurance.

Two of the three members of the Nomination Committee of Belfius Bank are independent directors within the meaning of Article 526ter of the Companies Code.

Two members have professional experience in the financial sector.

One of the members also sat on the Nomination and Remuneration Committee of a listed company.

All the members have professional experience as executive director and additional professional experience as non-executive directors in various sectors of activity.

Consequently, the members of the Nomination Committee have the required skills, on the basis of their education and professional experience, to give a competent and independent judgement on the composition and operation of the Bank's management bodies, in particular on the individual and collective skills of their members and their integrity, reputation, independence of spirit and availability.

1.2. Remit

The Nomination Committee:

- → identifies and recommends, for the approval of the General Meeting of Shareholders or of the Board of Directors as the case may be, candidates suited to filling vacancies on the Board of Directors, evaluates the balance of knowledge, skills, diversity and experience within the Board of Directors, prepares a description of the roles and capabilities for a particular appointment and assesses the time commitment expected. The Nomination Committee also decides on a target for the representation of the underrepresented gender within the Board of Directors and prepares a policy on how to increase the number of underrepresented gender in order to meet that target;
- → periodically, and at least annually, assesses the structure, size, composition and performance of the Board of Directors and makes recommendations to it with regard to any changes;
- → periodically, assesses the knowledge, skills, experience, degree of involvement and in particular the attendance of members of the Board of Directors and advisory committees, both individually and collectively, and reports to the Board of Directors accordingly;
- → periodically reviews the policies of the Board of Directors for selection and appointment of members of the Management Board, and makes recommendations to the Board of Directors;
- → prepares proposals for the appointment or mandate renewal as the case may be of directors, members of the Management Board, the chairman of the Board of Directors and the chairman of the Management Board;
- → assesses the aptitude of a director or a candidate director to meet the criteria set forth for being considered as an independent director;
- → examines questions relating to problems with the succession of directors and members of the Management Board;
- → establishes a general and specific profile for directors and members of the Management Board;
- → ensures the application of provisions with regard to corporate governance;
- → prepares proposals for amendments to the internal rules of the Board of Directors and the Management Board;
- → assesses the governance memorandum and if necessary proposes amendments;
- → at least annually discusses and analyses the quantitative statement and qualitative analysis of communications regarding stress, burn-out and inappropriate behaviour at work and actions taken to remedy situations.

In performing its duties, the Nomination Committee ensures that decision-taking within the Board of Directors is not dominated by one person or a small group of persons, in a way which might be prejudicial to the interests of the Bank as a whole.

The Nomination Committee may use any types of resources that it considers to be appropriate to the performance of its task, including external advice, and receives appropriate funding to that end.

In 2018, the Nomination Committee met 5 times and also held one meeting by written.

1.3. Recruitment policy

1.3.1. Requirements associated with the position of director/member of the Management Board

Each director/member of the Management Board must, on his or her appointment and for the entire term of his or her mandate, have the expertise and professional integrity required to perform his or her tasks. In this framework a position profile has been established by the Bank. Moreover, the Bank periodically makes an assessment of the aptitude of directors, members of the Management Board and members of the advisory committees.

In accordance with the applicable regulation, every director must, without being prompted to do so, notify the Bank about elements that may have an impact on his or her required expertise, professional integrity and availability to exercise his or her function as a director.

1.3.2. Procedure for appointment/renewal of mandate

1.3.2.1. Directors

Directors are appointed by the General Meeting of Shareholders (or by the Board of Directors if a director is co-opted) on a proposal from the Board of Directors, after obtaining the opinion of the Nomination Committee. The appointment or renewal of the mandate of a director must be approved in advance by the regulator (ECB & NBB).

The Nomination Committee prepares proposals for appointments, co-opting or renewal of the mandate of directors.

On the renewal of a director's mandate, the Nomination Committee will make an assessment of his or her participation within the Board of Directors and ensure that there are no new elements that could negatively impact the aptitude of the director to perform a new mandate. The Nomination Committee will also make sure, based on a competence matrix, that the Board of Directors has sufficient competencies within its ranks to be able to realise the strategy and to deal with future challenges. The Committee will then send an opinion to the Board of Directors.

On a first appointment or mandate renewal, the chairman of the Board of Directors and the Nomination Committee will ensure that the Board of Directors and the General Meeting of Shareholders have sufficient information with regard to the candidate director to be able to assess whether the latter has the expertise and professional integrity required to perform these tasks.

1.3.2.2. Members of the Management Board

The chairman and members of the Management Board are appointed by the Board of Directors from among the directors who have acquired professional experience in the banking and financial sector, on presentation by the Management Board, after obtaining the opinion of the Nomination Committee and the approval of the regulator (ECB & NBB).

As for the chairman of the Management Board, his or her appointment will be decided by the Board of Directors on presentation by the Management Board, after consultation with the chairman of the Board of Directors and positive opinion of the Nomination Committee.

1.4. Diversity policy

A diverse Board of Directors includes differences in background, language, gender, age, professional skills relevant for Belfius. These differences are considered in determining the optimum composition of the Board of Directors (competence matrix) and when possible should be balanced appropriately.

The Nomination Committee reviews and assesses Board of Directors composition on behalf of the Board of Directors and recommends the appointment of new directors. In reviewing Board of Directors composition, the Nomination Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to maintain an appropriate range and balance of skills, experience and background on the Board of Directors.

In identifying suitable candidates for appointment to the Board of Directors, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board of Directors.

The Nomination Committee also conducts the annual review of Board of Directors effectiveness and the regular evaluation of the individual directors. As part of these evaluations of the effectiveness of the Board of Directors, advisory committees and individual directors, the Nomination Committee will consider the balance of skills, experience, independence and knowledge of Belfius Bank on the Board of Directors and the diversity representation of the Board of Directors.

Furthermore, at its meeting on 25 August 2015, the Nomination Committee set a target to be achieved with regard to gender representation on the Board of Directors and established a policy aimed at increasing the number of members of the currently under-represented gender in order to achieve that target.

In accordance with legal requirements (Article 518bis of the Companies Code) the Nomination Committee has set a target of achieving and maintaining a minimum of one-third representation of the other sex on the Board of Directors (Management Board included) as of 1 January 2019. For the application hereof, the required minimum number of members of the other sex will be rounded off to the nearest whole number.

Should the number of directors of the other sex be smaller than one third, the next Ordinary General Meeting of Shareholders will compose a Board of Directors that will meet this requirement.

The Nomination Committee discusses annually the evolution towards the objective for achieving diversity on the Board of Directors and make recommendations to the Board of Directors for adoption.

As at 31 December 2018, the Board of Directors and the Management Board were composed as represented in the table below.

Board of Directors	Number of members	15
	Ratio of men to women	80%/20%
	Independent directors	8
	Main degree qualifications (several people may have more than one degree)	Economics/Business Administration/Finance/Law/ Engineering/Mathematics/Actuarial Sciences
Management Board	Number of members	6
	Ratio of men to women	100 %/0 %
	Main degree qualifications (several people may have more than one degree)	Engineering (commercial, civil)/Economics/ Business Administration/Finance/Mathematics/ Actuarial Sciences

As far as the appointment of Mrs. Martine De Rouck as a director is approved by the Ordinary General Meeting of Shareholders in 2019, one-third of the Board of Directors of Belfius Bank will be composed of women so that the gender quota will be met.

2. Remuneration Committee

The Remuneration Committee plays an advisory role and prepares decisions of the Board of Directors of Belfius Bank regarding remuneration. With a view to efficiency and consistency regarding group policy, this committee also prepares decisions of the Board of Directors of Belfius Insurance, Corona and Belfius Investment Partners in this regard.

2.1. Composition

2.1.1. General aspects

As at 31 December 2018, the Remuneration Committee for Belfius Bank consisted of the following members: Baroness Lutgart Van den Berghe, chairman, Mr. Jozef Clijsters and Mrs. Carine Doutrelepont.

Chairwoman	Lutgart Van den Berghe
Members	Jozef Clijsters Chairman of the Board of Directors of Belfius Bank and Belfius Insurance(1)
	Carine Doutrelepont
	Johan Tack Director of Belfius Insurance, invited as representative of Belfius Insurance

(1) Chairman of the Board of Directors of Belfius Insurance until 31/12/2018.

2.1.2. Independence and expertise

All the members of the Remuneration Committee are non-executive directors.

Baroness Lutgart Van den Berghe, Doctor in Economics, is extraordinary professor at the Vlerick Business School and at the University of Ghent. She is also member of the Koninklijke Vlaamse Academie van België voor Wetenschappen en Kunsten.

Mr. Jozef Clijsters, Master in Applied Economics, is chairman of the Board of Directors of Belfius Bank.

Mrs. Carine Doutrelepont, Doctor of Law, is a lawyer at the Brussels Bar and at the Bar of Paris and ordinary professor at the Université Libre de Bruxelles. She is also member of the Académie Royale des Sciences, des Lettres et des Beaux-Arts de Belgique.

Mr. Johan Tack, Master in Economics, is currently Director and advisor in the banking and insurance sector. Mr Johan Tack is a member of the Remuneration Committee for matters related to Belfius Insurance.

Two of the three members of the Remuneration Committee of Belfius Bank are independent directors within the meaning of Article 526ter of the Companies Code.

Two members have professional experience in the financial sector.

One of the members also sat on the Nomination and Remuneration Committee of a listed company.

All the members have professional experience as executive directors and additional professional experience as non-executive directors in various sectors of activity.

Consequently, the members of the Remuneration Committee have the required skills, on the basis of their education and professional experience, to give a competent and independent judgement on remuneration policies and practices and on the incentives created for managing risks, capital and liquidity of the Bank.

2.1.3. Collaboration and interaction with other advisory committees of the Board of Directors

In order to perform its tasks correctly (cf. also infra), in 2018 the Remuneration Committee interacted regularly with the Risk Committee and the Audit Committee.

The Risk Committee ensures that the Belfius group's risk management, capital requirements and liquidity position, as well as the probability and the spread in time of profit is correctly taken into consideration in decisions relating to remuneration policy.

Within Belfius Bank, this is reflected by the formulation of an opinion on a global "Risk Gateway" (cf. § 2.3.1.3) and by the establishment and assessment of Key Risk Indicators on an annual basis. Their preparation is undertaken by the Risks divisions, in collaboration with the Human Resources division.

The Audit Committee contributes to the establishment of objectives for the Auditor General and for the Compliance Officer.

The audit department at Belfius Bank will provide an independent and regular analysis of the remuneration policy and its practical implementation. In 2017 such a follow-up study was realized. The results of this study are also presented to the Remuneration Committee and the Board of Directors. The audit that took place in 2017 did not raise any particular comments.

2.2. Remit

The Remuneration Committee prepares the decisions of the Board of Directors by inter alia:

- developing the remuneration policy, as well as making practical remuneration proposals for the chairman, the non-executive members of the Board of Directors and the members of the advisory committees under the Board of Directors. The Board of Directors submits these remuneration proposals to the General Meeting of Shareholders for approval;
- developing the remuneration policy, as well as making practical proposals for the remuneration of the chairman of the Management Board and, on his proposal, for the remuneration of the members of the Management Board; The Board of Directors then determines the remuneration of the chairman and the members of the Management Board;

- providing advice on the proposals made by the chairman of the Management Board of Belfius Bank in relation to the severance remuneration for members of the Belfius Bank Management Board. On the proposal of the Remuneration Committee, the Board of Directors of Belfius Bank determines the severance remuneration of the chairman and members of the Belfius Bank Management Board;
- advising the Board of Directors in relation to the remuneration policy for employees whose activity has a material impact on the risk profile of Belfius Bank (known as "Identified Staff") and in relation to the compliance of the allocation of remuneration to Identified Staff with regard to the remuneration policy put in place for such people;
- preparing the remuneration report approved by the Board of Directors and published in the annual report;
- periodically checking to ensure that the remuneration programmes are achieving their objective and are in line with applicable conditions;
- annually assessing the performance and objectives of the members of the Management Board;
- providing an opinion of the elaboration of a global "Risk Gateway" in consultation with the Risk Committee, containing various levers applied at various points in the performance management cycle, with an impact on determination of the variable remuneration.

The Remuneration Committee exercises direct supervision over the determination of objectives and remuneration of the individuals responsible for the independent control functions (Chief Risk Officer, General Auditor and Compliance Officer).

In 2018, the Remuneration Committee met 6 times.

2.3. Remuneration

2.3.1. Introduction

2.3.1.1. Decision-taking powers

The Board of Directors decides on the remuneration of the members of the Management Board at Belfius Bank based on the advice of the Remuneration Committee and the chairman of the Management Board.

The Management Board sets the remuneration of the senior managers who may have a material impact on the risk profile of Belfius Bank, subject to the nature or level of the positions in question and/or their remuneration, within the framework of the remuneration policy. The Remuneration Committee gives advice regarding this policy and takes note of the individual information.

2.3.1.2. Remuneration policy

The remuneration policy of Belfius Bank and its subsidiaries was developed by Human Resources and the Legal Department and submitted for advice to the Remuneration Committee. The Risk Committee was also involved in developing the remuneration policy.

The remuneration policy includes on the one hand general principles applicable to all Belfius Bank employees. On the other hand, taking the principle of proportionality agreed in advance with the NBB into account, it includes specific provisions exclusively applicable to the members of the Management Board and to employees whose activity has a material impact on the risk profile of Belfius Bank (i.e. "Identified Staff"), given the nature or level of the positions themselves and/or their remuneration.

When annually updating the list of Identified Staff, Belfius Bank takes account of European Directives. The Remuneration Committee and the Risk Committee are also informed of the result of such update.

2.3.1.3. Strategy guidelines approved by the Board of Directors in accordance with regulations

Fixed remuneration forms an appreciable part of total remuneration and is designed to reward the performance of employees, taking into account their experience, education and qualifications, their duties, responsibility and the level of their position.

Limiting the portion of remuneration related to performance is intended to discourage excessive risk taking. For 2018, the proportion between fixed and variable remuneration is 30% for members of the Management Board and 25% for senior management, if performance is normal. Exceptional performance can never result in that percentage being more than 50% .

The envelope for performance-related remuneration (performances in 2018) is determined in relation to the evolution of operating results.

The policy also includes a risk gateway, which is a mechanism (ex-ante) involving the total budget for the variable remuneration of senior management being reduced in the case of a material deterioration of solvency ratios (CET 1/RWA) or liquidity ratios (LCR) under the levels fixed in the risk framework.

The performance-related remuneration is paid individually depending on the available envelope, collective results and the achievement of individual objectives.

For performances in 2018, key risk indicators (KRI) have been included in the objectives of members of the Management Board and employees whose activity has a material impact on the risk profile of Belfius Bank. The aim is to take proper account of the different types of (current and future) risks at each point in the assessment cycle: an insufficient score on one or more of such risk indicators has a negative impact on the variable remuneration.

The establishment, monitoring and assessment of these risk indicators are coordinated by the Chief Risk Officer (CRO) and submitted to the Remuneration Committee and the Risk Committee. Where appropriate, the CRO will confer with the General Auditor and the Compliance Officer and will also consult regularly with the Human Resources division.

Belfius Bank may also reduce performance-related remuneration, or even drop it to zero, in the event of poor (collective or individual) performances, taking account of the level of seniority of the employee and/or the legal basis on which that performance-related remuneration is founded.

At the end of 2015, a policy in relation to deferred variable remuneration ("deferral") was established for employees whose activity has a material impact on the risk profile of Belfius Bank. This proposal was formulated by the Human Resources division, in collaboration with the Capital & Liquidity Management, Legal and Risk divisions. This policy has been retained for the 2018 year.

In practical terms, for employees whose activity has a material impact on the risk profile of Belfius Bank, to the extent that their performance-related remuneration exceeds the amount agreed in advance with the NBB, 50% of the remuneration will be deferred over a period of 5 years (60% if the performance-related remuneration would be higher then EUR 200,000) for members of the Management Board and their direct reports and 3 years for the others. 50% of the total variable remuneration will be paid by a financial instrument which reflects the financial health of the business. The terms of this policy are integrated in the Belfius group's remuneration policy.

The risk gateway (see above) will also be applied at the end of the first quarter in order to determine whether the deferred variable remuneration payable in that year can also effectively be paid.

If appropriate, variable remuneration may be subject to an ex-post risk adjustment via a malus or clawback.

2.3.2. Remuneration of members of the Management Board

2.3.2.1. Fixed and performance-related remuneration

The remuneration of members of the Bank's Management Board consists of a fixed part and a performance-related part.

The fixed and performance-related remuneration of members of the Management Board constitutes a whole from which are deducted any attendance fees or directors' fees paid to a member of the Management Board by a third-party company (for which the member performs a mandate on behalf of Belfius Bank).

The remuneration of the Management Board is approved by the Board of Directors. The members of the Management Board do not participate in the discussions, or make decisions in this regard. The chairman of the Management Board does not participate in the discussions, or makes decisions about his personal situation.

When a member of the Management Board has several mandates in the Belfius Group, part of the remuneration can be re-invoiced internally, in which case only the part at the expense of Belfius Bank will be included in the figures. For 2018, the remuneration of Mr. Dirk Vanderschrick is re-invoiced for 50% to Belfius Insurance in the framework of his mandate as chairman of the Management Board of Belfius Insurance.

2.3.2.2. Remuneration for 2018

Remuneration of the chairman of the Management Board

Fixed remuneration

The fixed remuneration of the chairman of the Management Board amounts to EUR 650,000.

The premium for his group insurance, for other insurance policies (mainly insurance against death and disability) and the other benefits (mainly reimbursement of expenses and company car costs) amounted to EUR 164,384.

Performance-related remuneration

The Board of Directors decided to grant to the chairman of the Management Board a performance-related (2018) remuneration of EUR 254,631. The acquisition of this amount is spread over 7 years, provided certain conditions are met. Half of the total (deferred) performance-related remuneration is awarded in cash and the other half in a financial instrument.

An initial payment of this performance-related remuneration for 2018 will be made at the beginning of 2019: the balance will be spread over the coming 6 years.

The payment of the deferred performance-related remuneration depends on the annual assessment of the financial instrument and may be subject to an ex-post risk adjustment via a malus or clawback clause (cf. 2.3.1.3. supra).

On the basis of the performance-related remuneration of 2015, 2016, 2017 and 2018, provided certain conditions are met in the coming 6 years, the chairman of the Management Board may receive a deferred performance-related remuneration as follows: EUR 123,704 in 2020; EUR 88,056 in 2021; EUR 78,758 in 2022; EUR 59,528 in 2023; EUR 40,078 in 2024 and EUR 15,277 in 2025.

It is worth reiterating that every payment of (deferred) performance-related remuneration depends on the annual assessment of the financial instrument and may be subject to an ex-post risk adjustment via a malus or clawback clause (cf. 2.3.1.3. supra).

In 2018 an amount of EUR 125,787 was paid to the chairman of the Management Board as performance-related remuneration linked to the performance in 2015, 2016 and 2017.

Consequently in 2018, the total amount (Fix, performance-related, insurances and other benefits) paid to the chairman of the Management Board is EUR 940,171.

Remuneration of the other members of the Management Board

Fixed remuneration

The fixed remuneration of the members of the Management Board (divided among 5 persons) amounts to EUR 1,785,000.

The (aggregated) premium for their group insurance, for other insurance policies (mainly insurance against death and disability) and the other benefits (mainly reimbursement of expenses and company car costs) amounted to EUR 485,443 (divided among the 5 members).

Performance-related remuneration

The Board of Directors decided to grant to the members of the Management Board a performance-related remuneration for 2018 totalling EUR 659,400. Half of the respective total (deferred) performance-related remuneration for each member of the

Management Board is awarded in cash and the other half in a financial instrument. The acquisition of this amount is spread over 7 years, provided certain conditions are met.

An initial payment of this performance-related remuneration for 2018 to the members of the Management Board will be made at the beginning of 2019; the balance will be spread over the coming 6 years.

The payment of the (deferred) performance-related remuneration depends on the annual assessment of the financial instrument and may be subject to an ex-post risk adjustment via a malus or clawback clause (cf. 2.3.1.3. supra).

On the basis of the performance-related remuneration of 2015, 2016, 2017 and 2018, provided certain conditions are met in the coming 6 years, the members of the Management Board may receive a deferred performance-related remuneration EUR 368,920 in 2020; EUR 237,039 in 2021; EUR 209,703 in 2022; EUR 152,615 in 2023; EUR 94,400 in 2024; and EUR 32,969 in 2025.

It is worth reiterating that every payment of (deferred) performance-related remuneration depends on the annual assessment of the financial instrument and may be subject to an ex-post risk adjustment via a malus or clawback clause (cf. 2.3.1.3. supra).

In 2018 an amount of EUR 375,517 was paid to the members of the Management Board as performance-related remuneration linked to the performance in 2015, 2016 and 2017.

Consequently in 2018, the total amount (Fix, performance-related, insurances and other benefits) paid to the members of the Management Board is EUR 2,645,960.

Option plans

Belfius Bank has no option plan. During 2018, no option was granted to members of the Management Board, or exercised by the latter.

In accordance with Article 450 of Regulation no. 575/2013, Belfius Bank declares that no remuneration of more than EUR 1 million was allocated to any employee of Belfius Bank in 2018.

In 2018, no exceptional bonus was granted within the context of a recruitment and no severance remuneration was paid to members of the Management Board.

2.3.3. Remuneration of employees whose activity has a material impact on the risk profile of Belfius Bank (excluding the members of the Management Board and the members of the Board of Directors)

Fixed remuneration

The fixed remuneration paid in 2018 to the members of staff concerned (172 members of staff at the end of 2018) was EUR 22,747,784.

Performance-related remuneration for the year 2018

A total amount of EUR 5,573,872 was granted in 2019 to the members of staff concerned as performance-related remuneration for the year 2018. The entirety of this amount was paid since none of those members of staff received performance-related remuneration for 2018 above the amount agreed in advance with the NBB.

This amount was granted for EUR 4,922,199 in warrants[1] and for EUR 651,673 in cash.

Option plans

Belfius Bank has no option plan. During 2018, no option was granted to employees whose activity has a material impact on the risk profile of Belfius Bank, or exercised by the latter.

Severance remuneration

In 2018, severance remuneration was paid to 4 employees whose activity has a material impact on the risk profile of Belfius Bank.

The total amount of this payment was EUR 1,265,052.

For the year 2018, one individual (referred to in point 2.3.3.) was awarded an exception sign-on bonus.

2.3.4. Remuneration of members of the Board of Directors (non executive directors)

The total remuneration paid to members of the Board of Directors of Belfius Bank, except the members of the Management Board (non-executive directors) for 2018 was 869,400 EUR for 52 meetings (compared with 817,944 EUR in 2017 for 48 meetings). The increase in the number of meetings can be explained because of the additional Board of Directors meetings which were held in the context of the preparation of the potential IPO. This amount includes the remuneration for their mandate as directors (a fixed amount, which is identical for all members of the Board of Directors, except for the chairman), as well as their fees for attending the Board meetings and the various advisory committees (a fixed amount for each meeting attended, varying for the members of the meeting, on the one hand, and for the chairman, on the other).

The non executive directors do not receive a performance-related remuneration or options.

The chairman of the board of directors has a company car at his disposal.

The chairman and the members of the Management Board do not receive any indemnity for attending the meetings of the Board of Directors or of the advisory committees.

(1) A capitalization share (class C) of the compartment Belfius Equities Europe conviction, within Belfius Equities sicav duly registrated under the laws of Belgium.

Number of meetings and renumeration per non-executive director for the year 2018(1)

	Mediation Committee (1 meeting)	Board of directors (18 meetings)	Risk Committee (11 meetings)	Audit Committee (11meetings)	Nominations Committee (5 meetings)	Remuneration Committee (6 meetings)	Total Remuneration
Doutrelepont Carine		15			3	5	62,100
Delwart Jean-Pierre	1	17					54,000
Clijsters Jos	1(2)	18(2)			5	5	242,100
Hübner Georges		18	10	11(2)			106,200
Van den Berghe Lutgart		16			5(2)	6(2)	90,000
Sunt Chris		17	10	11			84,600
Bodart Paul		18		11			73,800
Vander Vennet Rudi		18	10(2)				88,200
Rosen Diane		16	10				68,400
							869,400

(1) Some meetings were not renumerated. Joint meetings of two meetings were indeed only once renumerated.
(2) Chairmen.

3. Audit Committee

3.1. Composition

3.1.1. General aspects

As at 31 December 2018, the Audit Committee for Belfius Bank consisted of the following members: Mr. Georges Hübner, chairman, Mr. Paul Bodart and Mr. Chris Sunt.

Chairman	Georges Hübner
Members	Paul Bodart
	Chris Sunt

3.1.2. Independence and expertise

The Audit Committee must have at least one independent director with the individual expertise required in accountancy and/or audit. The majority of the members of the Audit Committee members must be independent directors. The chairman of the Committee is appointed by its members. Furthermore, the members of the Audit Committee must have collective expertise in the fields of banking as well as accountancy and audit.

The Audit Committee of Belfius Bank consists of three non-executive directors, all three are independent directors, namely Mr. Georges Hübner, Mr. Paul Bodart and Mr. Chris Sunt.

Mr. Georges Hübner, who holds a degree in Business Administration and a PhD in Management, is Full Professor in Finance at the HEC Liège, University of Liège and former Associate Professor at the University of Maastricht. Inter alia he was a member of the college of experts appointed by Parliament following the financial crisis. He has professional experience in accountancy and audit acquired in his activities in education, expertise and chairmanship of qualifying examination boards for the Certified Auditors Institute (IRE/IBR).

Mr. Paul Bodart, an engineer holding the degree of Master of Business Administration, is a Professor at the Solvay Business School. He has professional experience in accounting and audit acquired in particular in the tasks he performs as a member of the Audit Committee of the National Settlement Depository, Russia's central depository, and those he performed as chairman of the Audit Committee and a member of the Risk Committee of Dexia and of Dexia Crédit Local and as a member of the Audit Committee of Euroclear Bank. Moreover, he has considerable experience in the banking and finance sectors, in particular the executive functions (specifically, he was CEO of the Belgian banking subsidiary of the Bank of New York Mellon Group, responsible for group operations in the euro zone).

Mr. Chris Sunt holds a law degree. In his capacity as a lawyer specialised in finance law for more than 30 years, he has also acquired relevant experience in accountancy and audit.

Consequently, the Audit Committee has had and has at least one independent director with the individual expertise required in accountancy and/or audit as well as the required collective expertise in the field of banking, accountancy and auditing.

3.2. Tasks and remit

The Audit Committee assists the Board of Directors in its task of carrying out prudential controls and exercising general supervision in a broad sense.

3.2.1. Financial reporting

The Audit Committee monitors the integrity of the financial information provided by the company, in particular by evaluating the accounting standards used including the criteria governing the scope of the consolidation. The Audit Committee's supervision also extends to the follow-up of regular financial information before its submission to the Bank's Board of Directors.

The Audit Committee monitors the process of establishing financial information and makes recommendations or proposals to guarantee its integrity.

3.2.2. Internal audit and risk management

At least once a year the Audit Committee examines the efficiency of the internal audit and risk management systems set up by the Management Board to ensure that the main risks (including the risks linked to compliance with current laws and regulations) are properly identified and managed. To that end the Management Board submits to the Audit Committee a report regarding the assessment of internal control .

During 2018, the Audit Committee took note of the reports on the outstanding legal disputes, the activities of the Compliance department, the activities of Audit and Control, the activities of the Legal department as well as the monitoring activities of the risks (e.g. credit, market, liquidity and operational risks and the risks with regard to the ICT-security).

3.2.3. Functioning of internal audit

The Audit Committee assesses the operational efficiency and independence of the Internal Audit division. The Audit Committee also verifies the extent to which the management responds to the findings of the Audit department and its recommendations. In 2018, the Audit Committee examined and approved the annual business report for 2017, the audit plan 2019, and the half-year business report (1H) for 2018, as well as the half-yearly follow-up reports on the recommendations. The latest version of the Internal Audit Charter was validated in 2018.

3.2.4. Statutory audit

The Audit Committee provides the Board of Directors with information on the results of the legal audit of the statutory and consolidated financial statements as well as explanations as to the manner in which the legal audit of the statutory and consolidated financial statements contributed to the integrity of the financial information and as to the role played by the Audit Committee in that process.

The Audit Committee also monitors the legal audit of the statutory and consolidated financial statements, and this includes monitoring questions asked and recommendations made by the auditor.

In 2018, the Audit Committee reported to the Board of Directors on the statutory and consolidated financial statements of Belfius Bank at 31 December 2017, 31 March 2018, 30 June 2018 and 30 September 2018. After considering the comments received from the management of the Bank and the external auditors, the Audit Committee delivered a favourable opinion to the Board of Directors on the annual financial statements.

3.2.5. External audit function and monitoring of auditor's independence

The Audit Committee satisfies itself that the external auditor(s) carries (carry) out his (their) audits properly.

The Audit Committee monitors the independence of the external auditor(s) and his (their) auditing programme.

The Audit Committee makes a recommendation to the Board of Directors with regard to the appointment or renewal of the mandate of the auditor.

3.3. Functioning

The Audit Committee may demand to see any useful information or supporting evidence and may carry out any inspection it feels is necessary. To that end it calls on the services of the Internal Audit department of Belfius Bank, which reports to the President of the Management Board.

In 2018, the Audit Committee met 12 times (including 1 tutorial).

The Audit Committee of Belfius Bank operates independently of the Audit Committee implemented at Belfius Insurance. The Audit Committee of Belfius Bank held jointly meetings with the Audit Committee of Belfius Insurance twice, in particular when the insurance company's annual financial statements for 2017 and the half-yearly financial statements at 30 June 2018 were presented.

The Audit Committee of Belfius Bank held 7 meetings jointly with the Risk Committee to examine, amongst others, the effective management report on the assessment of the internal control report 2017, the report on the risks linked to the use of valuation models, the follow-up of the implementation of the IT-security strategy, the risk management concerning the implementation of IFRS 9 as of 1 January 2018; as well as the quarterly risk monitoring report.

3.4. Internal Audit

The Internal Audit Charter states the fundamental principles which govern the Internal Audit function at Belfius by describing its objectives, its role, its responsibilities and its overall modes of operation. Additionally, through the Audit Charter the independency of the Internal Audit function has been ensured. The Audit Charter has been approved by the Board of Directors in the beginning of 2018 and is reviewed at least every three years.

Belfius Bank has an internal audit function that meets the international standards on methodology and reporting.

The internal audit function is an independent and objective activity that provides the organisation with reasonable assurance regarding the extent to which its operations are controlled and supervised. As part of its work, the internal audit function provides recommendations for improvements and in doing so creates added value.

This means that the internal audit function helps the organisation to achieve its objectives. It does this by assessing the risk management, internal audit processes and governance processes in a systematic and disciplined manner and by making proposals designed to increase efficiency. This is done mainly by carrying out audit assignments and following up on audit recommendations.

The head of internal audit at Belfius Bank is responsible for internal audit on a group level (Auditor-General). To this end, the head of internal audit at Belfius Insurance has a functional link to the Auditor-General. In this way, the independence of the head of internal audit at Belfius Insurance vis-à-vis his/her governing bodies is combined with the use of uniform audit practices of high quality (audit planning, audit methodology, following up on audit recommendations, etc.) within the Belfius group.

4. Risk Committee

4.1. Composition

4.1.1. General aspects

As at 31 December 2018, the Risk Committee for Belfius Bank consisted of the following members: Mr. Rudi Vander Vennet, chairman, Mr. Georges Hübner, Mrs. Diane Rosen and Mr. Chris Sunt.

Chairman	Rudi Vander Vennet
Members	Georges Hübner
	Diane Rosen
	Chris Sunt

4.1.2. Independence and remit

The Risk Committee of Belfius Bank consists of four independent directors, namely Mr. Rudi Vander Vennet, Mr. Georges Hübner, Mrs. Diane Rosen and Mr. Chris Sunt.

The members of the Risk Committee must individually have the knowledge, skills, experience and aptitudes necessary to enable them to understand the Bank's risk strategy and appetite level.

Mr. Rudi Vander Vennet holds a degree in economics, an advanced master degree in finance and a PhD in economics and is currently full professor of economics and banking at Ghent University and also teaches banking and insurance at Solvay Business School (ULB). He has experience as a board member at various financial institutions, such as ASLK/CGER, NMKN/SNCI, CBHK/OCCH, Credibe and OBK Bank. He is a former member of the stakeholder group of the EBA.

Mr. Georges Hübner, who holds a degree in Business Administration and a PhD in Management, is Full Professor in Finance at the HEC Liège, University of Liège and former Associate Professor at the University of Maastricht. Inter alia he was a member of the college of experts appointed by Parliament following the financial crisis.

Mrs. Diane Rosen holds a degree of Commercial Engineer and has professional experiences in Banking, in construction and in real estate sectors. She is currently Finance Director of BAM Belgium.

Mr. Chris Sunt holds a law degree. In his capacity as a lawyer specialised in finance law for more than 30 years, he has also acquired the relevant risk management experience.

The members of the Risk Committee have the individual expertise and professional experience required to define strategy regarding risk and the level of risk appetite of an institution. They have acquired the specialisation necessary in particular as directors with other institutions and/or in their university training. As a consequence, the Risk Committee has the required individual knowledge and expertise.

4.2. Remit

The Risk Committee has advisory powers and responsibilities with regard to the Board of Directors in the following areas:

- appetite and strategy regarding the Bank's current and future risks, more particularly the effectiveness of the risk management function and the governance structure to support them;
- monitoring implementation of risk appetite and strategy by the Management Board;
- allocating the risk appetite to various categories of risks and defining the extent and limits of risk in order to manage and restrict major risks;
- considering the risks run by the Bank with its customer tariffs.
- assessing activities which expose the Bank to real risks;
- supervising requirements in terms of capital and liquidity, the capital base and the Bank's liquidity situation;
- the guarantee that risks are proportional to the Bank's capital;
- formulating an opinion with regard to major transactions and new proposals for strategy activities that have a significant impact on the Bank's risk appetite;
- obtaining information and analysing management reports as to the extent and nature of the risks facing the Bank;
- monitoring the Internal Capital Adequacy Assessment Process (ICAAP) and the Recovery Plan.

4.3. Functioning

The Risk Committee meets at least once per quarter. It also meets on an ad-hoc basis in relation to specific matters.

In 2018, the Risk Committee met 6 times and held 7 joint meetings with the Audit Committee and 1 joint meeting with the Risk & Underwriting Committee of Belfius Insurance.

The Risk Committee operates independently of the Risk & Underwriting Committee of Belfius Insurance. On the request of the chairman of the Bank's committee, a joint Risk Committee of Belfius Bank and Belfius Insurance may be held. To promote sound remuneration policy and practices, subject to the tasks of the Nomination Committee and the Remuneration Committee, the Risk Committee examines whether incentives in the remuneration system take proper account of the institution's risk management, equity requirements and liquidity position, as well as the probability and distribution of profit over time.

The Risk Committee and the Audit Committee periodically exchange information in particular concerning the quarterly risk report, the senior management report on the assessment of internal control and the risk analyses performed by the Legal, Compliance and Audit Departments. The aim of this exchange of information is to enable the two committees to perform their tasks properly and to take the form of a joint meeting.

MEDIATION COMMITTEE

In 2014 the Board of Directors decided to establish a Mediation Committee within the Belfius group.

1. Composition

The Mediation Committee is in principle composed of 3 members:

- the chairman of the Board of Directors of Belfius Bank, who acts as chairman;
- one independent non-executive director of Belfius Bank;
- one independent non-executive director of Belfius Insurance.

As at 31 December 2018, the Mediation Committee consisted of the following members: Mr. Jozef Clijsters, chairman, Mr. Jean-Pierre Delwart, and Mr. Johan Tack.

Chairman	**Jozef Clijsters** Chairman of the Board of Directors of Belfius Bank and Belfius Insurance(1)
Members	**Jean-Pierre Delwart** Independent Director Belfius Bank
	Johan Tack Independent Director Belfius Insurance

(1) Chairman of the Board of Directors of Belfius Insurance until 31 December 2018.

In 2018, the Mediation Committee met 1 time.

2. Remit

The Mediation Committee is responsible for passing opinions relating to material transactions or operations between, on the one hand, Belfius Bank and its subsidiaries and, on the other hand, Belfius Insurance and its subsidiaries, or between their respective subsidiaries. Such opinions are sent to the Board of Directors of the companies concerned, which will then take a definitive decision on the planned transaction or operation.

INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS REGARDING FINANCIAL STATEMENTS

Belfius Bank applies various internal audit and risk management systems to its financial statements. These audits are carried out at different levels.

The inventory is reconciled with the balances in ACEC/ACSE via the reconciliation tool ACNR on a daily basis. Unreconciled amounts are reported via the monitoring and matching tool INTELLIMATCH. At the end of each month, the balance sheet and off-balance sheet inventory in GEXL is reconciled with the balances in ACEC/ACSE. Unreconciled amounts are reported via an online tool in GEXL. The related accounting Competence Center (back office) within the Operations Department is responsible for analysing the nature of the differences and for initiating corrective actions.
The accounts (Belgian GAAP and IFRS) are closed on a monthly basis. A first level of control is performed by the Accounting Competence Centers that take full responsibility for the general ledger (balance, off balance and statement of income) and the inventory. In respect to Financial Markets activities, FM Risk Management is responsible for the validation of the statement of income and the gains and losses not included in the statement of income. The procedures and control activities are documented by each department involved.

Corporate Accounting Control performs a second level of control and ensures a functional steering of the closing process, the centralisation and final validation of all relevant accounting data and disclosures for reporting purposes. A risk-based approach is adopted to determine the nature and extent of the control activities. The controls mainly relate to a variance analysis of balances and ratios, sample based testing, review of supporting documentation and reasonability controls. The results of the analytical review are documented in a highlight report, which is subject to management review. The procedures and control activities are documented by each department.

The first and second levels of control provide reasonable assurance on the completeness, accuracy and appropriate presentation of the accounting data, in accordance with the financial and prudential framework.

The main subsidiaries of Belfius Bank apply similar internal audit and risk management systems to its financial statements. From October 2017 on, the preparation of the financial statements of Belfius Insurance and its subsidiaries are outsourced to Belfius Bank in order to further align and optimize the processes. The continuity can be guaranteed as also the resources and competences of Belfius Insurance involved in the preparation and internal audit of the financial statements are transferred to Belfius Bank.

EXTERNAL ACTIVITIES OF DIRECTORS – ARTICLE 62, §2 OF THE LAW OF 25 APRIL 2014 ON THE STATUS AND SUPERVISION OF CREDIT INSTITUTIONS AND STOCKBROKING FIRMS

Under the Regulation by the National Bank of Belgium dated 6 December 2011 on the pursuit of external activities by the executives of regulated companies, Belfius Bank is required to disclose any external appointment held by its directors and senior executives. Belfius Bank has chosen to publish such appointments in its annual report filed with the National Bank of Belgium.

STATUTORY AUDITOR

The task of auditing the financial situation and financial statements of the Bank has been entrusted to Deloitte Reviseurs d'entreprises, SC s.f.d. SCRL, represented by Messrs Bernard De Meulemeester and Bart Dewael.

The mandate of the Statutory Auditor, Deloitte Reviseurs d'Entreprises, SC s.f.d SCRL has been renewed at the General Meeting of 26 April 2017 for a period of three years, which takes an end after the Ordinary General Meeting of Shareholders of 2020.

The replacement of Mr. Bart Dewael by Mr. Franky Wevers as permanent representative of Deloitte Reviseurs d'Entreprises, SC s.f.d SCRL will be submitted to Ordinary General Meeting of Shareholders of 2019. Mr. Bernard De Meulemeester and Mr. Franky Wevers will therefore be the permanent representatives of the Statutory Auditor.

The table below provides an overview of the fees paid to the Statutory Auditor for services provided to Belfius Bank and its Belgian companies associated with Belfius Bank or to its foreign subsidiaries during the 2018 financial year.

Deloitte	Services provided in 2018(1)				
(in thousands of EUR)	Audit of financial statements	Other certification	Tax advice	Other services	Total
DELOITTE BEDRIJFSREVISOREN / REVISEURS D'ENTREPRISES	2,148	220		512	2,879
Belfius Bank	1,215	195		510	1,919
Subsidiaries (bank perimeter)	217	19		2	238
Belfius Insurance	716	6			722
OTHER DELOITTE ENTITIES	97		81	1,146	1,324
Belfius Bank			17	1,107	1,124
Subsidiaries (bank perimeter)	84			2	86
Belfius Insurance	13		64	37	114
TOTAL	2,245	220	81	1,658	4,203

(1) Please note that the standard audit fee amounts to EUR 1.69 million for the entire Belfius group. Note that in 2018, the fee was exceptionally impacted by additional fees related to specific projects such as the first time adoption of IFRS 9.

COMPLIANCE

1. Role

The function of Compliance is to ensure the integrity of the Bank's activities and the management of Compliance risks. The Compliance department ensures that Belfius, its subsidiaries, staff members, suppliers and intermediaries comply with the legislation as well as internal rules and norms applicable to Belfius.

The emphasis is principally placed on the rules relating to the protection of customers' interests, also known as rules of good conduct, such as MiFID for investment services, the protection of privacy and the prevention of conflicts of interests.

On the one hand, Compliance advises and informs management and the commercial and operational divisions of the Bank of the correct and appropriate application of the law and regulations, both within the context of establishing corporate strategy, the development of new activities, distribution channels and processes, and within the framework of specific files or transactions. To that end, it actively monitors the evolution of Belgian and international legislation, in close collaboration with the Legal department.

On the other hand, Compliance organises the independent supervision and control of the correct implementation of procedures and instructions drawn up. As such, it oversees the effectiveness of policy and proposes corrective measures if they are necessary.

2. Organisation

Compliance is organised around a central Compliance department based on 3 pillars: Business Advisors (advisory function), the Compliance Risk Control team (control function) and the anti-money laundering unit. These three teams are supported by a specific unit which frames projects at an IT and an organisational level.

The central Compliance department may also call on the services of a large network of Compliance Correspondents within the Bank's various divisions, as well as a network of Compliance Managers with the branch network. This network plays an important role, particularly in the introduction of Compliance policy and procedures as well as training and awareness in that regard.

A Compliance Officer accredited by the FSMA is at the head of the Compliance organisation. As of 1 January 2019, the Compliance Officer reports directly to the Chief Risk Officer, member of the Management Board, and, if necessary, may directly approach the chairman of the Audit Committee, the chairman of the Board of Directors and the Regulator.

As provided by the regulations, the department also has a Anti-Money Laundering Compliance Officer and a Privacy Officer.

The Anti-Money Laundering Compliance Officer (AML CO) is head of the anti-money laundering team, which combats money laundering practices. Belfius does all it can not to be involved in laundering money from illegal activities, the organisation of tax fraud, financing terrorism or circumventing international embargos. To underline this commitment, the AML CO has established a general compliance framework with policies, preventive measures and broadened controls. Proper knowledge of the customer and their identification, verification of the origin of financial flows on accounts and detection of dubious transactions are all vital elements in the prevention of such practices.

In particular, the Privacy Officer ensures that personal data obtained by the Bank in providing its services to its customers are processed and retained with necessary prudence and confidentiality, observing applicable regulations. In the context of the new General Data Protection Regulation (GDPR), which came into effect in May 2018, the role of Privacy Officer has become part of the new position of the Data Protection Officer (DPO) created as of May 2018 at the level of Operational Risk Management. A smooth transition has been organised.

The Compliance Officer of Belfius Bank ensures that a coherent and effective Compliance policy is applied within all the subsidiary companies of Belfius Group. Belfius Bank traces out the group policy and defines the Compliance methodology to be used. Each regulated subsidiary company disposes of a (local) Compliance Officer who is responsible for the application of the adapted policy within his/her company. These Compliance officers report functionally to the Compliance Officer of Belfius Bank. They are in charge of the Compliance activities at there entity level such as the identification and assessment of compliance risks, providing advice to business and management, monitoring and second line controls; defining and implementing Compliance action plans. On a periodical basis the local Compliance Officer informs the local Management Board, Board of Directors, as well as the Compliance Officer at Belfius Bank on the Compliance activities and risks.

3. Charter – Expanded powers

In order to guarantee the independence of the Compliance function, its mandate, remit, organisation and tasks are formally established in a specific Charter, approved by the Bank's Board of Directors. The Charter also grants Compliance unlimited access to all the information and all the staff members within the Bank, in relation to any analyses or controls it deems necessary.

The Compliance Charter is periodically evaluated and is expanded, where necessary, in function of the evolution of the regulations, the detection of new potential risks, and/or the adjustments of the risk appetite of Belfius Group. In recent years the scope of the Compliance function has thus been expanded to, among other things, the advice and the observance in relation to advertising, the law on market practices and the legislation concerning consumer loans, mortgages and anti-bribery measures. The Charter is applicable to all regulated subsidiary companies of Belfius Group.

GENERAL INFORMATION

SHARE CAPITAL AND ALLOCATION OF PROFIT OF BELFIUS BANK

1. Share capital and evolution of the capital during the financial year 2018

The share capital of Belfius Bank is three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty-seven euros and forty-one cents (EUR 3,458,066,227.41) and is represented by 359,412,616 registered shares. The shareholding of Belfius Bank is as follows: 359,407,616 registered shares are held by the public limited company of public interest Federal Holding and Investment Company (FHIC), in its own name, but on behalf of the Belgian State, and 5,000 registered shares are held by the public limited company Certi-Fed. Certi-Fed is a fully-owned subsidiary of FHIC.

In accordance with the provisions of the law, the Extraordinary General Meeting of Shareholders of 19 March 2019 authorised the Board of Directors to increase the capital of the Bank in one or more stages to a maximum of three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty-seven euros and forty-one cents (EUR 3,458,066,227.41). That authorisation is valid for five years from publication of the resolution of the ordinary general meeting of shareholders in the Appendices to the Belgian Official Gazette.

No change was made to the share capital of the Bank in 2018.

2. Allocation of profit

The company results for the 2018 financial year recorded a profit of EUR 420,884,110.68. From this profit, an amount of EUR 57,884,110.68 will be allocated to reserves.

3. Annual dividend

The Board of Directors will propose to the Ordinary General Meeting of Shareholders that it distributes a dividend of EUR 363,000,000 to the shareholders.

Belfius has paid an interim dividend of EUR 100,000,000 over the 2018 result in August 2018.

MAIN AMENDMENTS TO THE SCOPE OF BELFIUS ON A STATUTORY BASIS

In 2018, Belfius continued to develop on farious fronts to bolster its positioning and strategy.

- In payments, with the merger of Bancontact/Mistercash with Payconiq to form Bancontact Payconiq Company. The strategic objective of the merger is to place mobile payments at the disposal of all retailers and to offer innovative products to the customers of all Belgian banks.
- In the development of its Smart Belgium strategy, with the acquisition of a stake in Letsgo City. This initiative is in keeping with Smart Cities initiatives already in progress at Belfius since 2014. Letsgo City has developed a mobile application called Wallonie en poche. This application is a mobile interface intended for citizens. It draws on all sources of information and local solutions to unify and centralize these accesses in a platform that can be used by citizens daily wherever they go.

As part of the process to reorganize and simplify the scope of the bank, Belfius Bank has:

- proceeded to liquidate its Dublin Branch in Ireland and to bring the portfolio which was managed there in its Irish subsidiary Belfius Ireland.
- set up a new IT subsidiary with IBM, Partners Through Innovation (PI Square), in which Belfius Bank holds a 25% stake. In a merger by absorption, this company has taken over all the assets held by Innovative Solutions For Finance relating to the bank's IT architecture.

Various operations were carried out regarding real estate or financial investments, including:

- the disposal of its stake in NEB Participations, a holding company active in the energy sector which holds a stake in Liège airport;
- the disposal of its stake in Domus Flandria, a real estate company.

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 tax payer.

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, (i) a present obligation has arisen as a result of past events, (ii) it is probable that Belfius will have to make a payment, and (iii) the amount of such payment can be estimated reliably.

With respect to certain other litigations against Belfius, of which management is aware, no provision has been made according to the principles outlined here above, as the management is of the opinion, after due consideration of appropriate advice, that, while it is often not feasible to predict or determine the ultimate outcome of all pending litigations, such litigations are without legal merit, can be successfully defended, or that the outcome of these actions is not expected to result in a significant loss.

In the opinion of Belfius, the most important cases are listed below, regardless of whether a provision has been made or not. Their description does not deal with elements or evolutions that do not have an impact on the position of Belfius. If the cases listed below were to be successful for the opposite parties, they could eventually result in monetary consequences for Belfius. Such impact remains unquantifiable at this stage. Within the Belgian financial sector, prevention of money laundering is standard practice and high on the agenda and as customary Belfius collaborates with the Belgian authorities in that context.

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 demands 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 rejects 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.

There was no significant evolution in this claim since 2016. The date of the hearings is not yet known.

No provision has been made for this claim.

2. Arco - Cooperative shareholders

Various parties, including Belfius Bank, have been summoned by Arco - Cooperative shareholders in three separate procedures, i.e. one procedure before the Dutch speaking Commercial Court of Brussels, one procedure before the Court of First Instance of Antwerp, Section Turnhout 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. The plaintiffs have requested that the Brussels Court rule, among other things, that:
  - the agreements by virtue of which they became shareholders of the relevant Arco entities are null and void;
  - the defendants should, jointly and severally, reimburse the plaintiffs their financial contribution in these entities plus interest; and
  - the defendants are liable for certain additional damages to the plaintiffs.
- The financial contribution of the 2,169 plaintiffs for which reimbursement is sought amounted to approximately EUR 6.5 million (principal amount) as at the date of this Report. 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 and the Chairman of the Management Board of the Arco entities are also defendants in the proceedings before the Commercial Court of Brussels. Belfius Bank has submited its first legal briefs on 16 August 2018 and the case will normally be pleaded during several pleading sessions in June 2021.
- Separately from the abovementioned proceedings before the Commercial Court of Brussels, on 24 October 2016, three shareholders in Arcopar initiated court proceedings (the "Turnhout Proceedings") against Belfius Bank before the Court of First Instance of Antwerp, section Turnhout. The plaintiffs in the Turnhout Proceedings request that Belfius Bank is to be held liable to pay an "undetermined provisional amount of 2,100 EUR "per plaintiff plus interest and costs, because they claim that Belfius Bank misled them in subscribing Arcopar-shares. As at the date

of this Report, the aggregate amount of the claims of the plaintiffs in the Turnhout Proceedings amounted to approximately EUR 6,300 EUR (principal amount). The plaintiffs base their claims upon promotional material that was distributed by the predecessors of Belfius Bank as well as the Arco entities and the former Belgian Christian collective of workers' associations (ACW). On 27 February 2017, Belfius Bank summoned Arcopar to intervene in the Turnhout Proceedings and to indemnify Belfius Bank for any amount for which it would be held liable towards the plaintiffs. In subsidiary order, the plaintiffs have also filed a claim against Arcopar and Belfius Bank requesting that their subscription of Arcopar shares is to be declared null and void. On 3 April 2018, the plaintiffs also summoned the Belgian State to intervene in the Turnhout Proceedings. All parties requested the Court to transfer this case to the Court of First Instance of Brussels. The Court decided on 19 November 2018 to grant the requested transfer and this procedure is now joined with the procedure before the Court of First Instance of Brussels.

→ Furthermore, 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 7 February 2018 to intervene in this procedure, and claim compensation from Belfius Bank because they consider that Belfius Bank erred in the sale of the Arco shares. Groups of Arco-shareholders organized themselves via social media to mobilize other Arco shareholders to become claimant in this procedure, and to the knowledge of Belfius, as of today, at least 5,000 Arco shareholders did so. 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. Ethias

Belfius is involved in a dispute with Ethias related to the management of a pension plan.

Ethias is managing one of Belfius' pension plans under an insurance agreement whereby Ethias must provide a guaranteed return on the pension reserves.

Given the fact that the plan is managed in a segregated fund and that 100% of the financial gains on the underlying assets were contractually allocated to the plan, Belfius had to value these assets at their market value according to IFRS rules (IAS 19). In the course of 2016, Ethias claimed a significant increase in costs which was not supported by the contracts in place. Following Belfius' refusal, Ethias notified their intent to transfer the plan to a "main fund". If that were to occur Belfius would no longer be able to book the plan at the market value of the assets but would rather have to calculate the present value of the reserves at date end increased with the Ethias guaranteed return, which would result in an overall negative impact for Belfius on "other comprehensive income" (OCI) of about EUR 66 million before tax by YE 2018.

In order to prevent this, Belfius summoned Ethias before the Court in Brussels in summary proceedings on 23 December 2016. Separately from the summary proceeding, Belfius also started a proceeding on the merits before the Commercial Court of Brussels on 12 January 2017.

On 18 January 2017, the Court in summary proceedings prohibited the transfer of the assets to the main fund of Ethias and ordered Ethias to continue allocating 100% of the financial gains to the segregated fund. Ethias appealed against the judgment before the Brussels Court of Appeal. On 20 June 2017, the Court again ruled against Ethias and maintained the prohibition on the transfer of the plan's assets. However, because summary proceedings do not allow an adjudication on the merits, the Court also ruled that Ethias was no longer required to allocate 100% of the financial gains to the pension plan, awaiting the judgment on the merits.

In the meantime, Ethias stopped providing financial information about the market value of the plan underlying assets, making it impossible for Belfius to value the plan assets at their market value. On 29 March 2018, Belfius introduced a request for an "interim injunction" before the Commercial Court of Brussels, as part of the proceeding on the merits and with the purpose of obtaining – from Ethias – the withheld financial information about the pension plan assets. On 30 July 2018, the Court stated that Ethias was, for the time being (i.e. until a final decision is taken on the merits) not required to disclose financial information about the segregated plan. Consequently, Belfius had to stop valuing the plan at the market value of the underlying assets, which resulted in the above mentioned negative OCI impact on 31 December 2018.

4. 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 a provision to cover the potential adverse outcome of those active litigation proceedings for which it assesses to have a less strong case.

5. 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 International 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.

DECLARATION OF TRANSPARENCY

Transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

Pursuant to Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (referred to below as the "Transparency Directive") and to Directive 2007/14/EC of 8 March 2007 laying down detailed rules for the implementation of certain provisions of the Transparency Directive, Belfius Bank has chosen Luxembourg as its Home Member State.

The Transparency Directive has been transposed into Luxembourg law by:

- the Luxembourg law of 11 January 2008 relative to transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market;
- the Grand Ducal Regulation of 3 July 2008 officially designating the mechanisms for the central storage of regulated information within the meaning of the law of 11 January 2008; and
- the CSSF Circular No. 08/337 from the Financial Sector Supervisory Commission.

The aforementioned regulation lays down certain requirements regarding information and the publication of data.

Pursuant to article 3.(2) of the Luxembourg law relative to transparency requirements incumbent upon the issuers of securities, the Management Board at Belfius Bank then stated that:

- Belfius Bank has chosen Luxembourg as its Home Member State;
- to the best of its knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and the profit or loss of the issuer and of all the undertakings included in the consolidation;
- to the best of its knowledge, the management report includes a fair review of the development and performance of the business and the position of the issuer and all the undertakings included in the consolidation, together with a description of the principal risks and uncertainties that they face.

COUNTRY-BY-COUNTRY REPORTING

Based on article 6bis of the Royal Decree dated 23 September 1992, regarding the consolidated financial statements of financial institutions, Belfius discloses the following information on a consolidated basis, split country per country in which Belfius has an establishment (Branch and:or subsidiary).

Countries	Activity	31/12/17			
		Turnover[1] (in thousands of EUR)	Average FTE[2]	Net income before tax (in thousands of EUR)	Tax (expense) income (in thousands of EUR)
BELGIUM	BANK AND INSURANCE	2,286,053	6,264	864,916	(354,698)
MEMBER STATE		68,629	14	97,612	(2,309)
Luxembourg	Other financial services and insurance activities	11,681	6	10,411	(2,291)
Ireland	Other financial services and insurance activities	56,948	8	87,202	(17)
TOTAL		2,354,682	6,278	962,528	(357,007)

(1) Based on "Income" from the Consolidated statement of income in the Annual report.
(2) Disclosed in the Annual report in the note 7.10 "Staff expense".

Countries	Activity	31/12/18			
		Turnover[1] (in thousands of EUR)	Average FTE[2]	Net income before tax (in thousands of EUR)	Tax (expense) income (in thousands of EUR)
BELGIUM	BANK AND INSURANCE	2,387,515	6,344	907,973	(220,485)
MEMBER STATE					
Luxembourg	Other financial services and insurance activities	17,988	5	17,241	(4,652)
Ireland	Other financial services and insurance activities	(44,315)	7	(58,338)	8,251
TOTAL		2,361,189	6,356	866,876	(216,886)

(1) Based on "Income" from the Consolidated statement of income in the Annual report.
(2) Disclosed in the Annual report in the note 7.10 "Staff expense".

CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018

CONSOLIDATED BALANCE SHEET

Assets (In thousands of EUR)		31/12/17 IAS 39
I.	Cash and balances with central banks	10,236,669
II.	Loans and advances due from banks	14,121,427
III.	Loans and advances to customers	90,056,926
IV.	Investments held to maturity	5,441,999
V.	Financial assets available for sale	17,982,597
VI.	Financial assets measured at fair value through profit or loss	3,240,298
VII.	Derivatives	20,303,034
VIII.	Gain/loss on the hedged item in portfolio hedge of interest rate risk	3,720,764
IX.	Investments in equity method companies	31,481
X.	Tangible fixed assets	1,059,212
XI.	Intangible assets	162,074
XII.	Goodwill	103,966
XIII.	Current tax assets	20,343
XIV.	Deferred tax assets	235,399
XV.	Other assets	1,224,230
XVI.	Non current assets (disposal group) held for sale and discontinued operations	18,782
TOTAL ASSETS		167,959,201

The notes on pages 161 to 317 are an integral part of the consolidated financial statements.

Assets (In thousands of EUR)		Notes	01/01/18 IFRS 9	31/12/18 IFRS 9
I.	Cash and balances with central banks	5.2.	10,236,669	8,314,303
II.	Loans and advances due from credit institutions	5.3.	13,801,882	13,106,846
	A. Measured at amortised cost		13,801,882	13,106,846
	B. Measured at fair value through other comprehensive income		0	0
	C. Measured at fair value through profit or loss		0	0
III.	Loans and advances	5.4.	85,406,374	91,122,512
	A. Measured at amortised cost		83,060,191	89,302,446
	B. Measured at fair value through other comprehensive income		0	0
	C. Measured at fair value through profit or loss		2,346,183	1,820,067
IV.	Debt securities & equity instruments	5.5.	30,776,327	28,568,766
	A. Measured at amortised cost		21,143,773	21,610,561
	B. Measured at fair value through other comprehensive income		6,962,747	5,216,152
	C. Measured at fair value through profit or loss		2,669,808	1,742,052
V.	Unit-linked products insurance activities		2,597,572	2,837,971
VI.	Derivatives	5.6.	16,414,511	12,767,585
VII.	Gain/loss on the hedged item in portfolio hedge of interest rate risk	5.6.	5,046,357	4,590,806
VIII.	Investments in equity method companies	5.7.	31,481	47,949
IX.	Tangible fixed assets	5.8.	1,059,212	1,065,607
X.	Intangible assets	5.9.	162,074	191,497
XI.	Goodwill	5.10.	103,966	103,966
XII.	Tax assets	5.11.	337,298	378,192
	A. Current tax assets		20,343	77,683
	B. Deferred tax assets		316,955	300,508
XIII.	Technical insurance provisions - part of the reinsurer		276,930	99,902
XIV.	Other assets	5.12.	947,299	950,202
XV.	Non current assets (disposal group) held for sale and discontinued operations	5.13.	18,782	19,047
TOTAL ASSETS			167,216,734	164,165,152

For comparability purposes, Belfius presents the balance sheet at Date of Initial Application (DIA) on 01/01/18 with the balance sheet end December 2018. Note that a detailed analysis of the DIA is available in note 3 “Accounting principles on a consolidated basis”, chapter “Transition tables from IAS 39 to IFRS 9”.

The notes on pages 161 to 317 are an integral part of the consolidated financial statements.

Liabilities (In thousands of EUR)	31/12/17 IAS 39
I. Due to banks	11,109,893
II. Customer borrowings and deposits	76,274,483
III. Debt securities	22,027,063
IV. Financial liabilities measured at fair value through profit or loss	8,892,710
V. Technical provisions of insurance companies	15,149,692
VI. Derivatives	21,264,032
VII. Gain/loss on the hedged item in portfolio hedge of interest rate risk	105,017
VIII. Provisions and contingent liabilities	425,300
IX. Subordinated debts	1,198,968
X. Current tax liabilities	51,351
XI. Deferred tax liabilities	176,964
XII. Other liabilities	1,762,321
XIII. Liabilities included in disposal group and discontinued operations	0
TOTAL LIABILITIES	158,437,793

Equity (In thousands of EUR)	31/12/17 IAS 39
XIV. Subscribed capital	3,458,066
XV. Additional paid-in capital	209,232
XVI. Treasury shares	0
XVII. Reserves and retained earnings	4,811,537
XVIII. Net income for the period	605,502
CORE SHAREHOLDERS' EQUITY	**9,084,337**
XIX. Remeasurement available-for-sale reserve on securities	812,081
XX. Frozen fair value of financial assets reclassified to loans and advances	(474,031)
XXI. Remeasurement defined benefit plan	112,998
XXII. Discretionary participation features of insurance contracts	0
XXIII. Other reserves	(14,147)
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	**436,901**
TOTAL SHAREHOLDERS' EQUITY	9,521,237
XXIV. Non-controlling interests	171
TOTAL EQUITY	9,521,408
TOTAL LIABILITIES AND EQUITY	167,959,201

The notes on pages 161 to 317 are an integral part of the consolidated financial statements.

Liabilities (In thousands of EUR)		Notes	01/01/18 IFRS 9	31/12/18 IFRS 9
I.	Cash and balances from central banks	6.1.	3,978,544	3,962,322
II.	Credit institutions borrowings and deposits	6.2.	7,131,349	5,866,810
	A. Measured at amortised cost		7,131,349	5,866,810
	B. Measured at fair value through profit or loss		0	0
III.	Borrowings and deposits	6.3.	76,328,151	79,661,310
	A. Measured at amortised cost		76,274,483	79,609,747
	B. Measured at fair value through profit or loss		53,669	51,563
IV.	Debt securities issued and other financial liabilities	6.4.	28,268,533	26,686,872
	A. Measured at amortised cost		22,027,063	19,274,694
	B. Measured at fair value through profit or loss		6,241,470	7,412,178
V.	Unit-linked products insurance activities		2,597,572	2,837,971
VI.	Derivatives	5.6.	21,195,874	17,740,280
VII	Gain/loss on the hedged item in portfolio hedge of interest rate risk	5.6.	105,017	165,078
VIII.	Provisions for insurance activities	6.5.	14,583,630	13,907,770
IX.	Provisions and contingent liabilities	6.6.	538,164	626,752
X.	Subordinated debts	6.7.	1,198,968	1,219,469
	A. Measured at amortised cost		1,198,968	1,219,469
	B. Measured at fair value through profit or loss		0	0
XI.	Tax liabilities	5.11.	84,521	30,825
	A. Current tax liabilities		51,351	22,301
	B. Deferred tax liabilities		33,170	8,524
XII.	Other liabilities	6.8.	1,761,932	1,500,070
XIII.	Liabilities included in disposal group and discontinued operations		0	0
TOTAL LIABILITIES			157,772,256	154,205,529

Equity (In thousands of EUR)		Notes	01/01/18 IFRS 9	31/12/18 IFRS 9
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		5,120,363	4,738,565
XVIII.	Net income for the period		0	649,028
SHAREHOLDERS' CORE EQUITY			8,787,661	9,054,891
XIX.	Fair value changes of debt instruments measured at fair value through other comprehensive income		375,113	218,588
XX.	Fair value changes of equity instruments measured at fair value through other comprehensive income		187,222	75,031
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		(18,901)	13,679
XXIII.	Remeasurement pension plans		112,998	42,170
XXIV.	Discretionary participation features of insurance contracts	6.5.	0	41,850
XXV.	Other reserves		215	212
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME			656,646	391,530
TOTAL SHAREHOLDERS' EQUITY			9,444,308	9,446,422
XXVI.	Additional Tier-1 instruments included in equity		0	497,083
XXVII.	Non-controlling interests		171	16,118
TOTAL EQUITY			9,444,478	9,959,623
TOTAL LIABILITIES AND EQUITY			167,216,734	164,165,152

For comparability purposes, Belfius presents the balance sheet at Date of Initial Application (DIA) on 01/01/18 with the balance sheet end December 2018. Note that a detailed analysis of the DIA is available in note 3 "Accounting principles on a consolidated basis", chapter "Transition tables from IAS 39 to IFRS 9".

The notes on pages 161 to 317 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

(In thousands of EUR)		Notes	31/12/17 IAS 39	31/12/18 IFRS 9
I.	Interest income	7.1.	3,561,100	3,399,369
II.	Interest expense	7.1.	(1,609,627)	(1,527,831)
III.	Dividend income	7.2.	73,083	70,981
IV.	Net income from equity method companies	7.3.	4,195	1,745
V.	Net income from financial instruments at fair value through profit or loss	7.4.	46,143	(10,644)
VI.	Net income on investments and liabilities	7.5.	173,958	121,704
VII.	Fee and commission income	7.6.	721,472	734,366
VIII.	Fee and commission expenses	7.6.	(168,809)	(178,710)
IX.	Technical result from insurance activities	7.7.	(208,814)	(53,890)
	A. Gross earned premiums		1,451,024	1,488,048
	B. Other technical income and charges		(1,659,838)	(1,541,939)
X.	Other income	7.8.	141,895	193,666
XI.	Other expenses	7.9.	(379,913)	(389,568)
INCOME			**2,354,682**	**2,361,189**
XII.	Staff expenses	7.10.	(562,324)	(614,740)
XIII.	General and administrative expenses	7.11.	(479,313)	(496,938)
XIV.	Network costs		(243,300)	(219,110)
XV.	Depreciation and amortisation of fixed assets	7.12.	(83,672)	(95,004)
EXPENSES			**(1,368,608)**	**(1,425,792)**
GROSS INCOME			**986,074**	**935,397**
XVI.	Impairments on financial instruments and provisions for credit commitments	7.13.	(33,013)	(66,397)
XVII.	Impairments on tangible and intangible assets	7.14.	9,467	(2,124)
XVIII.	Impairments on goodwill	7.15.	0	0
NET INCOME BEFORE TAX			**962,528**	**866,876**
XIX.	Current tax (expense) income	7.16.	(191,258)	(145,506)
XX.	Deferred tax (expense) income	7.16.	(165,749)	(71,381)
TOTAL TAX (EXPENSE) INCOME			**(357,007)**	**(216,886)**
NET INCOME AFTER TAX			**605,522**	**649,989**
XXI.	Discontinued operations (net of tax)		0	0
NET INCOME			**605,522**	**649,989**
Attributable to non-controlling interests			20	962
Attributable to equity holders of the parent			605,502	649,028

The statement of income reported under IAS 39 end December 2017 is compared with the statement of income end December 2018 under IFRS 9 as no pro forma is made.

The notes on pages 161 to 317 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31/12/17 IAS 39		
(In thousands of EUR)	Before-tax amount	Tax (expense) income	Net-of-tax amount
RESULT RECOGNISED IN THE STATEMENT OF INCOME	962,528	(357,007)	605,522
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Unrealised result of property revaluation	(2)		(2)
Remeasurement defined benefit plan	18,784	7,223	26,007
TOTAL OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS	18,782	7,223	26,005
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Unrealised gains (losses) on available-for-sale financial investments and "frozen" fair value amortisation of financial assets reclassified to Loans and Advances	36,604	70,234	106,839
Gains (losses) on cash flow hedges	21,325	(2,143)	19,182
Discretionary participation features of insurance contracts	(48,739)	15,900	(32,839)
TOTAL OF OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT AND LOSS	9,190	83,991	93,181
OTHER COMPREHENSIVE INCOME	27,972	91,214	119,186
TOTAL COMPREHENSIVE INCOME	990,500	(265,792)	724,708
Attributable to equity holders of the parent			724,688
Attributable to non-controlling interests			20

The notes on pages 161 to 317 are an integral part of the consolidated financial statements.

(In thousands of EUR)	31/12/18 IFRS 9 Before-tax amount	Tax (expense) income	Net-of-tax amount
RESULT RECOGNISED IN THE STATEMENT OF INCOME	866,876	(216,886)	649,989
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS			
Unrealised result of property revaluation	(2)	0	(2)
Fair value changes of equity instruments measured at fair value through other comprehensive income(1)	(119,426)	9,015	(110,410)
Remeasurement pension plans(2)	(94,427)	23,599	(70,828)
TOTAL OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS	(213,855)	32,614	(181,241)
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)	(221,796)	65,282	(156,513)
Gains (losses) on cash flow hedges	35,436	(2,856)	32,580
Discretionary participation features of insurance contracts(4)	57,521	(15,672)	41,850
TOTAL OF OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	(128,838)	46,754	(82,083)
OTHER COMPREHENSIVE INCOME	(342,693)	79,369	(263,324)
TOTAL COMPREHENSIVE INCOME	524,183	(137,517)	386,665
Attributable to equity holders of the parent	521,397	(137,485)	383,912
Attributable to non-controlling interests(5)	2,786	(32)	2,754

(1) The fair value of equity instruments measured at fair value through other comprehensive income decreased with EUR 112 million due to market evolution and sales.
(2) The remeasurement of defined benefit plans decreased with EUR 71 million compared to year end 2017 mainly due to the negative return on plan assets and the remeasurement of a pension plan for which Belfius is not informed anymore of the fair value of the underlying asset portfolio of its segregated fund at the end of 2018 (we refer to the chapter material litigation for more information).
(3) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 157 million. This negative movement stems from an increase of the credit spreads compared to last year, realised capital gains resulting from disinvestments within Belfius Insurance and from the sale of Italian bonds within Belfius's Banking Group.
(4) The discretionary participation feature of insurance contracts increased to EUR 42 million as at 31 December 2018 compared to EUR 0 at 1 January 2018. The provision for future discretionary participation on 1 January 2018 has been fully included in the technical provisions through the statement of income. The provision for future discretionary participation increases from EUR 141 million as of 1 January 2018 to EUR 179 million as of 31 December 2018 stemming from higher volumes that, in accordance with the profit-sharing plan, may give rise to a discretionary participation right in the future.
(5) The non-controlling interests are mainly related to the minority stake within Auxipar.

Following the implementation of IFRS 9 as from 1 January 2018, certain elements have to be taken into account in the comparison between the total other comprehensive income year end 2017 (reported under IAS 39) and year end 2018 (reported under IFRS 9). We refer to note 3 "Accounting principles on a consolidated basis", chapter "Transition tables from IAS 39 to IFRS 9" for a detailed analysis of the DIA. Belfius realised an income before tax at year end 2018 of EUR 867 million, a decrease of EUR 96 million compared to 2017. Notwithstanding the continuous pressure on the interest margin, Belfius realised good commercial results thanks to strong growth of commercial volumes reflecting the successful development of our commercial franchise. The costs increased following further investments in human capital and digitalization. In addition, Belfius was able to continue its strict cost containment. The tax expenses decreased mainly following the reassessment of the deferred taxes (EUR 67 million) resulting from the Belgian Tax Reform enacted before year-end 2017. As a result, the net income after tax increased with EUR 44 million. Note that the Belgian Tax Reform had a negative impact on the Net Result 2017 of EUR 106 million. The comparison of the other comprehensive income is hampered due to the implementation of IFRS 9 whereby a significant part of the bond portfolio has been reclassified from Debt securities & equity instruments measured at fair value through other comprehensive income to Debt securities & equity instruments measured at amortised cost. As a result, the collective impairment calculated with the IAS 39 model was reversed through retained earnings and the new expected credit loss was recorded as a deduction of the financial assets. We refer to note 3 "Accounting principles on a consolidated basis", chapter "Transition tables from IAS 39 to IFRS 9" for a detailed analysis of the DIA.

The notes on pages 161 to 317 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

Core shareholders' equity (In thousands of EUR)	Subscribed capital	Additional paid-in capital	Reserves and retained earnings	Net income for the period	Core shareholders' equity
IAS 39					
AS AT 31 DECEMBER 2016	3,458,066	209,232	4,491,306	535,229	8,693,833
Movements of the period					
Transfers to reserves	0	0	395,229	(395,229)	0
Dividends[1]	0	0	0	(140,000)	(140,000)
Interim dividends[2]	0	0	(75,000)	0	(75,000)
Other movements	0	0	2	0	2
Net income for the period	0	0	0	605,502	605,502
AS AT 31 DECEMBER 2017	3,458,066	209,232	4,811,537	605,502	9,084,337

(1) Belfius has paid a dividend of EUR 140 million over the 2016 result (in addition to the interim dividend paid in September 2016) in April 2017.
(2) Belfius has paid an interim dividend of EUR 75 million over the 2017 result in September 2017.

In compliance with IAS 1.134-136, Belfius discloses its objectives, policies and processes for managing capital in the "Capital management" chapter of the management report.

The notes on pages 161 to 317 are an integral part of the consolidated financial statements.

Gains and losses not recognised in the statement of income (In thousands of EUR)	Unrealised result that may be reclassified subsequently to profit and loss				Unrealised result that will not be reclassified to profit and loss		Total gains and losses not recognised in profit and loss – Group share
	Remeasurement available-for-sale reserve on securities	Frozen fair value of financial assets reclassified to loans and advances	Derivatives – Cash Flow Hedge (CFH)	Discretionary participation features of insurance contracts[1]	Unrealised result of property revaluation	Remeasurement defined benefit plan	
IAS 39							
AS AT 31 DECEMBER 2016	729,864	(498,653)	(33,543)	32,839	217	86,990	317,714
Movements of the period							
Net change in fair value through equity – Available-for-sale investments[2]	76,534	0	0	(32,839)	0	0	43,695
Transfers to income of available-for-sale reserve amounts due to impairments	94	0	0	0	0	0	94
Transfers to income of available-for-sale reserve amounts due to disposals[3]	(121,582)	7,128	0	0	0	0	(114,454)
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended	0	17,494	0	0	0	0	17,494
Net change in fair value through equity – Cash flow hedges	0	0	19,272	0	0	0	19,272
Net change in cash flow hedge reserve due to transfers to income	0	0	(90)	0	0	0	(90)
Transfers to technical provisions of insurance companies[4][5]	127,171	0	0	0	0	0	127,171
Provisions booked from/to equity[6]	0	0	0	0	0	26,007	26,007
Transfers	0	0	0	0	(2)	0	(2)
AS AT 31 DECEMBER 2017	812,081	(474,031)	(14,361)	0	215	112,998	436,901

(1) Discretionary beneficiary participation is a contractual, but conditional entitlement to receive additional profits over and above a guaranteed return on insurance contracts (Life). The amount at year-end 2017 recorded through equity is equal to zero, as the entire amount of future profit sharing has been recorded through the statement of income.
(2) Due to the decrease in credit spreads and market evolutions on shares partially offset by a slight increase of the interest rates compared to 2016, the Available-for-sale reserve increased with EUR 77 million.
(3) A decrease in Available-for-sale reserve following sales of bonds and equities mainly at Belfius Insurance.
(4) These transfers concern amounts after tax following the application of Shadow Accounting, whereby part of the unrealised profits from financial assets available for sale is used as cover value for the payments of the obligations for insurance contracts and is therefore transferred to the technical reserves for insurance contracts.The shadow loss adjustment has decreased due to the slightly higher interest rate compared to year-end 2016.
(5) The technical provisions of associates are not included in the consolidated balance sheet.
(6) An increase can be noted following the remeasurement of the defined benefit plans due to a higher discount rate compared to year-end 2016 following slightly higher interest rates and the favorable return on the pension plan assets.

The notes on pages 161 to 317 are an integral part of the consolidated financial statements.

Non-controlling interests (In thousands of EUR)	Core shareholders' equity	Gains and losses not recognised in the statement of income	Non-controlling interests
AS AT 31 DECEMBER 2016	173	0	173
Movements of the period			
Dividends	(23)		(23)
Net income for the period	20		20
AS AT 31 DECEMBER 2017	171	0	171

(In thousands of EUR)	
Core shareholders' equity	0
Gains and losses not recognised in the statement of income attributable to equity holders of the parent	0
Non-controlling interests	171
TOTAL EQUITY AS AT 31 DECEMBER 2017	171

Core shareholders' equity (In thousands of EUR)	Subscribed capital	Additional paid-in capital	Reserves and retained earnings	Net income for the period	Core shareholders' equity
IFRS 9					
AS AT 31 DECEMBER 2017	3,458,066	209,232	5,417,038	0	9,084,337
IFRS 9 DATE OF INITIAL APPLICATION IMPACT	0	0	(296,675)	0	(296,675)
AS AT 1 JANUARY 2018(1)	3,458,066	209,232	5,120,363	0	8,787,661
Movements of the period					
Dividends(2)	0	0	(287,920)	0	(293,292)
Dividends Additional Tier 1	0	0	(9,057)	0	(3,685)
Dividends voted in advance(2)	0	0	(100,000)	0	(100,000)
Other movements	0	0	2	0	2
Net income for the period	0	0	0	649,028	649,028
Transfers from other comprehensive income due to sale of equity instruments	0	0	15,176	0	15,176
AS AT 31 DECEMBER 2018	3,458,066	209,232	4,738,565	649,028	9,054,891

(1) The impact of IFRS 9 in retained earnings is mainly related to
→ the new calculation methodology for impairment of EUR 257 million (expected credit loss model) and
→ the remeasurement of non basic financial assets.
(2) Belfius paid EUR 288 million as dividend over 2017, as well as an interim dividend of EUR 100 million in August 2018.

The notes on pages 161 to 317 are an integral part of the consolidated financial statements.

Gains and losses not recognised in the statement of income	Other comprehensive income that may be reclassified to profit or loss			Other comprehensive income that will not be reclassified to profit and loss			Total gains and losses not recognised in profit and loss – Group share
(In thousands of EUR)	Fair value changes of debt instruments measured at fair value through other comprehensive income	Gains (losses) on cash flow hedges	Discretionary participation features of insurance contracts(1)	Unrealised result of property revaluation	Fair value changes of equity instruments measured at fair value through other comprehensive income(2)	Remeasurement pension plans	
IFRS 9							
AS AT 31 DECEMBER 2017	105,849	(14,361)	0	215	232,201	112,998	436,901
IFRS 9 DATE OF INITIAL APPLICATION IMPACT	269,264	(4,540)	0	0	(44,979)	0	219,745
Gross amount	133,186	(4,540)	0	0	(52,607)	0	76,039
Deferred taxes	136,077	0	0	0	7,629	0	143,706
AS AT 1 JANUARY 2018(3)	375,113	(18,901)		215	187,222	112,998	656,646
Movements of the period							
Net change in fair value through other comprehensive income - debt instrument(4)	(65,237)	0	41,850	0	0	0	(23,388)
Transfer to income due to impairments – debt instruments	2,341	0	0	0	0	0	2,341
Transfer to income due to disposals – debt instruments(5)	(84,108)	0	0	0	0	0	(84,108)
Net change in fair value through other comprehensive income – equity instruments(6)	0	0	0	0	(93,018)	0	(93,018)
Net change in fair value through equity – derivatives – hedging reserve	0	33,427	0	0	0	0	33,427
Net change in cash flow hedge reserve due to transfers to income	0	(847)	0	0	0	0	(847)
Transfers to technical provisions of insurance companies(7)	(9,520)	0	0	0	(3,813)	0	(13,333)
Remeasurement pension plans(8)	0	0	0	0	0	(70,828)	(70,828)
Transfers to retained earnings due to sale of equity instruments irrevocably measured through other comprehensive income	0	0	0	0	(15,244)	0	(15,244)
Transfers	0	0	0	(2)	(116)	0	(119)
AS AT 31 DECEMBER 2018	218,588	13,679	41,850	212	75,031	42,170	391,530

(1) 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 to EUR 42 million as at 31 December 2018 stemming from higher volumes that, in accordance with the profit-sharing plan, may give rise to a discretionary participation right in the future.
(2) Fair value changes of equity instruments measured at fair value through other comprehensive income were classified as unrealised result that may be reclassified subsequently to profit and loss at the end of 2017 (IAS 39).
(3) The impact of IFRS 9 in other comprehensive income is mainly related to the business model reassessment. Belfius Bank defined a "held to collect" business model resulting in the reversal of the negative frozen Available-for-sale reserve as well as the negative unrealised gains and losses not recognised in the statement of income. At Belfius Insurance a mixed model is applied following the ALM policies and guidelines, making that the insurance group determined that a large 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.
(4) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 65 million mainly due to an increase of the credit spreads compared to last year.
(5) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 84 million mainly resulting from disinvestments within Belfius Insurance and from the sale of Italian bonds within Belfius's Banking Group.
(6) The fair value of equity instruments measured at fair value through other comprehensive income decreased with EUR 112 million mainly due to market evolution and sales.
(7) These transfers concern amounts after tax following the application of Shadow Accounting, whereby part of the unrealised profits from financial assets measured at fair value through other comprehensive income is used as cover value for the payments of the obligations for insurance contracts and is therefore transferred to the technical reserves for insurance contracts.
(8) The remeasurement of defined benefit plans decreased with EUR 71 million compared to year end 2017 mainly due to the negative return on plan assets and the remeasurement of a pension plan for which Belfius is not informed anymore of the fair value of the underlying asset portfolio of its segregated fund at the end of 2018 (we refer to the chapter material litigation for more information).

The notes on pages 161 to 317 are an integral part of the consolidated financial statements.

Additional Tier-1 instruments included in equity

(In thousands of EUR)

IFRS 9	
AS AT 31 DECEMBER 2017	0
Movements of the period	
Issuance of Additional Tier-1 instruments	497,083
AS AT 31 DECEMBER 2018	497,083

On 1 February 2018, Belfius issued EUR 500 million capital instruments, that qualify as AT1 under CRR/ CRD IV. The AT1 security has been analyzed in respect with IAS 32 and should be considered as an equity instrument. This inaugural AT1 issue was executed in the context of further diversification of funding sources and investor base. Furthermore, the AT1 securities increase the going concern loss absorption capital, and contribute to the expected MREL level, as well as to the leverage ratio of Belfius. In general, this transaction increases Belfius' financial and regulatory flexibility, accessing a new layer of instruments within its capital structure.

The issuance was done in the form of EUR denominated Perpetual AT1 Securities. The securities are callable after 7.25 years ("First Call Date") and every interest payment date thereafter. A CET 1 trigger of 5.125% is applicable on consolidated and statutory level, with a principal temporary write-down loss absorption mechanism. The coupons of the issued AT1 Securities are fully discretionary, semi-annual and non-cumulative. There is also a mandatory cancellation of the coupon upon insufficient distributable items, or when the coupon exceeds the Maximum Distributable Amount (MDA).

Non-controlling interests

(In thousands of EUR)	Core shareholders' equity	Gains and losses not recognised in the statement of income	Non-controlling interests
IFRS 9			
AS AT 1 JANUARY 2018	171	0	171
Movements of the period			
Dividends	(506)	0	(506)
Net income for the period	962	0	962
Net change in fair value through equity	0	1,733	1,733
Transfer to income due to disposals - debt instruments	0	60	60
Variation of scope of consolidation	13,790	0	13,790
Other movements	(90)	(1)	(91)
AS AT 31 DECEMBER 2018	14,326	1,792	16,118

The non-controlling interests are mainly related to the minority stake within Auxipar.

(In thousands of EUR)	
IFRS 9	
Shareholders' core equity	9,054,891
Gains and losses not recognised in the statement of income	391,530
Additional Tier-1 instruments included in equity	497,083
Non-controlling interests	16,118
TOTAL EQUITY AS AT 31 DECEMBER 2018	9,959,623

The notes on pages 161 to 317 are an integral part of the consolidated financial statements.

Equity	31/12/17 IAS 39	31/12/18 IFRS 9
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	1,68	1,81
Diluted	1,68	1,81
NOMINAL VALUE PER SHARE	no nominal value	no nominal value
Outstanding as at 1 January	359,412,616	359,412,616
Number of shares issued	0	0
Number of shares cancelled	0	0
Outstanding as at 31 December	359,412,616	359,412,616
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital	0	0
Number of treasury shares	0	0
Number of shares reserved for issue under stock options and contracts for the sale of share	0	0

For the explanation of the evolution of regulatory own funds and the solvency of the company, we refer to the chapter "Capital Management" in the management report.

Shared-based payments

There are no option plans with Belfius shares as underlying asset.

The notes on pages 161 to 317 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Belfius uses the indirect method for the cash flow statement. The presentation of this statement begins with net income or loss, with subsequent additions to or deductions from that amount for non-cash revenue and expense items, resulting in net income provided by operating activities.

(In thousands of EUR)	IAS 39 31/12/17
CASH FLOW FROM OPERATING ACTIVITIES	
Net income after tax	605,522
Adjustment for:	
Depreciation, amortisation and other impairment	91,278
Impairment on bonds, equities, loans and other assets	(93,620)
Net (gains) or losses on investments	(106,527)
Increase / (decrease) of provisions (mainly insurance provision)	(495,916)
Unrealised (gains) or losses	193,629
Income from equity method companies	(4,195)
Dividends from equity method companies	7,626
Deferred taxes	165,749
Translation adjustments	(53,873)
Changes in operating assets and liabilities(1)	1,190,845
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**1,500,517**
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(147,778)
Sales of fixed assets	79,208
Acquisitions of unconsolidated equity shares	(209,873)
Sale of unconsolidated equity shares(2)	354,124
Acquisition of subsidiaries and of business units	(5,235)
Sale of subsidiaries and of business units	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**70,447**
CASH FLOW FROM FINANCING ACTIVITIES	
Issuance of subordinated debts	49,626
Repayments of subordinated debts	(215,472)
Dividends paid(3)	(140,023)
Interim dividends paid(4)	(75,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(380,870)**
NET CASH PROVIDED	**1,190,094**
Cash and cash equivalents at the beginning of the period	10,418,931
Cash flow from operating activities	1,500,517
Cash flow from investing activities	70,447
Cash flow from financing activities	(380,870)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**11,609,025**
ADDITIONAL INFORMATION	
Income tax paid (included in line net cash provided (used) by operating activities)	(176,012)
Dividends received (included in line net cash provided (used) by operating activities)	80,709
Interest received (included in line net cash provided (used) by operating activities)	3,663,805
Interest paid (included in line net cash provided (used) by operating activities)	(1,607,916)

(1) Belfius has issued inaugural Non-Preferred Senior bonds increasing its loss absorption capacity, and which contributes to the Minimum Requirement for own funds and Eligible Liabilities (MREL). The first tranche of EUR 750 million was issued on 5 September 2017, with a maturity of 5 years and an annual coupon of 0.75%. The second tranche of EUR 500 million was issued on 19 October 2017, with a maturity of 7 years and an annual coupon of 1.00%. Furthermore, Belfius has liquidated its investments in the following funds: "Belfius European Loans Fund", "Belins High Yield" and "Belins US Corporate Bonds" in the course of the second half of 2017. The decision was taken after a re-assessment of the investment framework, and it was determined that the volatility of these funds did not comply anymore with Belfius Insurance's new investment framework.
(2) Belfius has sold its investments in "Aviabel", "Pole Star" and "North Light" during 2017.
(3) Belfius has paid a dividend of EUR 140 million over the 2016 result in April 2017.
(4) Belfius has paid an interim dividend of EUR 75 million over the 2017 result in September 2017.

We refer to the chapter "Liquidity" of the management report for a detailed description.

The notes on pages 161 to 317 are an integral part of the consolidated financial statements.

(In thousands of EUR)	IFRS 9 31/12/18
CASH FLOW FROM OPERATING ACTIVITIES	
Net income attributable to equity holders of the parent	649,028
Net income attributable to non-controlling interests	962
ADJUSTMENT FOR NON CASH ITEMS	190,106
Depreciation, amortisation and other impairment	114,222
Impairment on bonds, loans and other assets	(47,023)
Net (gains) or losses on investments	(32,258)
Net (gains) or losses on tangible & intangible assets	(7,719)
Net (gains) or losses on consolidated shares & equity method companies	(24,539)
Increase / (decrease) of provisions (mainly insurance provision)	67,812
Unrealised (gains) or losses(1)	16,453
Net unrealised gains from cash flow hedges(2)	(87)
Income from equity method companies	(1,745)
Dividends from equity method companies	1,352
Deferred taxes	71,381
Deferred tax income	(50,305)
Deferred tax charges	121,685
Other adjustments	0
CHANGES IN OPERATING ASSETS	(2,791,939)
Balances with central banks	0
Loans and advances due from credit institutions	1,542,700
Loans and advances	(5,791,150)
Debt securities and equity instruments	1,532,453
Assets from insurance companies	164,340
Tax asset	(63,615)
Accrued income from financial assets	(112,863)
Other assets	(63,915)
Assets held for sale-other assets	111
CHANGES IN OPERATING LIABILITIES	(343,832)
Balances from central banks	0
Loans and advances due to credit institutions	(1,265,425)
Customer borrowings and deposits	3,315,938
Debt securities	(1,596,318)
Technical provisions of insurance companies	(637,258)
Provisions and contingent liabilities	0
Tax liabilties	(36,000)
Accrued expenses on financial instruments	134,456
Other liabilities specific to insurance companies	(181,290)
Other liabilities	(77,934)
Liabilities held for sale-other liabilities	0
OTHER OPERATING FLOWS	675,512
DERIVATIVES	878,198
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(741,966)

(1) This line item includes the fair value valuation on financial instruments at fair value through profit or loss.
(2) This line item includes the result of the discontinuation of cash flow hedges.

The notes on pages 161 to 317 are an integral part of the consolidated financial statements.

(In thousands of EUR)	IFRS 9 31/12/18
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(134,461)
Sales of fixed assets	23,119
Acquisitions of unconsolidated equity shares	(128,841)
Sale of unconsolidated equity shares(1)(2)	142,241
Acquisitions of subsidiaries and of business units(3)	(39,336)
Sale of subsidiaries and of business units	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(137,278)
CASH FLOW FROM FINANCING ACTIVITIES	
Issuance of new shares	0
Reimbursement of capital	0
Issuance of subordinated debts(4)	198,952
Reimbursement of subordinated debts(4)	(190,254)
Issuance of Additional Tier-1 instruments(5)	497,083
Reimbursement of Additional Tier-1 instruments	0
Purchase of treasury shares	0
Sale of treasury shares	0
Dividends paid(6)	(397,482)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	108,300
NET CASH PROVIDED	(770,944)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	11,609,025
Cash flow from operating activities	(741,966)
Cash flow from investing activities	(137,278)
Cash flow from financing activities	108,300
Effect of exchange rate changes on cash and cash equivalents	(13)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10,838,068
ADDITIONAL INFORMATION	
Income tax paid (included in line net cash provided (used) by operating activities)	(228,927)
Dividends received (included in line net cash provided (used) by operating activities)	72,333
Interest received (included in line net cash provided (used) by operating activities)	3,285,666
Interest paid (included in line net cash provided (used) by operating activities)	(1,394,880)

(1) Belfius Insurance has sold certain equity positions for risk and ALM purpose.
(2) Belfius Bank sold its investments in "NEB participations", an associate evaluated through the equity method, for EUR 37 million.
(3) On 29 March, Belfius acquired 35.3% of the shares of Auxipar. On 11 October, Belfius Insurance acquired 100% of the shares of Offico Immo.
(4) Belfius issued a new subordinated debt Tier 2 for a nominal amount of EUR 200 million in the first quarter of 2018. In addition, the Governing Council of the European Central Bank (ECB) has granted Belfius permission to call three Tier 2 instruments in the first half year of 2018 for an amount of EUR 191 million.
(5) On 1 February 2018, Belfius issued EUR 500 million capital instruments qualifing as AT1 under CRR/ CRD IV.
(6) Belfius paid a dividend of EUR 288 million over the 2017 result. Note that an interim dividend of EUR 100 million had been paid in August 2018. In addition, the interest on the Additional Tier 1 of EUR 9 million was paid and is considered as a dividend under IFRS.

The notes on pages 161 to 317 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

II. Post balance sheet events

Please find below an overview of non-adjusting events between the balance sheet date (31 December 2018) and the publication of this report.

1. Dividend

The Board of Directors of 21 March 2019, has proposed to the General Assembly of 24 April 2019 an ordinary dividend of EUR 363 million in respect of the accounting year 2018, of which EUR 100 million was already paid through an interim dividend in 2018.

2. Jaimy and Charlin

On 5 March 2019, the companies Jaimy (original name BI New Co) and Charlin performed a capital increase of respectively EUR 11.6 million and EUR 15.1 million. Belfius Insurance incorporated own developed software in 2018. Following the contribution in cash by its partner The Boston Consulting Group, Belfius Insurance's share in equity decreases from 100% to 78.5% at BI New Co (which, following the capital increase, changed its name to Jaimy) and 77.4% at Charlin. Jaimy aims to provide a platform where users can request small home repairs. Charlin aims to offer a solution for the elderly whereby they'll be able to stay longer in their own homes without special assistance. The capital increase ensures that these entities can further develop their activities and can commercially expand in their respective markets.

III. ACCOUNTING PRINCIPLES ON A CONSOLIDATED BASIS

TABLE OF CONTENTS

NOTES TO THE FINANCIAL STATEMENTS

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

The common used abbreviations below are:

- IASB: International Accounting Standards Board;
- IFRIC: Interpretation issued by the IFRS Interpretations Committee;
- IFRS: International Financial Reporting Standards.

In the following text, "Belfius" refers to "Belfius Bank & Insurance".

The financial statements have been approved by the Board of Directors of Belfius Bank on 21 March 2019.

ACCOUNTING POLICIES

1. Basis of accounting

1.1. General

The consolidated financial statements of Belfius have been prepared in accordance with IFRSs as issued by the IASB, including interpretations ("IFRICs") issued by the IFRS Interpretation Committee, as adopted by the European Union up to 31 December 2018 including the conditions applicable to interest-rate portfolio hedging ("carve-out").

The Royal Decree of 5 December 2004 requires Belfius to publish its consolidated financial statements in accordance with IFRSs approved by the European Union as from 31 December 2006.

The consolidated financial statements are prepared on a going-concern basis. They are expressed in thousands of Euro (EUR) unless otherwise stated.

1.2. Accounting estimates and judgements

In preparing the consolidated financial statements, management is required to make estimates, assumptions and judgements that affect the amounts reported. To make these assumptions and estimates, management uses information available at the date of preparation of the financial statements and exercises its judgement. While management believes that it has considered all available information in developing these estimates, actual results may differ from the estimates and the differences could be material to the financial statements.

Judgement is used principally in, but not limited to, the following areas:

- Assessment of the business model considering the way performance of the assets is evaluated, the risks that affect this performance and the compensation of managers (see section II.6.2.1.);
- Assessment whether or not the contractual terms of a financial asset are solely payments of principal and interest (cf. SPPI test) (see section II.6.2.1.);

- Determination whether or not there is an active market based on criteria such as volume, actual trade, market liquidity, bid offer spread for financial instruments measured at fair value (see section II.6.7.);
- Determination of fair value for financial instruments measured at fair value by means of valuation techniques (see section II.6.7.);
- Determination whether or not Belfius (jointly) controls an investee or has significant influence over an investee: this control assessment considers all facts and circumstances, such as voting rights, potential voting rights, rights of the investor, type of activity (see section II.3.);
- Identification of non-current assets and disposal groups held for sale and discontinued operations (IFRS 5) (see section II.14.);
- The appropriateness of designating derivatives as hedging instruments (see section II.6.6.2.);
- Existence of a present obligation with probable outflows in the context of litigations (see section II.18.);
- Measurement of expected credit loss allowances and choice of the appropriate models as well as the use of appropriate assumptions about future economic conditions and credit behaviour of the customer (see section II.6.5.);
- Assessment of significant increase in credit risk for a financial asset since its initial recognition to determine whether 12-month or lifetime expected losses should be recognised. This assessment takes into account qualitative and quantitative reasonable and supportable forward-looking information; (see section II.6.5.)
- Grouping of assets with similar credit risk characteristics and continuous monitoring of the appropriateness of the credit risk characteristics to assess whether they continue to be similar (see section II.6.5.), and
- Classification of a financial instrument or its component parts as a financial liability or equity based on the economic substance rather than the legal form of the instrument or its component (see section II.6.1.).

Estimates are principally made in the following areas:

- Determination of the fair value less costs to sell for non-current assets and disposal groups held for sale (see section II.14.);
- Determination of expected credit losses by using the relative weighting of forward-looking scenario's on credit behaviour of customers, the Probability of Default (PD) and Loss Given Default (LGD) (see section II.6.5.);
- Determination of the change in fair value for financial liabilities designated as at FVTPL attributable to a change in credit risk of the financial liability (see section II.6.3.2.);
- Determination of the useful life and the residual value of property, equipment, investment property and intangible assets (see section II.10. and II.11.);
- Determination of the market value correction to adjust for market value and model uncertainty (see section II.6.7.);
- Measurement of liabilities for insurance contracts (see section II.8.);
- Testing the adequacy of liabilities for insurance contracts considering model uncertainty, economic and non-economic assumptions (see section II.8.);
- The measurement of hedge effectiveness in hedging relations (see section II.6.6.2. and II.6.6.3.);
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets (see section II.17. and note 6.7.);
- Estimation of future taxable profit for the recognition and measurement of deferred tax assets (see section II.16.);
- Estimation of the recoverable amount of cash-generating units for goodwill impairment (see section II.12.2.).

These judgements and estimates are discussed in the corresponding sections (as referenced above) of the accounting policies.

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

The overview of the texts below is made until the reporting date of 31 December 2018.

2.1. IASB / IFRS and IFRIC texts endorsed by the European Commission and applied as from 1 January 2018

The IASB has published an IFRIC and several limited amendments and improvements to existing IFRS. They will be applied, if necessary, but their impact is estimated to be negligible.

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" clarifies the exchange rate to use when accounting for transactions where Belfius recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.
- Amendments to IAS 40 "Transfers of Investment Property" clarify the requirements on transfers to, or from, investment property.
- The amendments to IFRS 1 and IAS 28, as part of the "Annual Improvements to IFRSs 2014-2016 Cycle".
- Amendments to IFRS 2 related to "Classification and Measurement of Share-based Payment Transactions" deal with the following topics: vesting conditions, net settlement features and modifications to the terms and conditions.

IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with customers" are applied as from 1 January 2018. Further details are available in paragraphs II.6 and II.7 below.

2.2. IASB / IFRS and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from 1 January 2018.

Standards under analysis

- Amendment to IFRS 9 "Prepayment Features with Negative Compensation" applies to debt instruments that fail the SPPI test due to a prepayment feature with negative compensation. The amendment allows entities to measure these debt instruments at amortised cost or at fair value through other comprehensive income even when the prepayment option results in the option holder receiving compensation for early prepayment on the condition that the debt instruments satisfy the business model requirement. The amendment is effective from 1 January 2019 and the implementation impact is expected to be limited.

- IFRIC 23 "Uncertainty over Income Tax Treatments" clarifies the application of recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. IFRIC 23 is effective from 1 January 2019 but the impact is expected to be limited.

2.3. New IFRS, IFRIC and amendments issued during the current year but not yet endorsed by the European Commission

Standards under analysis

Nil.

Standards with potential impact for Belfius

- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" state that in case a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. These amendments will impact Belfius in the case that Belfius changes the terms or the membership of a defined benefit plan such that there is a past service cost or a gain or loss on settlement. Amendments to IAS 19 are effective from 1 January 2019.
- The revised "Conceptual Framework for Financial Reporting" includes revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. It does not have a stated effective date and the IASB Board will start using it immediately.
- The "Amendments to References to the Conceptual Framework in IFRS Standards" document updates references to previous versions of the Conceptual Framework in IFRS Standards, their accompanying documents and IFRS practice statements. These might impact Belfius and are effective from 1 January 2020.
- Amendments to IFRS 3 "Definition of a business" clarifies the meaning of a business when applying IFRS 3 "Business Combinations". To be considered as a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. These amendments might impact Belfius and are effective from 1 January 2020.
- Amendments to IAS 1 and IAS 8 "Definition of material" refine the definition of material and align the definitions used across IFRS standards and other publications. The new definition of material forms part of the IASB central theme on "Better communication in Financial Reporting". The new definition states that information is material if omitting, misstating or obscuring could reasonably be expected to influence decisions of primary users of the financial statements. The amendments are effective from 1 January 2020 and might impact Belfius.

Standards with no impact

Nil.

Standards not applicable for Belfius

Nil.

2.4. Ongoing projects

2.4.1. IFRS 17 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2021, but subject to tentative decision deferral by one year)

In May 2017 the IASB issued IFRS 17 "Insurance Contracts". IFRS 17 is a comprehensive accounting model and establishes 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 a discretionary participation feature.

The new standard supersedes IFRS 4 and is effective for periods beginning on or after 1 January 2021 with early application permitted. It should be applied retrospectively unless impracticable, in which case alternative approaches can be applied.

Based on our first understanding and ongoing analysis, preparing for and implementing the new standard will have a significant impact on the financial statements and key performance indicators of Belfius Insurance and Belfius Bank.

Considering the complexity of the matters, an IFRS 17 dedicated task force has been created ensuring a strict project governance structure.

2.4.2. IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019)

Effective from 1 January 2019, the new IFRS 16 Leases standard (issued in January 2016) will replace IAS 17.

The qualitative and quantitative analysis of the Belfius contracts as a lessee identified no material impact of the adoption of IFRS 16.

- Identification of all the contracts that are within the scope of the standard.
- Specification in each contract of the identified asset and the right to control the use of the identified asset.
- Distinction between service components and lease components within each contract.
- Analysis of the contracts in connection with the recognition exemptions as provided in IFRS 16 relating to the lease term (short term leases) and low value assets. As Belfius has opted to apply these recognition exemptions, the lease payments associated with those leases will be recognised as an expense on a straight-line basis over the lease term. However, rented buildings are in scope of IFRS 16.

For Belfius acting as a lessor, the accounting approach under IFRS 16 remains substantially unchanged.

For rented buildings where Belfius acts as a lessee, a right-of-use asset and a lease liability will be recognised in the balance sheet with limited impact on a net basis.

In the statement of income, a depreciation and an interest charge will be recognised, which compared with the accounting treatment under IAS 17, will not have an impact in P&L over the total lease term of the contract.

Belfius does not expect the First Time Adoption of IFRS 16 to have a significant effect on the shareholders' equity.

2.5. Changes in presentation

The additional Tier-1 issuance of January 2018 exclusively addressed to institutional investors is classified as an equity instrument as required by IAS 32 and reported in a separate equity line item "XXVI. Additional Tier-1 instruments included in equity". This leads to a renumbering of the previously used line item "XXVI. Non-controlling interests" into the new line item "XXVII. Non-controlling interests". Because this is a mere renumbering of a line item, Belfius does not provide a pro-forma balance sheet. The tax consequences of the additional Tier-1 issuance are recognised in line item XVII. Reserves and retained earnings.

3. Consolidation

3.1. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of

- the acquisition-date fair values of the assets transferred by Belfius;
- the liabilities incurred by Belfius to former owners of the acquiree; and
- the equity interests issued by Belfius in exchange for control of the acquiree.

Acquisition-related costs are recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Non-controlling interests may be initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.The equity and net income attributable to the non-controlling interests are shown separately in the balance sheet and statement of income respectively.

When the consideration transferred by Belfius in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Subsequent changes in the fair value of the contingent consideration are typically recognised in profit or loss.

When a business combination is achieved in stages, previously equity interests held by Belfius in the acquiree is remeasured to fair value at the acquisition date (i.e. the date on which Belfius obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3.2. Subsidiaries

Subsidiaries are those entities over which Belfius has, either directly or indirectly, control. Belfius controls an entity when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are fully consolidated as from the date on which effective control is transferred to Belfius and are no longer consolidated as from the date on which control is lost. Intercompany transactions and balances, and gains and losses on transactions between consolidated companies of Belfius are eliminated. Where necessary, the accounting policies of the subsidiaries are aligned to ensure consistency with the policies adopted by Belfius.

When Belfius loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

3.3. Jointly controlled entities and associates

A joint venture is a joint arrangement whereby the parties have joint control of the arrangement. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint ventures are accounted for using the equity method.

Associates are investments in which Belfius has significant influence, but does not exercise control. This is usually the case when Belfius owns between 20% and 50% of the voting rights. Investments in associates are initially measured at cost and accounted for using the equity method.

Following the equity method, the ownership share of net income for the year is recognised as income of joint ventures and associates, whereas the share in other comprehensive income of joint ventures and associates is carried on a separate line of the statement of comprehensive income. The investment is recorded in the balance sheet at an amount that reflects Belfius' share of the net assets of joint ventures and associates increased with related goodwill.

Gains and losses on transactions between Belfius and its "equity method investments" are eliminated to the extent of the interest therein of Belfius. The recognition of losses from joint ventures and associates is discontinued when the carrying amount of the investment reaches zero, unless Belfius has incurred or guaranteed legal or constructive obligations on behalf of the associate or joint venture. Where necessary, the accounting policies of the joint ventures and associates are aligned to ensure consistency with the policies adopted by Belfius.

3.4. Structured entities

A structured entity is an entity whose activities are not governed by way of voting rights. These entities generally finance the purchase of assets by issuing debt and equity securities that are collateralised by assets held by the structured entities. The debt and equity securities issued by the structured entities may include tranches with varying levels of subordination. In assessing whether Belfius has power over such investees in which it has an interest, Belfius considers factors such as the purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee and the size of its exposure to the variability of returns of the investee.

4. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset (and, consequently, only the net amount is reported) when Belfius has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

5. Foreign currency translation and transactions

5.1. Foreign currency translation

On consolidation, the income and cash-flow statements of foreign entities that have a functional currency different from the presentation currency of Belfius are translated into the presentation currency (EUR) of Belfius at the average exchange rates for the year (annual reporting) or the period (interim reporting) and their assets and liabilities are translated at the respective year-end or quarter-end exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, associates, joint ventures and of borrowings and other currency instruments designated as hedges of such investments, are recorded as a cumulative translation adjustment within equity. On disposal of a foreign entity, such exchange differences are recognised in the statement of income as part of the gain or loss on disposal.

5.2. Foreign currency transactions

For individual Belfius entities, foreign currency transactions are accounted for using the approximate exchange rate at the date of the transaction. Outstanding balances of monetary and non-monetary items carried at fair value denominated in foreign currencies are translated at period- or year-end using the exchange rates applicable at period- or year-end. Historical rates are used for non-monetary items carried at cost and such items are not subsequently remeasured for changes in exchange rates. The exchange differences for non-monetary items carried at fair value are governed by the same accounting treatment as for fair value adjustments. Exchange differences for monetary items are recorded in the consolidated statement of income.

6. Financial instruments

The transition from IAS 39 to IFRS 9 has been performed in January 2018 with 1 January 2018 as initial date of application. The accounting policies for financial instruments reflect the IFRS 9 requirements for 2018 and the IAS 39 accounting policies (applicable to the comparatives 2017) are to be found in the published 2017 financial statements. We refer to the first time adoption transition disclosures with opening balance as of 1 January 2018 for a high level review of the financial impact.

6.1. Recognition and initial measurement

At initial recognition, judgement can be required in determining the appropriate classification of the financial instruments. Debt and equity instruments issued by a group entity are classified as a financial liability or as an equity instrument in accordance with the substance of the contractual arrangement rather than the legal form of the instrument and the definitions of financial liability and equity instrument.

Regular way purchases of financial assets are recognised on settlement date, which is the date of delivery to Belfius. Financial assets (other than regular way purchases) and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities that are not measured at fair value through profit or loss are initially measured at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities. Transaction costs for financial assets and liabilities measured at fair value through profit or loss are recognised immediately in profit or loss.

Although the transaction price is the best evidence of fair value for all financial instruments, a day one profit or loss may be applicable.

The day one profit or loss is the difference between:

- the transaction price and the quoted price in an active market for a financial instrument; or
- the transaction price and the fair value determined by using a valuation technique (mark-to-model), if the instrument is not quoted.

If all the inputs of the model are observable, the day one profit or loss will be recognised immediately in the statement of income.

If all inputs of the model are not observable, the day one profit or loss will be amortised over the expected life of the instrument, where this is appropriate. However, if the data subsequently becomes observable, the remaining portion of day one profit or loss will be recognised in the statement of income.

In cases of early termination of the underlying instrument, the remaining portion of day one profit or loss will be recognised in the statement of income.

6.2. Classification and subsequent measurement of financial assets

6.2.1. General

According to IFRS 9, the classification and measurement of financial assets is based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics (referred to as the Solely Payments of Principal and Interest test – SPPI test).

The following business models are available for managing financial assets:

- Hold to collect contractual cash flows;
- Hold to collect contractual cash flows and sell;
- Other, such as trading and management of assets on a fair value basis.

IFRS 9 introduces the following categories for the measurement of debt instruments. The methods for the measurements are:

- Fair value through other comprehensive income (FVTOCI) – financial assets will be classified into this category if the assets meet the SPPI test and the business model is to hold the assets to collect contractual cash flows and to sell the assets
- Amortised cost – financial assets will be classified into this category if the assets meet the SPPI test and the business model is to only hold the assets to collect contractual cash flows
- Fair value through profit or loss – financial assets that do not fall within the two categories above will be measured at fair value through profit or loss.

Debt instruments that meet the amortised cost or FVTOCI criteria can be irrevocably designated at fair value through profit or loss if it eliminates, or significantly reduces, an accounting mismatch in profit or loss.

Investments in equity instruments are classified at fair value through profit or loss because they do not meet the SPPI test. However, IFRS 9 allows an entity to make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this Standard that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. Dividends from investments in equity instruments are always recognized in profit or loss unless the dividend clearly represents a recovery of the cost of the investment.

The cash flow characteristics test (or SPPI – Solely Payment of Principal and Interest test)

The cash flow characteristics test assesses whether contractual cash flows are solely payments of principal and interest on the principal outstanding, consistent with a basic lending arrangement. For contractually linked instruments a "look-through" approach is applied to determine whether the SPPI criterion is met for the tranches of the instrument taking into consideration the contractual terms of the tranche and the characteristics of the underlying pool as well as the exposure to credit risk.

Principal is the fair value of the financial asset at initial recognition and may change over the life of the financial asset (in case of repayments of principal). Interest is the consideration for the time value of money, the credit risk and may also include consideration for other basic lending risks and costs (such as liquidity risk and administration costs) as well as a profit margin.

In making this assessment, Belfius takes into account:

- Contingent events that would change the amount or timing of the cash flows (by assessing the cash flows arising before and after the change in cash flows);
- Terms that may adjust the contractual coupon rate including variable rate features (whether or not variations can be regarded as compensation for credit risk);
- Prepayment and extension features (by assessing amount of prepayment and cash flows during the extension period); and
- Terms that limit the entity's claims to cash flows from specified assets (such as non recourse features).

Business model

The business models are determined by the Board of Directors for homogenous portfolios and reflect how the financial assets are managed together to achieve a particular objective. The determination of the business model takes into account all relevant information in normal scenarios and also considers the following factors:

- Past experience regarding the frequency, volume and timing of sales, the reasons for such sales and expectations about future sales activity;
- How the asset's performance is evaluated and reported to key management personnel;
- How risks are assessed and managed; and
- How managers are compensated.

Belfius applies the following business models to manage its financial assets:

- Hold to collect contractual cash flows;
- Hold to collect contractual cash flows and sell the financial assets;
- Any other business models such as trading and management of assets on a fair value basis.

At initial recognition of a financial asset, Belfius determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model.

Once a year, Belfius reassesses its business models to determine whether the business models have changed since the preceding period.

Change in Business model

A future change in business models for existing financial assets and the related prospective reclassification of all affected financial assets will be very exceptional as it should be the consequence of an acquisition, sale or development of an activity or a business line that is significant for the operations of each of the entities of Belfius Group and is demonstrable to external parties. In view of its significance, the proposition to change should be discussed and decided by the appropriate governance bodies.

6.2.2. Financial assets measured at amortised cost (AC)

Debt instruments (including hybrid contracts) that are held within a business model "hold to collect contractual cash flows" and with contractual cash flows that are SPPI compliant and for which Belfius has not elected the fair value option, are subsequently measured at amortised cost.

This category includes debt instruments with the objective of holding these debt instruments until maturity and generating a stable interest margin. When loans are sold to a securitization vehicle that is consolidated, this does not preclude their classification as hold to collect.

Sales are not an integral part of the "hold to collect contractual cash flows" business model but may be consistent with this business model if sales are close to maturity, sales are due to an increase in credit risk or sales are not significant (even if frequent) or infrequent (even if significant). Judgement should be applied to determine whether the sales are consistent with a "hold to collect contractual cash flows" business model.

Amortised cost is the amount at which the debt instruments are measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount using the effective interest method (cf. section II.6.9. Interest income and expense), and adjusted for any impairment for expected credit losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss when they arise. Any gain or loss on derecognition is recognised in profit or loss.

6.2.3. Financial assets measured at fair value through other comprehensive income (FVTOCI)

This category includes debt instruments and investments in equity instruments.

Debt instruments measured at fair value through other comprehensive income

Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt instruments and whose contractual cash flows are SPPI compliant, are subsequently measured at fair value through other comprehensive income on the condition that Belfius has not elected the conditional fair value option.

Debt instruments included in funds with dedicated assets (segregated funds) or for which flexibility is required to face potential surrenders of Life insurance contracts, investment opportunities or kept to face potential liquidity needs are included in this category.

Movements in the carrying amount representing unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income under the line item XIX. "Gains and losses not recognised in the statement of income - Fair value changes of debt instruments measured at fair value through other comprehensive income".

When the debt instrument is disposed of Belfius recycles the cumulative gain or loss previously recognised in other comprehensive income to the line item VI. "Net income on investments and liabilities" in the statement of income.

Interest revenue and impairment are recognised in profit or loss. Foreign exchange gains and losses on debt instruments measured at FVTOCI that are part of an effective currency risk designated hedging relationship are recognised in other comprehensive income; otherwise they are recognised in profit or loss. Interest income is recognised using the effective interest method similar to financial assets measured at amortised cost.

Investments in equity instruments measured at fair value through other comprehensive income

Are included in this category, equity instruments that meet the IAS 32 definition and that are neither held for trading nor representing contingent consideration recognised by an acquirer in a business combination, and for which Belfius at initial recognition irrevocably on an instrument-by-instrument basis has elected to measure them at fair value through other comprehensive income (FVTOCI).

Subsequent changes in fair value, foreign exchange gains and losses and realised gains and losses are presented in other comprehensive income under the line item XX. "Fair value changes of equity instruments measured at fair value through other comprehensive income". On derecognition, the cumulative gains or losses previously recognised in other comprehensive income as mentioned above, are not subsequently reclassified to the statement of income but are transferred within equity to the line item XVII. "Reserves and retained earnings".

Fair value measurement is required for all equity instruments, even if those instruments are not quoted in an active market. Acquisition cost as appropriate estimate of fair value is only admitted in limited circumstances (cf. section II.6.7 Fair value of financial instruments).

Dividends are recognised in the statement of income when the right to receive payment of these dividends is established, it is probable that the economic benefits associated with the dividends will flow to Belfius and the amount of the dividends can be measured reliably. If a dividend represents a return of investments, it will be accounted as a reduction of the acquisition cost.

6.2.4. Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets subsequently measured at fair value through profit or loss consist of debt instruments and investments in equity instruments. Non hedging derivatives are treated in section II.6.6.1. A Derivatives – Trading portfolio, including embedded derivatives.

Debt instruments held for trading

Debt instruments held for trading are intended to generate a profit from short-term fluctuations in price or dealer's margins or are included in a portfolio in which a pattern of short-term profit taking exists. Belfius initially recognises these instruments at their fair value and subsequently remeasures them at fair value, with unrealised and realised gains and losses recorded in the statement of income under the line item V. "Net income from financial instruments at fair value through profit or loss". Interest income and interest expense (negative yield) are accrued using the effective interest rate method and Belfius opted to record these under the line item I. "Interest income" and II. "Interest expense".

Debt instruments designated at fair value through profit or loss (referred to as fair value option)

In some cases and if appropriately documented, Belfius can at initial recognition irrevocably designate debt instruments that meet the business model hold to collect and/or hold to collect and sell criteria and that give rise to cash flows that are SPPI compliant at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch.

The valuation rules as mentioned under paragraph "Debt instruments held for trading" apply to this category.

Debt instruments measured at fair value through profit or loss (non basic instruments)

This category includes debt instruments with contractual cash flows that are not SPPI compliant such as some structured loans as well as financial assets with a legal form of equity but, based on the substance of the contract, meet the definition of a debt instrument (such as open-end funds, shares with legal end date, real estate certificates).

The valuation rules as mentioned under paragraph "Debt instruments held for trading" apply to this category.

Investments in equity instruments measured at fair value through profit or loss

This category includes investments in equity instruments held for trading as well as non trading investments in equity instruments that at initial recognition were not irrevocably elected to be designated at fair value through other comprehensive income.

Gains and losses due to remeasurement to fair value (realised and unrealised) and foreign exchange gains and losses are recognised in the statement of income under the line item V. "Net income from financial instruments at fair value through profit or loss".

Dividends are recognised in the statement of income under the line item III "Dividend income" unless the dividend clearly represents a recovery of part of the cost of the investment.

6.3. Classification and subsequent measurement of financial liabilities

6.3.1. Financial liabilities measured at amortised cost (AC)

These liabilities are subsequently measured at amortised cost and any difference between their amount made available and the amount due at maturity is recognised in the statement of income as interest expense or interest income. The accretion or amortisation of this difference is recognised over the remaining duration of the liabilities using the effective interest rate method.

6.3.2. Financial liabilities measured at fair value through profit or loss (FVTPL)

Financial liabilities are measured at fair value through profit or loss when, at initial recognition, the liability is either held for trading or at initial recognition irrevocably designated at fair value through profit or loss.

Financial liabilities held for trading

This section does not deal with trading derivatives that are described in paragraph II. 6.6.1 below.

Financial liabilities held for trading includes short positions in securities. These instruments are intended to generate a profit from short-term fluctuations in price or dealer's margins or are included in a portfolio in which a pattern of short-term profit taking exists. Belfius initially recognises these instruments at their fair value and subsequently remeasures them at fair value, with unrealised and realised gains and losses recorded in the statement of income under the line item "Net income from financial instruments at fair value through profit or loss".

Financial liabilities designated at fair value through profit or loss (FVTPL)

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may upon initial recognition be designated at fair value through profit or loss in the following circumstances:

- → The use of designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- → The financial liability forms part of a group of financial assets, financial liabilities or both that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- → The financial liability contains one or more embedded derivatives and IFRS 9 permits the entire hybrid (combined) contract to be designated at FVTPL.

The valuation rules applicable for financial liabilities held for trading apply except for the recognition of own credit risk.

Changes in fair value attributable to own credit risk of a financial liability to which the fair value option is applied, are recognised in other comprehensive income under the line item 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", unless this recognition would create or enlarge an accounting mismatch in profit or loss. These amounts are not subsequently reclassified to profit or loss. Instead, they are transferred to the line item XVII. "Reserves and retained earnings" upon derecognition of the financial liability. The remaining amount of the change in fair value is recognised in profit or loss.

6.4. Derecognition and modification of financial assets and liabilities

Financial assets are derecognised when the contractual rights to the asset's cash flows expire or when substantially all the risks and rewards of ownership of the asset are transferred to another entity.

Regular way sales that meet the above derecognition criteria of financial assets are derecognised on settlement date, which is the date of delivery by Belfius. Financial liabilities are derecognised when they are extinguished (i.e when the obligation specified in the contract is discharged, cancelled or expires).

If a substantial modification of a financial asset or a financial liability (including an exchange of debt instruments with substantially different terms) occurs and the contractual terms governing the cash flows are renegotiated or otherwise modified between initial recognition and maturity of the financial instrument and in case of financial assets based on the nature of the transaction, derecognition is required. If a modification occurs and the existing contract is not derecognised, a modification gain or loss is recognised in the statement of income. This gain or loss is determined by recalculating the gross carrying amount of the existing financial instrument as the present value of the renegotiated or modified contractual cash flows, using the financial instrument's original effective interest rate (or the credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

For modified financial assets that are not derecognised, an assessment is made to determine whether there has been a significant increase in the credit risk of the financial asset, by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms). Depending on the outcome of the assessment, a change in loss allowance may be recorded (cf. section II.6.5 on impairment of financial instruments).

6.5. Impairment of financial instruments

Impairment determination and calculation is governed by the Credit risk impairment guidelines of the Risk department and more details are available in the section "Risk management - IFRS 9 Impairment methodology" of the Management Report of the consolidated financial statements.

6.5.1. Determination of the impairment

Expected credit losses (ECL) associated with debt instruments carried at amortised cost and debt instruments measured at fair value through other comprehensive income (FVTOCI) are determined on a forward-looking basis. For lease receivables, Belfius has not opted to apply the simplified approach of recognising lifetime expected losses. Loan commitments and financial guarantees not measured at fair value through profit or loss are also subject to impairment and the loss allowance is recognised as a provision. No impairment losses are recognised on investments in equity instruments.

Loss allowances and provisions for 12-month expected credit losses are initially recognised on trade date for financial assets in scope of impairment (debt instruments, lease receivables and contract assets), loan commitments and financial guarantees not measured at fair value through profit or loss.

12-month expected credit losses relates to the portion of lifetime expected credit losses that represent the expected credit losses resulting from default events that are possible within the 12 months after the reporting date.

The default committee within the Risk department is competent to define the default status.

A transversal default definition is applied within the entire Belfius Group and on all market segments. However for a limited number of specific segments (for example sovereigns, banks, international corporates…) some deviation have been applied. The Belfius Default guideline provides in-depth description of indicators used to categorize an exposure in default.

With the exception of purchased or originated credit-impaired (POCI) financial assets, the amount of expected credit losses is measured through a loss allowance at an amount equal to either an 12-month ECL or a lifetime ECL. Lifetime ECL are the losses that result from all possible default events over the expected life of the financial asset.

At initial recognition, POCI assets do not carry a loss allowance for 12-month expected losses but lifetime expected credit losses are incorporated into the calculation of the effective interest rate. The amount recognised as a loss allowance for such assets is not the total amount of lifetime expected credit losses, but instead the change in lifetime expected credit losses since initial recognition of the financial asset, which may be a negative or positive amount.

Expected credit losses are a probability-weighted estimation of expected cash shortfalls discounted at the original effective interest rate of the financial asset or the credit-adjusted effective interest rate in case of POCI financial assets. Expected cash shortfall is the difference between the cash flows due under the contract and the cash flows expected to be received, taking into consideration the value of collateral and other credit enhancements.

The estimation of cash flows considers all contractual terms of the financial asset (such as prepayment, extension, call and similar options) through its expected life.

Impairment calculation is based on a two-fold building block approach:

- Block 1: determination of the appropriate stage per exposure;
- Block 2: calculation of the expected credit losses per exposure for stages 1, 2 and 3

The following credit exposures are distinguished and all exposures are individually assessed:

- Performing credit exposures i.e. exposures for which there has not been a significant increase in credit risk since origination (stage 1);
- Under-performing credit exposures i.e. exposures for which there has been a significant increase in credit risk between the moment Belfius originated or purchased the financial asset and the reporting date (stage 2);
- Non-performing credit exposure i.e. exposures that become credit impaired (stage 3).

A change of the classification into stages can go in both directions.

Performing credit exposures – Classification Stage 1

All exposures not classified in stage 2 (significant increase of credit risk since origination) or stage 3 (occurrence of impairment) are by definition classified in stage 1. For these exposures, Belfius recognises at initial measurement a 12-month expected credit loss, i.e. the expected credit loss that results from those default events on the financial instrument that are possible within 12 months after the reporting date.

Under-performing credit exposures – Classification Stage 2

Exposures for which there has been a significant increase in credit risk between origination or purchase of the financial asset and reporting date are classified in stage 2.

A significant increase in credit risk for an individual exposure of a counterpart is based on the following quantitative and qualitative factors:

- A significant deterioration of the lifetime probability of default (lifetime PD) of the counterpart; and
- The fact that the customer to whom the individual exposure belongs is put by Belfius on its Watchlist, this is the list that identifies counterparties where problems might arise (or have arisen). There is however one exception: a new contract may be classified in Stage 1 if, when originating the contract, the customer already figures on the Watchlist and that since then there is no new significant increase in credit risk for this contract.

In two situations, there will be a mandatory classification on the Watchlist:

- If one or more credit products of the counterpart was accorded a "Forbearance flag", forbearance being a new, additional concession or the prolongation of an existing concession ;
- If an exposure is overdue for more than 30 days, unless one can clearly prove that it concerns an operational past due or that the overdue is not a sign of a significant increase of credit risk since initial recognition.

In assessing whether a significant deterioration of the lifetime PD occurred since origination, a comparison is made between lifetime PDs at the date of origination with lifetime PDs at reporting date.

Details are available in the section "Risk management - IFRS 9 Impairment methodology" of the Management report of the consolidated financial statements.

Non-performing credit exposure - Classification at Stage 3

At each reporting date, the Default Committee assesses whether there is an objective evidence that a financial asset or a group of financial assets is impaired/defaulted. If affirmative, these financial assets are considered as credit-impaired and are transferred to Stage 3 and a lifetime expected loss is recognised.

The expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

An impaired/defaulted status is attributed to debtors that satisfy either one or both of the following criteria:

- The debtor has material exposures which are more than 90 days past due;
- The debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless the existence of any past due amount or the number of days past due.

6.5.2. Accounting treatment of impairments

Debt instruments carried at amortised cost and lease receivables

At each reporting date, changes in the amount of impairment losses are recognised in the statement of income under the line item XVI. "Impairment on financial instruments and provisions for credit commitments". Impairment losses are reversed through the same line item of the statement of income. The impairment loss is recorded as a deduction of the gross carrying amount of the asset (allowance) in the statement of financial position.

Debt instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments measured at fair value through other comprehensive income are governed by the same accounting principles in respect of impairment applicable to debt instruments measured at amortised cost.

However, the loss allowance shall be recognised in other comprehensive income as part of the revaluation amount in the line item XIX. "Fair value changes of debt instruments measured at fair value through other comprehensive income" and shall not reduce the carrying amount (i.e. fair value) of the financial asset in the statement of financial position.

Calculation and recognition of interest income

The underlying basis for calculating the effective interest depends on the status of the financial instrument:

- The gross carrying amount (amortised cost before deducting any expected loss allowances) for non-credit impaired financial assets (stage 1 and 2);
- The net carrying amount (gross carrying amount less expected loss allowances) for credit-impaired financial assets (stage 3).

Interest income for originated or purchased credit-impaired financial assets is recognised by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset. Lifetime expected credit losses are incorporated in the credit-adjusted effective interest rate.

Write offs

Debt instruments are written off when there are no reasonable expectations of recovering the debt instrument. Belfius only applies full write offs and exposures in stage 1 and 2 are always transferred to stage 3 before being written off.

A write-off constitutes a derecognition event and the stock of loss allowance is not reversed but used against the reduction of the gross carrying amount of the instrument written off. Any additional loss is reported in the statement of income in the line item XVI. "Impairment on financial instruments and provisions for credit commitments".

Loan commitments and financial guarantees not measured at fair value through profit or loss

Off-balance-sheet exposures such as credit substitutes (e.g. guarantees and standby letters of credit) and loan commitments are usually converted into on-balance-sheet items when called. However, these off-balance-sheet exposures are subject to 12-month or lifetime expected losses. The expected loss is recognised as a provision in the balance sheet and the date that Belfius becomes a party to the irrevocable commitment is considered as the date of initial recognition for applying the impairment requirements.

Loan commitments

At the end of each reporting period a provision based on 12-month expected losses calculated on the expected portion of the loan commitment to be drawn down within the next 12 months is recognised. In case of a significant increase in the risk of default of the underlying loan, lifetime expected credit losses are recognised on the expected portion to be drawn down over the remaining life of the loan commitment.

The expected credit loss is the present value of the difference between the contractual cash flows if the holder of the loan commitment draws down the loan and the cash flows that are expected to be received if the loan is drawn down. The remaining life of the loan commitment is the maximum contractual period during which there is an exposure to credit risk. In case of arrangements that include both a loan and an undrawn commitment component (such as credit cards), the period for estimating expected credit losses is beyond the contractual date on which repayment could be demanded but the period over which the lender is exposed to credit risk. In practice, the expected loss horizon is a minimum of 1 year and credit risk mitigations could be additional guarantees or reducing the loan commitment.

Financial guarantees

For financial guarantee contracts changes in the risk that the specified debtor will default on the contract are considered. At each reporting period, the amount of the loss allowance equals the 12-month expected credit loss unless there has been a significant increase in the risk of default, in which case the loss allowance is calculated for lifetime expected credit losses. Expected losses reflect the cash shortfalls equal to the difference between the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that are expected to be received from the holder, the debtor or any other party.

6.6. Derivatives

6.6.1. Derivatives – Trading portfolio, including embedded derivatives

When a derivative is not designated in a hedge relationship, it is deemed to be held for trading and Belfius initially and subsequently measures all derivatives at the fair value obtained from quoted market prices, discounted cash-flow models or pricing models, as appropriate. All changes in fair value are recognised in the statement of income.

The interest results of derivatives for which there is an economic hedge relationship are recognised in interest income/interest expense.

Derivatives are reported as assets when their fair value is positive and as liabilities when their fair value is negative.

When a hybrid contract contains a host that is a financial asset in the scope of IFRS 9, the entire hybrid contract, including all embedded features, is assessed for classification. However, if the host contract is a financial liability, a lease receivable, an insurance contract or another non-financial host contract an assessment is made to determine whether the embedded feature requires separation and should be presented as a separate derivative in trading. This is the case when:

- → Risks and characteristics of the embedded features are not closely related to those of the host contract;
- → The hybrid contract is not carried at fair value with unrealised gains and losses reported in the statement of income and;
- → A separate instrument with the same terms as the embedded feature would meet the definition of a derivative.

6.6.2. Derivatives – Hedging

As the development of the new macro hedge accounting model (cf. "Accounting for dynamic risk management activities") is still in progress, the IASB provided all entities including those that engage in portfolio hedge accounting of interest rate risk with the following accounting policy options until the IASB Research project "Dynamic Risk Management" is completed.

- → Option 1: Apply the new hedge accounting requirements of IFRS 9 and continue to use the IAS 39 model for interest-rate portfolio fair value hedging.
- → Option 2: Continue to apply the existing (micro) hedge accounting requirements in IAS 39, including the IAS 39 interest-rate portfolio fair value hedge model.

In both cases, the use of the IAS 39 interest-rate portfolio hedging model is subject to expanded disclosure requirements.

Belfius has opted to continue to apply the existing (micro) hedge accounting requirements of IAS 39 and the "Carve out" conditions applicable to interest-rate portfolio hedging as endorsed by the European Commission.

Hedging derivatives are categorised as either:

- → A hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge) or a fair value hedge of the interest rate risk exposure of a portfolio (cf. section II.6.6.3); or
- → A hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash-flow hedge).

Derivatives are designated as hedging instruments if certain criteria are met:

- → Formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is available before hedge accounting is applied;
- → The hedge is documented in such a way as to show that it is expected to be highly effective (within a range of 80% to 125%) in offsetting changes in the fair value or cash flows attributable to the hedged risk in the hedged position throughout the reporting period; and
- → The hedge is effective at inception and on an ongoing basis.

Belfius records changes in the fair value of derivatives that are designated and qualify as fair value hedges in the statement of income, along with the corresponding change in fair value of the hedged assets or liabilities that is attributable to the specific hedged risk. If relevant, the interest accruals of the designated hedging instruments are recognised in line item I. "Interest income" or II. "Interest expense".

If the hedge no longer meets the criteria for a fair value hedge or if the hedge is voluntarily discontinued, the adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised to the statement of income over the remaining life of the hedged position (or the hedging instrument if shorter) by an adjustment of the yield of the hedged item.

The effective part of the changes in the fair value of derivatives that are designated and qualify as cash-flow hedges, is recognised in "Other comprehensive income" under the item XXII. "Fair value changes of derivatives following cash flow hedging" (see "Consolidated statement of changes in shareholders' equity"). The ineffective portion of the change in the fair value of the hedging instrument (if any) is recognised directly in the statement of income. The amount recognised in other comprehensive income should be the lower in absolute value of the cumulative gain or loss on the hedging instrument from the inception of the hedge, and the cumulative change in the fair value (present value) of the expected cash flows on the hedged item from the inception of the hedge.

Amounts deferred in equity are transferred to the statement of income in the periods during which the hedged item affects the statement of income.

6.6.3. Fair value hedge of the interest-rate risk exposure of a portfolio

As mentioned in section II.1.1 General, Belfius makes use of the IAS 39 provisions for portfolio fair value hedges of interest rate risk as endorsed by the European Commission (cf. EU carve out) because it better reflects the way financial instruments are managed.

Awaiting the completion of the IASB Research project "Dynamic Risk Management", Belfius continues to apply the current carved out provisions.

The hedging instruments are a portfolio of derivatives, which may contain offsetting positions. Belfius recognises the hedging items at fair value with any changes in fair value accounted for in the statement of income. The hedged items include financial assets and liabilities at amortised cost and debt instruments measured at FVTOCI.

The hedged interest-rate risk revaluation of elements carried at amortised cost is reported on the balance sheet under the line item VII. "Gain/loss on the hedged item in portfolio hedge of interest rate risk" whereas the hedged interest-rate risk revaluation of elements carried at FVTOCI is included in the line items II.B "Loans and advances due from credit institutions - Measured at fair value through other comprehensive income", III.B. "Loans and advances - Measured at fair value through other comprehensive income", and IV.B "Debt securities & equity instruments - Measured at fair value through other comprehensive income".

6.7. Fair value of financial instruments

6.7.1. General principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted market prices in an organised market (such as a recognised stock exchange) are to be used as fair value, as they are the best evidence of the fair value of a financial instrument. Quoted market prices are not available for all financial assets and liabilities held or issued by Belfius.

If a financial instrument is not traded on an active market, recourse is provided by valuation models. A valuation model reflects the transaction price on the measurement date in an arm's length exchange under normal business considerations, i.e. the price that would be received by the holder of the financial asset in an orderly transaction that is not a forced liquidation or forced sale or the price to transfer the liability.

The valuation model takes into account all factors that market participants consider when pricing the financial instrument. Measuring the fair value of a financial instrument requires consideration of current market conditions. To the extent that observable inputs are available, they are incorporated into the model.

Only in very exceptional circumstances (i.e where no relevant information is available about the performance and operations of the investee) cost will be used for the fair value valuation of investments in unquoted equity instruments.

6.7.2. Specific rules

The specific rules and approaches used for the determination of fair value of financial instruments are summarised in note 9.1. "Fair value".

6.8. Sale and repurchase agreements and lending of securities

Securities sold subject to a linked repurchase agreement ("repos") are not derecognised and remain on the balance sheet. The corresponding liability is recorded under the line items II.A. "Credit institutions borrowings and deposits - Measured at amortised cost" or III.A. "Borrowings and deposits - Measured at amortised cost", as appropriate. The asset is included as "pledged" in the supporting notes to the financial statements.

Securities purchased under agreements to resell ("reverse repos") are recorded as off-balance-sheet items and the corresponding loans are recorded in line items II.A "Loans and advances due from credit institutions - Measured at amortised cost " or III.A "Loans and advances - Measured at amortised cost".

The difference between the sale and repurchase price is treated as interest income or expense and is accrued over the life of the agreements using the effective interest rate method.

Securities lent to counterparties are not derecognised. Securities borrowed are not recognised in the balance sheet. Fees related to securities lending and borrowing are recorded within the line items VII. "Fee and commission income" and VIII. "Fee and commission expense".

6.9. Interest income and expense

Interest income and expense are recognised on an accrual basis in the statement of income for all interest bearing instruments using the effective interest rate method (transaction costs included). Transaction costs for financial assets and liabilities measured at fair value through profit or loss are recognised immediately in profit or loss.

Negative interests on these instruments are presented as a separate item within interest expense (interest expense on financial assets) or within interest income (interest income on financial liabilities). Accrued interest is reported in the balance sheet in the same line item as the related financial asset or liability.

The following fees are an integral part of the effective interest rate of a financial instrument with a defined duration:

→ Origination fees received relating to the creation or acquisition of a financial asset;
→ Commitment fees received to originate a loan when the loan commitment is not measured at fair value through profit or loss and it is probable that Belfius will enter into a specific lending arrangement. If the commitment expires without granting the loan, the fee is recognised as revenue on expiry.
→ Origination fees paid on issuing financial liabilities measured at amortised cost.

The underlying basis for calculating the effective interest depends on the status of the financial instrument:

→ The gross carrying amount (amortised cost before deducting any expected loss allowances) for non-credit impaired financial assets (stage 1 and 2) or the amortised cost for financial liabilities;
→ The net carrying amount (gross carrying amount less expected loss allowances) for credit-impaired financial assets (stage 3).

Interest income for originated or purchased credit-impaired financial assets is recognised by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset. Lifetime expected credit losses are incorporated in the credit-adjusted effective interest rate.

Interest results of trading derivatives are recognised in the line item V. "Net income from financial instruments at fair value through profit or loss", whereas interest results on all other derivatives are recognised in the line items I. "Interest income" or II. "Interest expense". For interest bearing held for trading bonds, Belfius opted to record interest results under the line item I. "Interest income" and II. "Interest expense".

7. Fee and commission income and expense

According to IFRS 15 "Revenue from Contracts with Customers" revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which Belfius expects to be entitled in exchange for those goods or services. This is applied on an individual contract basis, but a portfolio approach is permitted if the impact on the financial statements will not be materially different from application on an individual contract basis.

Revenue recognition is governed by the following five step model:

- Identification of the contract;
- Identification of separate performance obligations;
- Determination of the transaction price;
- Allocation of the transaction price to performance obligations; and
- Recognition of revenue as of when each performance obligation is satisfied.

A performance obligation is satisfied when the bank transfers control of the services underlying the performance obligation to the customer. Revenue can be recognised either "over time" based upon performance completed to date, milestones reached, recurring services or "at a point in time" when the bank transfers control of the asset to the customer.

For contracts for which Belfius is acting as agent, revenue will be recognised as a net amount of consideration instead of gross amounts of relevant revenue and expenses.

Fees that are not an integral part of the effective interest rate of a financial instrument are accounted for in accordance with IFRS 15. They include:

- Fees charged for servicing a loan;
- Commitment fees to originate a loan when the loan commitment is not measured at fair value through profit or loss and it is unlikely that a specific lending arrangement will be entered into; and
- Loan syndication fees received by the bank for arranging a loan and retaining no part of the loan package for itself (or retaining a part at the same effective interest rate for comparable risk as other participants).

8. Insurance and reinsurance activities

8.1. Classification

Belfius Insurance operates in both Life and Non-Life insurance activities.

IFRS 4 (Phase 1) "Insurance contracts" is applied to all insurance contracts where the insurer accepts a significant insurance risk by agreeing to indemnify the policyholder in the event of a well-defined and uncertain occurrence in the future (the insured event). Reinsurance policies that comply with this definition also come under this field of application. In addition, IFRS 4 is also applicable to financial instruments with a discretionary participation feature.

A contract that exposes the issuer to financial risk without significant insurance risk is not an insurance contract and is accounted for as a financial instrument under IFRS 9.

If a contract contains a deposit component (i.e. a contractual component that would be within the scope of IFRS 9 if it were a separate instrument), the deposit component is unbundled and deposit accounting is applicable.

The rules for deposit accounting apply to financial instruments without discretionary profit sharing and to the deposit component of unit-linked (branch 23 type) insurance contracts. This means that the deposit component and the insurance component are valued and presented separately. In this case IFRS 9 and not IFRS 4 is applicable for the valuation and presentation of the deposit component. With deposit accounting, the related premiums and the resulting entry of the obligation are not recorded in the statement of income. The obligations themselves are not recorded in the technical provisions, but under financial liabilities. Associated management charges and commission fees are entered immediately in the statement of income. Payments made are not entered in the statement of income, but result in a reduction of the obligation. For unit-linked (branch 23) contracts, the deposit component and the corresponding investments are valued at their fair value, with variations in the statement of income. The fair value is determined by the number of units, multiplied by the value of the unit that is based on the fair value of the underlying investments.

Group insurance cover for Belfius staff is not within the scope of IFRS 4, but instead is dealt with under the valuation rules for pension schemes.

8.2. Valuation

8.2.1. General

IFRS 4 exempts an insurer from applying the specific criteria to use in developing an accounting policy if no specific IFRS applies, but allows an insurer to continue using its accounting policies prior to IFRS. However, IFRS 4 imposes some limits on this exception:

- No provision may be made for equalisation and disaster;
- A liability adequacy test should be performed;
- An insurance liability shall be removed when, and only when, it is extinguished;
- Reinsurance contracts shall not be offset against related direct insurance contracts; and
- Reinsurance assets should be considered for impairment.

Provision for unearned premiums

The provision for unearned premiums corresponds to the part of the premiums gross of reinsurance but after deduction of the acquisition costs that has to be allocated to a subsequent reporting period to cover the unexpired risk. The change in the provision for unearned premiums is recognised in the statement of income as revenue over the contract period.

The provision for unearned premiums is calculated pro rata temporis for each agreement separately, based on the net premium. For accepted reinsurance, the reserves are recorded based on data passed on by the ceding companies.

Provisions for claims to be paid

The amount of the provision for claims to be paid in the Non-Life direct business equals the amount owed to beneficiaries, plus the management charges for the claims.

For the reported claims, the provision for the claims to be paid in Non-Life direct business is calculated on a case-by-case basis, including future settlement costs or as a separate provision for a group of claims. When a claim is settled in the form of annuity payments, the amount that needs to be reserved is calculated based on actuarial methods. For claims "incurred but not (enough) reported" (IBN(E)R) on reporting date, a provision is determined based on past experience regarding the number and amount of claims reported after the reporting date. Account is also taken of exceptional events and additional provisions are also booked on the basis of statutory requirements, such as for workers' compensation.

Provisions for Life insurance

The provision for Life insurance is calculated taking account of the statutory requirements and terms regarding the Life insurance business. As such, the following apply:

- Valuation using the prospective method: prospective reserving subtracts the actuarial present value of future premiums from the actuarial present value of the future insurance benefits. The calculation is based on the technical terms of the policies. This method is applied for provisions in branch 21 insurance policies with tariff guaranteed on future premiums.
- Valuation using the retrospective method: retrospective reserving subtracts accumulated value of (past) benefits from accumulated value of (past) premium. The calculation is based on the technical terms of the policies, without taking future premiums into account. This method is applied for provisions in universal Life branch 21 insurance policies.

For accepted reinsurance, a provision is booked separately for each agreement based on the information provided by the ceding party.

As a supplement to the rules set out above, an additional provision is booked for the low interest rate risk and other factors that have an important impact on the adequacy of the technical provisions.

Provision for (discretionary) profit sharing

A discretionary participation feature ("DPF") is a contractual right to receive additional benefits, on top of guaranteed benefits, whose amount or timing is contractually at the discretion of the insurer, also called "profit sharing". Belfius Insurance records a deferred profit sharing for the amount of the expected profit sharing to be shared with policyholders.

The amount of deferred profit sharing is reduced by the actual allocation to individual policyholders after the approval of the insurance company's annual ordinary shareholders meeting.

The deferred profit sharing related to unrealized capital gains or losses on allocated investments is recognised in the revaluation reserve in other comprehensive income (equity). Upon realization of the allocated investments, the part of the deferred profit sharing related to these realized capital gains or losses is adjusted and recorded in the insurance technical provisions.

Reinsurance activities

For accepted reinsurance, a provision is booked separately for each agreement based on the information provided by the ceding party.

For ceded reinsurance, the part of the reinsurer in the technical reserves is recorded as an asset in accordance with the relevant clauses of the reinsurance contract.

A specific reduction in value is applied to the reinsurance assets if:

- there is objective evidence, resulting from an event that occurred after the initial recognition of the reinsurance assets, that the ceding party will not recover all amounts due. Account is taken of the rating and solvency of the reinsurer; and
- the amounts are reliably measurable.

We refer to the rules related to specific impairment.

8.2.2. Liability Adequacy Test – LAT

At the end of each reporting period, Belfius Insurance conducts liability adequacy tests on its technical provisions. If these additional tests indicate that the book value of the technical provisions is insufficient compared to the current value of the estimated future cash flows, an additional technical provision is recorded for this shortfall through the statement of income. These tests are assessed separately for technical provisions Life and technical provisions Non-Life.

For life insurance, an estimate is made of the expected cash flows of contracts, taking into account the assumptions that are also used for other modelling purposes. The present value of these expected cash flows is determined using a discount curve according to the EIOPA methodology including a volatility adjustment calibrated on Belfius Insurance's investment portfolio.

The Liability Adequacy Test takes into consideration the unrealized gains on the investment portfolio allocated to the Life business.

If the calculated value is higher than the provision for Life insurance, the difference is taken through the statement of income.

For Non-Life insurance, the liability adequacy test verifies whether the provision for unearned premiums and the provision for claims are sufficient to make a full settlement of the incurred claims and all claims expected to occur within the ongoing insurance coverage period.

8.2.3. Shadow accounting

If the realisation of unrealised profits from financial assets measured at FVTOCI recorded under other comprehensive income has an immediate effect on the valuation of the technical provisions, shadow accounting offers a solution through the partial transfer of unrealised investment results from other comprehensive income to technical provisions.

First and foremost, Belfius Insurance applies shadow accounting if the statutory or contractual conditions in the insurance policies state that the realisation of recorded but unrealised profits on clearly defined assets belonging to the insurer has a direct effect on the valuation of the corresponding insurance contracts and investment contracts with DPF. This application occurs mainly in insurance policies managed through funds with dedicated assets.

Belfius Insurance has also decided to recognize a "shadow loss" for the difference between the value of the Life insurance obligations based on the LAT methodology described above on the one hand and the provisions for Life insurance on the other hand. This amount is limited to the unrealised gains recognised in other comprehensive income for financial assets available for sale covering Life insurances.

9. Network costs

Network costs consist of commissions paid to Belfius Bank independent branches and are based on outstanding volumes and production figures. Commissions for the production of interest-bearing financial assets and financial liabilities are included in interest income and expense using the effective interest-rate method.

10. Tangible fixed assets

Tangible fixed assets include property, equipment and investment properties.

All property and equipment are stated at cost less accumulated depreciation and impairments. Subsequent costs are included in the carrying amount of the asset or recognised as a separate component, if it is probable that future economic benefits will flow to Belfius and the cost of the asset can be reliably measured.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives.

The estimated useful lives are:

- buildings (including acquisition costs and non-deductible taxes): 20 to 50 years;
- computer equipment: 1 to 6 years;
- leasehold improvements, equipment and furniture: 2 to 12 years;
- vehicles: 2 to 5 years.

An item of property and equipment can be composed of significant parts with individually varying useful lives. In such a case, each part is depreciated separately over its estimated useful life. The following parts have been defined for the head offices used starting 2006:

- structure of the building: 50 years;
- roof and frontage: 30 years;
- technical installations: 10 to 20 years;
- fixtures and fittings: 10 to 20 years.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and are capitalised.

Tangible fixed assets are tested for impairment when an indication of impairment loss exists. If the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. Where the recoverable amount of an asset cannot be determined individually, Belfius determines the recoverable amount of the cash-generating unit or group of cash-generating units to which the asset belongs.

After the recognition of an impairment loss, the depreciation charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any) on a systematic basis over its remaining useful life.

Gains and losses on disposals of property and equipment are included under the item VI. "Net income on investments and liabilities".

Investment properties are those properties held to earn rentals or for capital appreciation. Belfius may also partly use such properties. If the "own use" portions can be sold separately or leased out separately under finance lease, then these portions are accounted for separately. If the "own use" portions cannot be sold separately, the property will be considered as an investment property only if Belfius holds an insignificant portion for its own use.

Investment properties are recorded at cost less accumulated depreciation and impairments. The investment properties are depreciated over their useful lives on a straight-line basis. Depreciation on buildings and other assets given in operating lease are booked under in the line item XI. "Other expenses". Belfius shall transfer a property to or from investment property when there is evidence of a change in use.

11. Intangible assets

An intangible asset is recognised if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to Belfius (by using reasonable and supportable assumptions) and the cost of the asset can be measured reliably.

Within Belfius intangible assets consist mainly of

- internal development expenditures and
- acquired software.

The costs associated with maintaining computer software programmes are recognised as expense as incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond one year is added to the original cost of the software. Internal development costs recognised as assets are amortised using the straight-line method over their useful lives from the time the developed item is available for use.

An acquired customer portfolio is amortised using the straight-line method over the expected life of the portfolio taking into account the expected loss of customers in the acquired portfolio.

As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, they are capitalised. Other borrowing costs are recognised as an expense.

Intangible assets (other than goodwill) are tested for impairment when an indication of impairment loss exists. If the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. Where the recoverable amount of an asset cannot be determined individually, Belfius determines the recoverable amount of the cash-generating unit or group of cash-generating units to which the asset belongs.

After the recognition of an impairment loss, the depreciation charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any) on a systematic basis over its remaining useful life. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount and are included in line item VI. "Net income on investments and liabilities".

12. Goodwill

12.1. Measurement of goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

It is measured as the difference between:

- The sum of the following elements:
  - consideration transferred;
  - amount of any non-controlling interests in the acquiree;
  - fair value of the acquirer's previously held equity interest in the acquiree (if any);
- The fair value determined at acquisition date of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, this difference is negative (" badwill"), it is recognised immediately in profit or loss as a bargain purchase gain.

12.2. Impairment of goodwill

The carrying amount of goodwill is reviewed at year-end. For the purpose of this impairment testing, Belfius allocates goodwill to cash-generating units (CGUs) or groups of such units.

When circumstances or events indicate that there may be uncertainty about the carrying amount, goodwill is written down for impairment when the recoverable amount of the CGU or group of CGUs to which it has been allocated is lower than the carrying value.

The recoverable amount is the higher of the fair value less cost to sell or the value in use. The "value in use" is the sum of the future cash flows that are expected to be derived from a CGU. Expected cash flows used by Belfius are those of the financial budget approved by management.

The calculation of the "value in use" shall also reflect the time value of money (current risk-free rate of interest) corrected for the price for bearing the uncertainty inherent in the asset. This is reflected in the discount rate.

13. Other assets

Other assets mainly include accrued income (other than interest prorata), prepayments, operational taxes and other accounts receivable. They also include assets from insurance contracts (reinsurance, insurance premiums receivables, etc.), construction contracts, inventories and plan assets relating to employee benefit obligations.

14. Non-current assets (disposal group) held for sale and discontinued operations

If the carrying amount of a non-current asset (or disposal group) is recovered principally through a sale transaction rather than through continuing use, it will be classified as "held for sale".

Belfius measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and its fair value less costs to sell. Non-current assets (or disposal groups) classified as held for sale are presented separately in the balance sheet, without restatement for previous periods. These assets are no longer depreciated once they qualify as assets (or disposal groups) held for sale.

A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations. Post-tax profit or loss of discontinued operations is presented under a separate line in the statement of income.

15. Leases

A finance lease is one that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

15.1. Belfius is the lessee

Belfius enters into operating leases principally for the rental of equipment or real estate. Lease rentals are recognised in the statement of income on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

If the lease agreement substantially transfers the risk and rewards of ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalised. At inception the asset is recorded at the lower of the present value of the minimum lease payments and the fair value and is depreciated over its estimated useful life unless the lease term is shorter and the title is not expected to be transferred to Belfius. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policies applicable to that asset. The corresponding rental obligations are recorded as borrowings and interest payments are recorded using the effective interest-rate method.

15.2. Belfius is the lessor

Belfius grants both operating and finance leases.

Revenue from operating leases is recognised in the statement of income on a straight-line basis over the lease term. The underlying asset is accounted for in accordance with the accounting policies applicable to this type of asset.

For finance leases, Belfius recognises "leases receivable" at an amount equal to the net investment in the lease, which can be different from the present value of minimum lease payments.

The interest rate implicit in the lease contract is the discount rate. Interest income is recognised over the term of the lease using the interest rate implicit in the lease.

16. Income taxes

16.1. Current tax

Current tax for current and prior periods shall, to the extent unpaid, be recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognised as an asset.

16.2. Deferred tax

Deferred tax is recognised in full, using the balance sheet method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred taxes are measured at tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted.

Deferred tax assets and liabilities are not discounted. Deferred tax assets on deductible temporary differences and tax loss carryforwards are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.

A deferred tax liability is recognised on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, to the extent that Belfius is able to control the timing of the reversal of the temporary difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to the fair value re-measurement of assets measured at fair value through other comprehensive income and cash flow hedges, and other transactions recorded directly in equity, are also credited or charged directly to equity.

17. Employee benefits

17.1. Short-term benefits

Short-term benefits are expected to be wholly settled within twelve months after the end of the annual reporting period in which the employee renders service. These are measured on an undiscounted basis and recognised as an expense.

17.2. Post-employment benefits

Post-employment benefits include retirement benefits (annuity or lump sum payments on retirement) and other post-employment benefits such as medical care granted after the completion of the employment.

17.2.1. Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows based on interest rates determined by reference to market yields on high quality corporate bonds that have terms to maturity approximating to the terms of the related liability. When there is no deep market in such bonds, the market yields on government bonds shall be used. The valuation technique for the assessment of pension expenses incorporates actuarial assumptions comprising both demographic assumptions and financial assumptions such as the inflation rate, salary increase.

The amount recognised in the balance sheet for the defined benefit plan is the difference between the present value of the defined benefit obligation (using the Projected Unit Credit Method) and the fair value of any plan assets. This amount may be presented as a liability or an asset.

In case of a net asset, the amount recognised is limited to the asset ceiling, which is the present value of any economic benefits available for Belfius in the form of refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability (asset) are recognised in other comprehensive income and are never reclassified to profit or loss. Remeasurements arise from the effect of changes in demographic and financial assumptions, from experience adjustments, the return on plan assets and any change in the effect of the asset ceiling.

17.2.2. Defined contribution plans

The contributions of Belfius related to defined contribution plans are charged to the statement of income in the year to which they relate.

Due to the legal minimum guaranteed rate of return imposed by the Belgian State, Belgian contribution plans are considered as defined benefit plans under IAS 19 and presented as such.

Given the change in legislation at the end of 2015 (i.e. the minimum guaranteed returns on employer and employee contributions decreased respectively from 3,25% and 3,75% to 1,75%), the valuation of the obligation of the Belgian defined contribution plans is based on the defined benefit methodology i.e. the Projected Unit Credit Method.

17.3. Other long-term benefits

A benefit is classified as other long-term employee benefits when the payment is not expected to be wholly settled before twelve months after the end of the annual closing period in which the employee renders service. These mainly include provisions for jubilee premiums and bonuses that employees receive after completion of specified periods of service.

Due to the smaller degree of uncertainty compared with post-employment benefits, a simplified method based on actuarial calculations is required to recognise and measure jubilees and other long-term benefits. A provision is set up for the estimated liability as a result of services rendered by employees up to the balance-sheet date and remeasurements are recognised in the statement of income.

17.4. Termination benefits

Termination benefits result either from a decision of Belfius to terminate the employment before the normal date of retirement or an employee's decision to accept redundancy payments from Belfius for termination of employment. Any benefit that requires future service is not a termination benefit.

A termination benefit provision is recognised at the earlier of when related restructuring costs are recognised and when Belfius can no longer withdraw the offer of those benefits.

18. Provisions and contingent liabilities

Provisions are mainly recognised for litigation claims, restructuring and loan commitments. Provisions are measured at the present value of the best estimate of expenditures required to settle the obligation. The discount rate is the pre-tax rate that reflects current market assessments of the time value of money.

Provisions are recognised when:

- Belfius has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Provisions on loan commitments and financial guarantees not measured at fair value are recognised when there is uncertainty about the creditworthiness of the counterparty. Please refer to impairment section II.6.5.

Unless the possibility of an outflow of resources embodying economic benefits is remote, a contingent liability is disclosed. A contingent liability is continually assessed to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

19. Levies

Levies are outflows of resources embodying economic benefits imposed by governments on entities as identified by the legislation (i.e laws and/or regulations) other than income taxes, fines or other penalties imposed for breaches of the legislation.

Belfius recognises a liability when the obligating event occurs. All levies are taken upfront in full (no accrual accounting permitted) in the line item XI. "Other expenses" and the related amounts due are booked in line item XII. "Other liabilities".

20. Share capital

Belfius recognises its dividends on its ordinary shares as a liability from the date on which they are declared. Any dividends for the year declared post-balance-sheet date are disclosed in the subsequent events note.

21. Fiduciary activities

Assets and related income that are held by Belfius, together with related undertakings to return such assets to customers, are excluded from the financial statements if Belfius acts in a fiduciary capacity such as a nominee, trustee or agent.

22. Government grants

Government grants are assistance by government in the form of transfers of resources, other than credit lending stimulation instruments, to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They are not recognised until there is reasonable assurance that the entity will comply with the attached conditions and that the grant will be received. Government refers to government, government agencies and similar bodies such as community institutions.

The benefit of a government loan at a below market rate of interest is recognised in profit or loss on a systematic basis considering the conditions and obligations that have been met, or must be, met when identifying the costs for which the grants are intended.

ABBREVIATIONS USED

AC	Amortized cost
CFH	Cash flow hedge
ECL	Expected credit loss
FVO	Fair value option
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
OCI	Other comprehensive income
SPPI	Solely payments of principal and interest

TRANSITION TABLES FROM IAS 39 TO IFRS 9

Abbreviations used

AC	Amortised cost	HTC	Hold to collect/ held to collect
AFS	Available for sale	HTC&S	Hold to collect and sell/ held to collect and sell
CFH	Cash flow hedge	HTM	Held to maturity
DIA	Date of initial application	L&R	Loans and receivables
ECL	Expected credit loss	OCI	Other comprehensive income
FVO	Fair value option	RE	Retained earnings
FVTOCI	Fair value through other comprehensive income	SPPI	Solely payments of principal and interest
FVTPL	Fair value through profit or loss		

Presentation of 31/12/17 financial statements in adapted lay-out

IAS 39 as published (valuation method lay-out) 31/12/17 (in millions of EUR)		Movement	Ref.	IAS 39 equivalent presented based on the nature of assets (nature lay-out) 31/12/17	
I. Cash and balances with central banks	10,237			I. Cash and balances with central banks	10,237
				II. Loans and advances due from credit institutions	
II. Loans and advances due from banks	14,121	(320)	A	A. Measured at amortised cost	13,802
				B. Measured at fair value through other comprehensive income	
				C. Measured at fair value through profit or loss	
				III. Loans and advances	
III. Loans and advances to customers	90,057	(4,468)	A & B	A. Measured at amortised cost	85,589
				B. Measured at fair value through other comprehensive income	
		3	C	C. Measured at fair value through profit or loss	3
				IV. Debt securities & equity instruments	
IV. Investments held to maturity	5,442	8,608	A & B	A. Measured at amortised cost	14,050
V. Financial assets available for sale	17,983			B. Measured at fair value through other comprehensive income	17,983
VI. Financial assets measured at fair value through profit or loss	3,240	(2,601)	C	C. Measured at fair value through profit or loss	640
		2,598	C	V. Unit-linked products insurance activities	2,598
VII. Derivatives	20,303	(3,889)	B	VI. Derivatives	16,415
VIII. Gain/loss on the hedged item in portfolio hedge of interest rate risk	3,721			VII. Gain/loss on the hedged item in portfolio hedge of interest rate risk	3,721
IX. Investments in equity method companies	31			VIII. Investments in equity method companies	31
X. Tangible fixed assets	1,059			IX. Tangible fixed assets	1,059
XI. Intangible assets	162			X. Intangible assets	162
XII. Goodwill	104			XI. Goodwill	104
				XII. Tax assets	
XIII. Current tax assets	20			A. Current tax assets	20
XIV. Deferred tax assets	235			B. Deferred tax assets	235
		277	D	XIII. Technical insurance provisions – part of the reinsurer	277
XV. Other assets	1,224	(277)	D	XIV. Other assets	947
XVI. Non current assets (disposal group) held for sale and discontinued operations	19			XV. Non current assets (disposal group) held for sale and discontinued operations	19
TOTAL ASSETS	167,959			TOTAL ASSETS	167,891

IAS 39 as published (valuation method lay-out) 31/12/17 (in millions of EUR)		Movement	Ref.	IAS 39 equivalent presented based on the nature of assets (nature lay-out) 31/12/17	
I. Due to banks	11,110	(7,131)	R	I. Cash and balances from central banks	3,979
				II. Credit institutions borrowings and deposits	
		7,131	R	A. Measured at amortised cost	7,131
				B. Measured at fair value through profit or loss	
				III. Borrowings and deposits	
II. Customer borrowings and deposits	76,274			A. Measured at amortised cost	76,274
IV Financial liabilities measured at fair value through profit or loss	8,893	(8,839)	S	B. Measured at fair value through profit or loss	54
				IV. Debt securities issued and other financial liabilities	
III Debt securities	22,027			A. Measured at amortised cost	22,027
		6,241	S	B. Measured at fair value through profit or loss	6,241
		2,598	S	V. Unit-linked products insurance activities	2,598
VI. Derivatives	21,264	(68)	B	VI. Derivatives	21,196
VII. Gain/loss on the hedged item in portfolio hedge of interest rate risk	105			VII. Gain/loss on the hedged item in portfolio hedge of interest rate risk	105
V. Technical provisions of insurance companies	15,150			VIII. Provisions for insurance activities	15,150
VIII. Provisions and contingent liabilities	425			IX. Provisions and contingent liabilities	425
				X. Subordinated debts	
IX. Subordinated debts	1,199			A. Measured at amortised cost	1,199
				B. Measured at fair value through profit or loss	
				XI. Tax liabilities	
X. Current tax liabilities	51			A. Current tax liabilities	51
XI. Deferred tax liabilities	177			B. Deferred tax liabilities	177
XII. Other liabilities	1,762	0		XII. Other liabilities	1,762
XIII. Liabilities included in disposal groups held for sale				XIII. Liabilities included in disposal group and discontinued operations	
TOTAL LIABILITIES	158,438			TOTAL LIABILITIES	158,369
XIV. Subscribed capital	3,458			XIV. Subscribed capital	3,458
XV. Additional paid-in capital	209			XV. Additional paid-in capital	209
XVI. Treasury shares				XVI. Treasury shares	
XVII. Reserves and retained earnings	4,812			XVII. Reserves and retained earnings	5,417
XVIII. Net income for the period	606			XVIII. Net income for the period	
CORE SHAREHOLDERS' EQUITY	9,084			CORE SHAREHOLDERS' EQUITY	9,084
XX. Frozen fair value of financial assets reclassified to loans and advances	(474)	580	Q	XIX. Fair value changes of debt instruments measured at fair value through other comprehensive income	106
XIX. Remeasurement available-for-sale reserve on securities	812	(580)	Q	XX. Fair value changes of equity instruments measured at fair value through other comprehensive income	232
				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	
		(14)	V	XXII. Fair value changes of derivatives following cash flow hedging	(14)
XXI. Remeasurement defined benefit plan	113			XXIII. Remeasurement pension plans	113
XXII. Discretionary participation features of insurance contracts				XXIV. Discretionary participation features of insurance contracts	
XXIII. Other reserves	(14)	14	V	XXV. Other reserves	0
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	437			GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	437
TOTAL SHAREHOLDERS' EQUITY	9,521			TOTAL SHAREHOLDERS' EQUITY	9,521
XXIV. Non-controlling interests	0			XXVI. Non-controlling interests	0
TOTAL EQUITY	9,521			TOTAL EQUITY	9,521
TOTAL LIABILITIES AND EQUITY	167,959			TOTAL LIABILITIES AND EQUITY	167,891

From "valuation method lay-out" to "nature lay-out"

Belfius has taken the opportunity to review the presentation of its balance sheet with the implementation of a new accounting standard. Belfius has applied a valuation based presentation whereby the presentation of the balance sheet was based on the valuation method of the assets and liabilities. However, as from 1 January 2018, Belfius has opted to adopt a more nature based presentation, whereby assets and liabilities are grouped based on their type.

For example, under IAS 39, bonds are classified under five different asset lines:

→ Loans and advances due from banks;
→ Loans and advances to customers;
→ Investments held to maturity;
→ Financial assets available for sale; and
→ Financial assets measured at FVTPL.

Under the adapted lay-out, bonds will be presented in a single line item called "Debt securities & equity instruments" presenting sub-lines for the different valuation methods.

As such, the balance sheet under IAS 39 has been changed from a "valuation method lay-out" to the new "nature lay-out", forming the starting point of the transition to allow for a clear view of the different impacts of IFRS 9.

As such, Belfius has performed the following reclassifications to present the new lay-out:

Reference in transition table	
A	**Reclassification of the bonds** FROM → Loans and advances due from banks; and → Loans and advances to customers under the "valuation method lay-out" TO → Debt securities & equity instruments measured at AC under the "nature lay-out".
B	**Reclassification of the not closely related embedded derivatives** FROM → Derivatives under the "valuation method lay-out" TO → Loans and advances measured at AC; and → Debt securities & equity instruments measured at AC under the "nature lay-out".
C	**Reclassification of unit-linked products and FVO loans** FROM → Financial assets measured at FVTPL under the "valuation method lay-out" TO → Unit-linked products insurance activities; and → Loans and advances to customers measured at FVTPL under the "nature lay-out".
D	**Reclassification of the share of the reinsurers in the technical insurance reserves** FROM → Other assets under the "valuation method lay-out" TO → Technical insurance provisions - part of the reinsurer under the "nature lay-out".

The above reclassifications represent changes made to the presentation of the assets in the balance sheet (except reference "B" that impacts both assets and liabilities). Reclassifications were also done on the liabilities and equity:

Reference in transition table	
Q	**Reclassification of the AFS reserve and the frozen AFS reserve** Under the new "nature lay-out", the OCI reserve for debt and equity instruments is shown separately. Under the "valuation method lay-out", the AFS reserve is split between the frozen AFS reserve and the AFS reserve on securities. Under the new "nature lay-out", the OCI reserve is split between amounts relating to debt instruments and equity instruments, regardless of whether it was considered as part of the frozen AFS reserve or the AFS reserve on securities.
R	**Further detailing of balance sheet** FROM → Due to banks under the "valuation method lay-out" TO → Cash and balances from Central banks; and → Credit institutions borrowings and deposits measured at AC under the "nature lay-out".
S	**Further detailing of balance sheet** FROM → Financial liabilities measured at FVTPL under the "valuation method lay-out" TO → Borrowings and deposits measured at FVTPL; → Debt securities issued and other financial liabilities measured at FVTPL; and → Unit-linked products insurance activities under the "nature lay-out".
V	**Further detailing of balance sheet** FROM → Other reserves under the "valuation method lay-out" TO → Fair value changes of derivatives following cash flow hedging under the "nature lay-out".

The total of the above reclassifications add up to zero as it represents movements between different line-items.

Transition of the financial statements of 31/12/17 from IAS 39 to financial statements of 01/01/18 IFRS 9

IAS 39 equivalent presented based on the nature of assets (nature lay-out) 31/12/17			IFRS 9 impact on classification and measurement, including additional impairment								IFRS 9 01/01/18
			Classification				Remeasurement	Ref.	Impairment	Ref.	Total
(in millions of EUR)			Business model	Ref.	SPPI	Ref.					
I.	Cash and balances with central banks	10,237									10,237
II.	Loans and advances due from credit institutions										
	A. Measured at amortised cost	13,802							0	P	13,802
	B. Measured at fair value through other comprehensive income										
	C. Measured at fair value through profit or loss										
III.	Loans and advances										
	A. Measured at amortised cost	85,589	(32)	H	(2,380)	E			(116)	P	83,060
	B. Measured at fair value through other comprehensive income										
	C. Measured at fair value through profit or loss	3	32	H	2,380	E	(69)	J			2,346
IV.	Debt securities & equity instruments										
	A. Measured at amortised cost	14,050	9,598	I	(326)	F	(2,098)	K	(81)	P	21,144
	B. Measured at fair value through other comprehensive income	17,983	(9,598)	I	(1,680)	G	258	L			6,963
	C. Measured at fair value through profit or loss	640			2,005	F & G	25	M			2,670
V.	Unit-linked products insurance activities	2,598									2,598
VI.	Derivatives	16,415									16,415
VII.	Gain/loss on the hedged item in portfolio hedge of interest rate risk	3,721					1,326	N			5,046
VIII.	Investments in equity method companies	31									31
IX.	Tangible fixed assets	1,059									1,059
X.	Intangible assets	162									162
XI.	Goodwill	104									104
XII.	Tax assets										
	A. Current tax assets	20									20
	B. Deferred tax assets	235					(9)	O	91	O	317
XIII.	Technical insurance provisions – part of the reinsurer	277									277
XIV.	Other assets	947									947
XV.	Non current assets (disposal group) held for sale and discontinued operations	19									19
TOTAL ASSETS		167,891									167,217

	IAS 39 equivalent presented based on the nature of assets (nature lay-out) 31/12/17 (in millions of EUR)		Remeasure-ment	Ref.	Impairment	Ref.	IFRS 9 01/01/18
I.	Cash and balances from central banks	3,979					3,979
II.	Credit institutions borrowings and deposits						
	A. Measured at amortised cost	7,131					7,131
	B. Measured at fair value through profit or loss						
III.	Borrowings and deposits						
	A. Measured at amortised cost	76,274					76,274
	B. Measured at fair value through profit or loss	54					54
IV.	Debt securities issued and other financial liabilities						
	A. Measured at amortised cost	22,027					22,027
	B. Measured at fair value through profit or loss	6,241					6,241
V.	Unit-linked products insurance activities	2,598					2,598
VI.	Derivatives	21,196					21,196
VII.	Gain/loss on the hedged item in portfolio hedge of interest rate risk	105					105
VIII.	Provisions for insurance activities	15,150	(566)	T			14,584
IX.	Provisions and contingent liabilities	425			113	P	538
X.	Subordinated debts						
	A. Measured at amortised cost	1,199					1,199
	B. Measured at fair value through profit or loss						
XI.	Tax liabilities						
	A. Current tax liabilities	51					51
	B. Deferred tax liabilities	177	(144)	O			33
XII.	Other liabilities	1,762					1,762
XIII.	Liabilities included in disposal group and discontinued operations						
	TOTAL LIABILITIES	158,369					157,772
XIV.	Subscribed capital	3,458					3,458
XV.	Additional paid-in capital	209					209
XVI.	Treasury shares						
XVII.	Reserves and retained earnings	5,417	(40)		(257)	P	5,120
XVIII.	Net income for the period						
	CORE SHAREHOLDERS' EQUITY	9,084					8,788
XIX.	Fair value changes of debt instruments measured at fair value through other comprehensive income	106	238		31	P	375
XX.	Fair value changes of equity instruments measured at fair value through other comprehensive income	232	(45)				187
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						
XXII.	Fair value changes of derivatives following cash flow hedging	(14)	(5)	U			(19)
XXIII.	Remeasurement pension plans	113					113
XXIV.	Discretionary participation features of insurance contracts						
XXV.	Other reserves	0					0
	GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	437					657
	TOTAL SHAREHOLDERS' EQUITY	9,521					9,444
XXVI.	Non-controlling interests	0					0
	TOTAL EQUITY	9,521					9,444
	TOTAL LIABILITIES AND EQUITY	167,891					167,217

Introduction

The tables given above are identical to the disclosure made in the 2018 Half-Yearly Report.

Three distinct types of impacts can be distinguished in the different columns presented in the table above between IAS 39 and IFRS 9:

- Classification
  The classification under IFRS 9 is based on both the business model for managing the financial assets and the characteristics of the financial assets' contractual cash flows.
  Belfius has assessed its business models and analysed whether the contractual cash flows of the financial assets represent SPPI (the "SPPI test") on the principal amount outstanding.
  The amounts mentioned in the column "Classification" are the carrying amounts under IAS 39 that are reclassified following either a change in business model or because the financial asset is not compliant with the SPPI test.
  The total of the column adds up to zero.

- Remeasurement
  Following the change in business model or because the financial asset is not compliant with the SPPI test, the carrying amounts under IAS 39 might need to be adjusted.
  For example, if a financial asset under IAS 39 is classified in AFS but is considered as HTC and complies with the SPPI test under IFRS 9, then the financial asset should be measured at AC (as if IFRS 9 was applied from inception date of the asset) instead of at fair value. As a result, the revaluation to fair value, under IAS 39, is reversed so that the AC value, under IFRS 9, is presented for that financial asset.
  The total of the column "Remeasurement" will present the IAS 39 to IFRS 9 transition impact on equity as the revaluation is either reversed or recorded in OCI or RE.
  Note that the impairment impact is presented separately from these remeasurements.

- Impairment
  Under IFRS 9, an ECL model must be applied on all financial assets measured at AC or at FVTOCI (apart from equity instruments that have been irrevocably designated at FVTOCI) as well as on loan commitments, financial guarantees, lease receivables within the scope of IAS 17, and on trade receivables within the scope of IFRS 15.
  Seeing that IAS 39 applies an incurred loss model, the impact of this change in methodology has been presented in the column "Impairment".
  The total of the column "Impairment" presents part of the total impact in RE.

Note that the description below focusses only on financial assets.

Classification

SPPI test

Belfius has made an extensive analysis of its debt instruments to determine whether they comply with the SPPI test. All debt instruments have been reviewed and documented within the Group.

Based on these reviews, Belfius has identified

- certain loans (with and without structures);
- a limited number of bonds; and
- investment in funds considered non-SPPI debt securities.

These loans and debt securities need to be measured at FVTPL, irrespective of business model.

As a result, the following reclassifications can be noted:

Reference in transition table	
E	**Reclassification of the loans (with and without structures) classified in the "nature lay-out" balance sheet** FROM → Loans and advances measured at AC TO → Loans and advances measured at FVTPL.
F	**Reclassification of the bonds classified in the "nature lay-out" balance sheet** FROM → Debt securities & equity instruments measured at AC TO → Debt securities & equity instruments measured at FVTPL.
G	**Reclassification of investment in funds considered non-SPPI debt securities classified in the "nature lay-out" balance sheet** FROM → Debt securities & equity instruments measured at FVTOCI TO → Debt securities & equity instruments measured at FVTPL.

Business model

The term business model refers to the way an entity manages its financial assets in order to generate cash flows; the business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. It does not relate to a choice, but it is rather a matter of fact that can be observed by the way an entity is managed and information is provided to its management.

The business models are assessed at entity level for all financial assets. Belfius has defined the different business models for its financial assets in the banking group and the insurance group. The business models reflect how the financial assets are managed in order to generate cash flows and is based on:

- past experience regarding the frequency, volume and timing of sales including the reasons for such sales and expectations about future sales activity;
- the evaluation and reporting of the financial assets;
- assessment and management of key risks; and
- the compensation of the manager.

The analysis resulted in the following business models:

Loans

The loan portfolio fits within the framework of the classic banking and insurance transformation business with the objective of generating a stable interest margin. The objective is to hold these loans until maturity. Belfius has no history of actively selling loans with the exception of securitisation. The fact that loans are sold to a securitisation vehicle does not transfer risks and rewards to third parties and does not preclude, from a consolidated group's perspective, Belfius from considering these loans as originated with the intention of holding them until maturity.

In limited circumstances, a standard risk-management related pruning of a loan portfolio could be executed, for instance to bring the average rating of the portfolio in-line with the risk appetite framework.

All in all, Belfius applied an HTC business model and will measure loans at AC.

One exception is noted, whereby an entity in the Group warehouses mortgage loans, for a limited period of time, before transferring these mortgage loans to a non-related party. Such mortgage loans are hence classified as held for sale and will be measured at FVTPL.

Debt securities

Two types of business models can be distinguished in the context of Belfius group:

- **Banking group**
  The banking group has two types of bond portfolios: an ALM Yield portfolio and an ALM Liquidity portfolio. Both aim to generate stable earnings until maturity.
  The bond portfolios are managed within a business model whose objective is to hold the bonds to collect contractual cash flows until maturity. As such, the bonds are measured at AC with the exception of some identified bonds that Belfius aims to sell under specific conditions and that are thus classified at FVTOCI.

- **Insurance group**
  The debt securities of the insurance group are managed according to their ALM policies and guidelines. As a result, the insurance group determined that a large part of this portfolio should be defined as HTC.
  However, in order to cover liquidity needs (following unexpected surrenders) and generate result for profit sharing possibilities, the insurance group has decided to classify certain bonds as HTC&S, and will measure these at FVTOCI. These bonds will be managed within a volatility risk framework.
  As a result, the insurance group will apply a mixed business model for its bond portfolio whereby part of the portfolio will be HTC and the other considered as HTC&S.

Equity instruments

Belfius has made the irrevocable choice at DIA to measure its current holdings in equity instruments at FVTOCI.

As a result, the following transfers from IAS 39 classification to IFRS 9 business model can be noted:

Reference in transition table	
H	**Reclassification of the warehoused mortgage loans classified in the "nature lay-out" balance sheet** FROM → Loans and advances measured at AC TO → Loans and advances measured at FVTPL.
I	**Reclassification of the debt securities based on their applicable business models** RESULTING IN MOVEMENTS BETWEEN → Debt securities & equity instruments measured at AC AND → Debt securities & equity instruments measured at FVTOCI.

Remeasurement

IFRS 9 is applied retrospectively, requiring Belfius to apply it as if it has always been in force.
All adjustments to the carrying amounts of the financial assets are recognised in either the opening balance of RE or another component of equity (the deferred tax impact is accounted for in the same line-item as the adjustment), as applicable.

Remeasurement of non-SPPI compliant financial assets

On the DIA of IFRS 9, the non-SPPI compliant financial assets need to be measured at their fair values. Any difference between the carrying amount under IAS 39 and the fair value is recognised in the opening balance of RE. It mainly concerns structured loans within the PCB business line to public and social counterparties.

As a result, the following remeasurements can be noted:

Reference in transition table		Corresponding adjustment in equity
J	**Remeasurement of non-SPPI compliant loans classified in the "nature lay-out" balance sheet** IN → Loans and advances measured at FVTPL.	RE
M	**Remeasurement of non-SPPI compliant debt securities classified in the "nature lay-out" balance sheet** IN → Debt securities & equity instruments measured at FVTPL.	RE

Remeasurement of previously reclassified debt instruments

In 2008 and 2009, Belfius applied the amendment to IAS 39, permitting the reclassification of certain illiquid financial assets from AFS and Trading to L&R. Belfius also opted to reclassify certain bonds previously classified as AFS to HTM (during 2014 and 2015), following the change in intent of managing the portfolio. Following these reclassifications, the cumulative change in fair values recognised in the AFS reserve at the time of reclassification was frozen and amortised from that moment onward over the remaining life of the instruments.

On application of IFRS 9, for instruments compliant with the SPPI-test, the frozen AFS reserve is reversed by adjusting the opening balance of RE given the retroactive application of IFRS 9.

For IFRS 9, the carrying amount of the financial asset should represent either:

- → the AC if the asset is classified as HTC; or
- → the fair value if the asset is classified as HTC&S or held for sale if non-compliant with the SPPI test.

Any difference between the carrying amount under IAS 39 and the carrying amount under IFRS 9 is recognised in the opening balance of RE or OCI, as applicable.

As a result, the following remeasurements can be noted:

Reference in transition table		Corresponding adjustment in equity
K	**Remeasurement of previously reclassified debt instruments classified in the "nature lay-out" balance sheet** IN → Debt securities & equity instruments measured at AC.	RE
L	**Remeasurement of previously reclassified debt instruments classified in the "nature lay-out" balance sheet** IN → Debt securities & equity instruments measured at FVTOCI.	OCI
M	**Remeasurement of previously reclassified debt instruments classified in the "nature lay-out" balance sheet** IN → Debt securities & equity instruments measured at FVTPL.	RE
U	Belfius has certain bond and swap packages, for which the bond was bifurcated under IAS 39, that are considered as compliant with the SPPI test under IFRS 9. The underlying bonds are held in an HTC business model and hedge accounting is applied. This accounting treatment ensures a consistent presentation of the intent of management in the financial statements.	CFH → RE

Change in measurement of financial assets due to the determined business model

After applying the new business models, any difference between the carrying amounts under IAS 39 and IFRS 9 is either recognised in RE or OCI.

As a result, the following remeasurements can be noted:

Reference in transition table		Corresponding adjustment in equity
K	Remeasurement of financial assets measured at FVTOCI under IAS 39 (under the new "nature lay-out"), but measured at AC under IFRS 9, the cumulative gain or loss recognised in OCI is reversed by adjusting the opening balance of RE given the retroactive application of IFRS 9. The financial asset is then remeasured to its AC by adjusting the opening balance of RE.	OCI
L	Remeasurement of financial assets measured at AC under IAS 39, but measured at FVTOCI under IFRS 9, the difference between the carrying amount under IAS 39 and the fair value is recognised in OCI.	OCI

Impact on the portfolio hedge

An impact on the portfolio hedge can be noted, the result of a change in presentation for debt instruments measured at FVTOCI under IAS 39 (under the new "nature lay-out"), but considered as HTC under IFRS 9 and measured at AC.

Under IAS 39, the fair value changes for these instruments, attributable to the risk being hedged, are reclassified from OCI to profit or loss; whereas under IFRS 9, the fair value changes on these reclassified instruments attributable to the risk being hedged following portfolio hedge is classified on the asset side under the line item "Gain/loss on the hedged item in portfolio hedge of interest rate risk".

As a result, the following remeasurements can be noted:

Reference in transition table		Corresponding adjustment in equity
N	**Reclassification of the value of the hedged risk classified in the "nature lay-out" balance sheet** FROM → Reserves and retained earnings TO → Gain/loss on the hedged item in portfolio hedge of interest rate risk.	RE

Impact on technical provisions

Certain net unrealised gains that were previously presented on the balance sheet under IAS 39, are no longer presented on the balance sheet under IFRS 9 following the choice in business model. These recognised net unrealised gains are not attributable to Belfius Insurance, but rather to the policyholders. Belfius Insurance applied shadow accounting whereby these net unrealised gains were reclassified from OCI to the provision for insurance activities. While, under IFRS 9, these net unrealised gains still exist, they are no longer recognised on the balance sheet given the choice of business model, as such, a reclassification from OCI to the provision for insurance activities is not necessary.

As a result, the following remeasurements can be noted:

Reference in transition table		Corresponding adjustment in equity
T	**Decrease of the shadow accounting** DECREASE → Provision for insurance activities WITH A RELATED INCREASE IN → Fair value changes of debt instruments measured at fair value through other comprehensive income AND → Fair value changes of equity instruments measured at fair value through other comprehensive income.	OCI

Impact on deferred taxes

Reference in transition table	
O	Any impact in equity on DIA IFRS 9 needs to be recorded net of taxes. As a result, an impact on the deferred tax assets and deferred tax liabilities is to be noted. The impacts mainly derive from the reversal of the frozen AFS reserve, the reversal of the AFS reserve relating to financial assets measured at FVTOCI under IAS 39 but measured at AC under IFRS 9, and the decrease noted in the shadow accounting.

Impact on OCI for equity instruments

No recycling is allowed in profit or loss for equity instruments irrevocably classified through OCI under IFRS 9. Therefore, all previously recognised impairments under IAS 39 should be reversed through RE for equities irrevocably measured at FVTOCI.

As a result, the following reclassifications can be noted:

	Corresponding adjustment in equity
Reclassification of impairment on equity instruments classified in the "nature lay-out" balance sheet FROM → Reserves and retained earnings TO → Fair value changes of equity instruments measured at fair value through other comprehensive income.	RE → OCI

Impairment

Under IFRS 9, impairment is to be recognised (through profit or loss) on all financial assets measured at AC or at FVTOCI. In addition, loan commitments, financial guarantees and other commitments given are also subject to impairment.

Under IAS 39, an incurred loss model was used whereas under IFRS 9, an ECL model needs to be applied. This IFRS 9 model requires a two step approach:

- → Determination of the appropriate stage per exposure
- → Calculation of the ECL per exposure

In order to determine the appropriate stage per exposure, a key element of the assessment consists of comparing the credit rating at origination for all its financial assets within the scope of the IFRS 9 impairment requirements with the credit rating at reporting date. If a significant increase in credit risk is observed, the financial asset is allocated to stage 2 and a lifetime ECL is calculated. If the financial asset is allocated to stage 1, a one year ECL is determined. Note that in some cases expert views and analysis are applied, on top of more mechanical rating evaluations, in order to take into account particular characteristics of exposures.

We refer to a detailed description of the calculation methodology in the valuation rules.

In order to determine the impact of the impairment, on DIA of IFRS 9, the collective impairment calculated with the IAS 39 model is reversed through RE and the new ECL is recorded as a deduction of the financial assets in case the financial asset is measured at AC or recognised in OCI in case the financial asset is measured at FVTOCI. In addition, a new IFRS 9 provision has been recorded for loan commitments, financial guarantees and other commitments.

As a result, the following remeasurements can be noted:

Reference in transition table		Corresponding adjustment in equity
P	Removal of previously accounted collective impairment for financial assets measured at AC and booking the appropriate ECL against the carrying amount of the financial assets.	RE
	Removal of previously accounted collective impairment for financial assets measured at FVTOCI and booking the appropriate ECL against the OCI reserve of the financial assets.	OCI
	Additional ECL as a result of the increased scope of impairment under IFRS 9, recorded in Provisions and contingent liabilities.	RE

Reconciliation of impairment allowance balance from IAS 39 (+ specific provisions IAS 37) to IFRS 9

IAS 37/39 as published 31/12/17 (in millions of EUR)		Collective impairment	Specific impairment	Specific provisions
II.	Loans and advances due from banks	(5)	0	
III.	Loans and advances to customers	(310)	(1,153)	
IV.	Investments held to maturity	0	0	
V.	Financial assets available for sale	0	(67)	
TOTAL LOAN LOSS ALLOWANCE		(315)	(1,220)	
VIII.	Provisions and contingent liabilities[1]	0	0	(8)
TOTAL PROVISION		0	0	(8)

IFRS 9 01/01/18 (in millions of EUR)		IFRS 9 impact on impairment					
		Movements[2]	Remeasure-ment	Total	Impairment per stage		
					Stage 1	Stage 2	Stage 3
II.	Loans and advances due from credit institutions	5	0	0	0	0	0
	A. Measured at amortised cost	*5*	*0*	*0*	*0*	*0*	*0*
III.	Loans and advances	103	(116)	(1,475)	(138)	(184)	(1,153)
	A. Measured at amortised cost	*103*	*(116)*	*(1,475)*	*(138)*	*(184)*	*(1,153)*
IV.	Debt securities & equity instruments	(42)	(125)	(232)	(2)	(229)	(1)
	A. Measured at amortised cost	(108)	(81)	(189)	(1)	(187)	(1)
	B. Measured at fair value through other comprehensive income	66	(44)[3]	(44)	(2)	(42)	0
		66	(241)	(1,708)	(141)	(413)	(1,154)
IX.	Provisions and contingent liabilities[1]	0	(113)	(121)[4]	(51)	(57)	(13)
		0	(113)	(121)	(51)	(57)	(13)

(1) Relates to financial guarantees and commitments given.
(2) Movements relate to the impacts noted when applying the new layout when moving from a "valuation method" layout to a "nature based" layout, reclassifications under IFRS 9 taking into consideration both the business models and the SPPI assessments.
(3) This loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the debt instruments measured at FVTOCI in the statement of financial position. It is presented in this table for comparability purposes (gross of deferred tax) only, together with the impairment of other financial assets.
(4) This amount consists of EUR 81.7 million relating to loan commitments, and EUR 39.5 million for financial guarantees.

Reclassification to amortised cost

Regarding the transition disclosure for reclassifications from Financial assets available for sale (IAS 39 classification) to Measured at amortised cost (IFRS 9 classification) we refer to the half-yearly report 2018. This disclosure only needs to be made once, and will therefore not be repeated again.

IV. OPERATING SEGMENTS REPORTING

(some amounts may not add up due to roundings-off)

Analytically, Belfius splits its activities and accounts in three segments: Retail and Commercial (RC), Public and Corporate (PC) and Group Center (GC); with RC and PC containing the key commercial activities of Belfius.

- **Retail and Commercial (RC)**, managing the commercial relationships with individual customers and with small & medium sized enterprises both at bank and insurance level.
- **Public and Corporate (PC)**, managing the commercial relationships with public sector, social sector and corporate clients both at bank and insurance level.
- **Group Center (GC)**, containing the residual results not allocated to the two commercial segments. This mainly consists of results from Bond and Derivative portfolio management.

1. Balance sheet

	31/12/17		
(In thousands of EUR)	Assets	Liabilities	Equity
IAS 39			
Retail and Commercial	56,527,208	77,118,099	2,300,483
Public and Corporate	41,659,169	26,263,639	2,234,766
Group Center	69,772,824	55,056,055	4,986,158
TOTAL	**167,959,201**	**158,437,793**	**9,521,408**
of which banking group	148,476,016	139,868,365	8,607,650
of which insurance group(1)	19,483,185	18,569,428	913,758

(1) Note that the assets and liabilities represent the contribution of the Belfius insurance group to the consolidated balance sheet.

The assets and liabilities allocated to Retail and Commercial (RC) and Public and Corporate (PC) reflect the commercial activities of those business lines. Where RC shows an excess of funding, PC is more asset driven. As a whole, the commercial balance sheet shows a funding excess with a sound 94% loan to deposit ratio at the end of December 2018.

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 Retail and Commercial and Public and Corporate is a normative regulatory equity. The normative regulatory equity of the business line is calibrated. The business line's CET 1 ratio is brought at 13.5% taking into account the regulatory risk exposures allocated to the business line and some CET 1 capital deductions allocated to the business line (to a very limited extent, since the most important part of CET 1 capital deductions are allocated to GC). The target was determined by the minimum CET 1 ratio of 10.75% together with a stress buffer of 2.75%.

Please note that the capital allocation for the insurance activities is based on the Danish Compromise, 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.

	31/12/18		
(In thousands of EUR)	Assets	Liabilities	Equity
IFRS 9			
Retail and Commercial	58,784,532	80,082,093	2,605,197
Public and Corporate	42,429,521	25,250,888	2,407,693
Group Center	62,951,097	48,872,547	4,946,734
TOTAL	**164,165,151**	**154,205,529**	**9,959,623**
of which banking group	146,355,548	137,307,451	9,048,097
of which insurance group(1)	17,809,603	16,898,077	911,526

(1) Note that the assets and liabilities represent the contribution of the Belfius insurance group to the consolidated balance sheet.

2. Statement of income

A. Segmentation by business line

(In thousands of EUR)	31/12/17 Retail and Commercial	Public and Corporate	Group Center	Total
IAS 39				
INCOME	**1,684,406**	**519,342**	**150,934**	**2,354,682**
Net interest income bank	898,410	361,147	222,348	1,481,905
Net Fee and commissions bank	490,254	47,355	(3,849)	533,760
Life insurance contribution	237,652	30,791	(1,197)	267,246
Non-Life insurance contribution	174,776	25,902	(250)	200,427
Other	(116,686)	54,147	(66,117)	(128,656)
EXPENSES	**(1,027,163)**	**(207,876)**	**(133,569)**	**(1,368,608)**
GROSS INCOME	**657,243**	**311,466**	**17,365**	**986,074**
Impairments on financial instruments and provisions for credit commitments	(39,581)	(28,458)	35,026	(33,013)
Impairments on tangible and intangible assets	(3,719)	(681)	13,867	9,467
NET INCOME BEFORE TAX	613,943	282,327	66,258	962,528
Total tax (expense) income	(171,243)	(89,306)	(96,458)	(357,007)
NET INCOME AFTER TAX	442,701	193,021	(30,199)	605,522
Attributable to non-controlling interests	0	0	20	20
Attributable to equity holders of the parent	442,701	193,021	(30,219)	605,502
of which banking group	251,977	176,830	6,137	434,944
of which insurance group(1)	190,728	16,132	(36,302)	170,558

(1) Note that the statement of income represents the contribution of the Belfius insurance group to the consolidated statement of income. Belfius Insurance presents a net income of EUR 184 million in its consolidated accounts over 2017. The difference with the contribution of the insurer to the Belfius Group of EUR 171 million is mainly related to the realized result on bonds sold or bought by Belfius Insurance to or from other entities of the Belfius group that is adjusted at consolidated level, combined with the correction of the amortizations for buildings sold from Belfius Bank to Belfius Insurance, and a reversal of the impairment on a building owned by Belfius Insurance only accounted for on Belfius Insurance consolidated level (and not on Belfius group level, since never impaired at that level).

(In thousands of EUR)	31/12/18 Retail and Commercial	Public and Corporate	Group Center	Total
IFRS 9				
INCOME	**1,650,083**	**533,341**	**177,765**	**2,361,189**
Net interest income bank	844,618	406,597	196,345	1,447,560
Net Fee and commissions bank	488,285	47,365	1,054	536,704
Life insurance contribution	230,526	53,296	(394)	283,427
Non-Life insurance contribution	189,814	8,678	21	198,514
Other	(103,161)	17,405	(19,261)	(105,017)
EXPENSES	**(1,047,383)**	**(233,919)**	**(144,490)**	**(1,425,792)**
GROSS INCOME	**602,700**	**299,421**	**33,275**	**935,397**
Impairments on financial instruments and provisions for credit commitments	(53,831)	(24,230)	11,663	(66,397)
Impairments on tangible and intangible assets	(896)	(1,228)	0	(2,124)
NET INCOME BEFORE TAX	547,974	273,964	44,938	866,876
Total tax (expense) income	(139,389)	(66,192)	(11,306)	(216,886)
NET INCOME AFTER TAX	408,585	207,772	33,633	649,990
Attributable to non-controlling interests	408	1	553	962
Attributable to equity holders of the parent	408,177	207,771	33,080	649,028
of which banking group	235,359	188,477	20,666	444,502
of which insurance group(1)	172,818	19,293	12,414	204,526

(1) Note that the statement of income represents the contribution of the Belfius insurance group to the consolidated statement of income. Belfius Insurance presents a net income of EUR 192 million in its consolidated accounts over 2018. The difference with the contribution of the insurer to the Belfius Group of EUR 205 million is mainly related to Auxipar. In 2013, Belfius Bank sold its participation of 13.6% in Auxipar to Belfius Insurance and realized a net capital gain of EUR 15 million, this transaction was eliminated in the consolidated view. In 2018, Belfius Insurance purchased an additional stake in Auxipar, resulting in a step-up acquisition gain of EUR 23 million, for analytical reporting, this realized capital gain has been allocated for EUR 15 million to Belfius Bank and EUR 8 million to Belfius Insurance. Note that on Belfius Insurance level, the acquisition in 2018 resulted in a realised capital loss of EUR 2 million, this amount was eliminated on consolidation group level as this intragroup result does not exist on Belfius group level. Furthermore the realized result on bonds sold or bought by Belfius Insurance to or from other entities of the Belfius group is adjusted at consolidated level, combined with the correction of the amortizations for buildings sold from Belfius Bank to Belfius Insurance.

B. Segmentation by contribution scope

(In thousands of EUR)	31/12/17 Contribution Bank into group(1)	Contribution Insurance into group(1)	Total
IAS 39			
INCOME	**1,861,047**	**493,635**	**2,354,682**
Net interest income	1,481,905	469,568	1,951,473
Dividend income	8,692	64,391	73,083
Net income from equity method companies	2,394	1,801	4,195
Net income from financial instruments at fair value through profit or loss	46,068	74	46,143
Net income on investments and liabilities	20,728	153,230	173,958
Net fee and commission income	533,760	18,903	552,663
Technical result from insurance activities	0	(208,814)	(208,814)
Other income & expense	(232,501)	(5,518)	(238,019)
EXPENSES	**(1,132,749)**	**(235,859)**	**(1,368,608)**
GROSS INCOME	**728,298**	**257,776**	**986,074**
Impairments on financial instruments and provisions for credit commitments	(33,279)	265	(33,013)
Impairments on tangible and intangible assets	9,467	0	9,467
NET INCOME BEFORE TAX	704,487	258,042	962,528
Total tax (expense) income	(269,523)	(87,484)	(357,007)
NET INCOME AFTER TAX	434,964	170,558	605,522
Attributable to non-controlling interests	20	0	20
Attributable to equity holders of the parent(2)	434,944	170,558	605,502

(1) Note that the statement of income represents the contribution of the Belfius banking 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).

(2) Note that the statement of income represents the contribution of the Belfius insurance group to the consolidated statement of income. Belfius Insurance presents a net income of EUR 184 million in its consolidated accounts over 2017. The difference with the contribution of the insurer to the Belfius Group of EUR 171 million is mainly related to the realized result on bonds sold or bought by Belfius Insurance to or from other entities of the Belfius group that is adjusted at consolidated level, combined with the correction of the amortizations for buildings sold from Belfius Bank to Belfius Insurance, and a reversal of the impairment on a building owned by Belfius Insurance only accounted for on Belfius Insurance consolidated level (and not on Belfius group level, since never impaired at that level).

	31/12/18		
(In thousands of EUR)	Contribution Bank into group(1)	Contribution Insurance into group(1)	Total
IFRS 9			
INCOME	**1,861,987**	**499,202**	**2,361,189**
Net interest income	1,447,560	423,978	1,871,539
Dividend income	12,401	58,580	70,981
Net income from equity method companies	782	963	1,745
Net income from financial instruments at fair value through profit or loss	11,863	(22,507)	(10,644)
Net income on investments and liabilities	45,241	76,463	121,704
Net fee and commission income	536,704	18,953	555,656
Technical result from insurance activities	0	(53,890)	(53,890)
Other income & expense	(192,564)	(3,337)	(195,902)
EXPENSES	**(1,195,140)**	**(230,652)**	**(1,425,792)**
GROSS INCOME	**666,847**	**268,549**	**935,397**
Impairments on financial instruments and provisions for credit commitments	(68,727)	2,330	(66,397)
Impairments on tangible and intangible assets	(2,124)	0	(2,124)
NET INCOME BEFORE TAX	**595,996**	**270,879**	**866,876**
Total tax (expense) income	(151,471)	(65,415)	(216,886)
NET INCOME AFTER TAX	**444,525**	**205,464**	**649,989**
Attributable to non-controlling interests	23	939	962
Attributable to equity holders of the parent(2)	444,502	204,526	649,028

(1) Note that the statement of income represents the contribution of the Belfius banking 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).
(2) Note that the statement of income represents the contribution of the Belfius insurance group to the consolidated statement of income. Belfius Insurance presents a net income of EUR 192 million in its consolidated accounts over 2018. The difference with the contribution of the insurer to the Belfius group of EUR 205 million is mainly related to Auxipar. In 2013, Belfius Bank sold its participation of 13.6% in Auxipar to Belfius Insurance and realized a net capital gain of EUR 15 million, this transaction was eliminated in the consolidated view. In 2018, Belfius Insurance purchased an additional stake in Auxipar, resulting in a step-up acquisition gain of EUR 23 million, for analytical reporting, this realized capital gain has been allocated for EUR 15 million to Belfius Bank and EUR 8 million to Belfius Insurance. Note that on Belfius Insurance level, the acquisition in 2018 resulted in a realised capital loss of EUR 2 million, this amount was eliminated on consolidation group level as this intragroup result does not exist on Belfius group level. Furthermore the realized result on bonds sold or bought by Belfius Insurance to or from other entities of the Belfius group is adjusted at consolidated level, combined with the correction of the amortizations for buildings sold from Belfius Bank to Belfius Insurance.

We refer for a detailed description of the segment results to the management report.

V. NOTES ON THE ASSETS OF THE CONSOLIDATED BALANCE SHEET

(some amounts may not add up due to rounding)

5.1. CASH AND CASH EQUIVALENTS

Refers to table 5.1. of the annual report 2017

Analysis by nature

(In thousands of EUR)	31/12/17	01/01/18	31/12/18
Cash and balances with central banks other than mandatory reserves	9,436,665	9,436,665	7,477,269
Mandatory reserves with central banks(1)	800,299	800,299	837,110
Loans and advances due from credit institutions	1,369,062	1,369,062	2,208,919
Debt securities(2)	3,000	3,000	314,770
TOTAL	11,609,025	11,609,025	10,838,068

(1) The "Mandatory reserves" include the minimum reserve deposits that Belfius has with the European Central Bank (ECB) or with other central banks.
(2) Debt securities reflect those instruments with an original maturity less than or equal to 90 days.

A decrease can be noted due to less cash deposited at the central banks compared to 2017.

5.2. CASH AND BALANCES WITH CENTRAL BANKS

Refers to table 5.2. of the annual report 2017

Analysis by nature

(In thousands of EUR)	31/12/17 IAS 39	01/01/18 IFRS 9	31/12/18 IFRS 9
Cash in hand	553,016	553,016	608,350
Balances with central banks other than mandatory reserve deposits	8,883,355	8,883,355	6,868,843
Mandatory reserves deposits(1)	800,299	800,299	837,110
TOTAL	10,236,669	10,236,669	8,314,303
Of which included in cash and cash equivalents	10,236,964	10,236,964	8,314,379

(1) The "Mandatory reserves deposits" includes the minimum reserve deposits that Belfius has with European Central Bank or with other central banks.

5.3. LOANS AND ADVANCES DUE FROM CREDIT INSTITUTIONS

Due to the application of IFRS 9 and the new presentation of the balance sheet (bonds in "loans and advances due from banks" were transferred to "Debt securities & equity instruments"), the presentation and figures of 31 December 2017 are different from the opening balance of 1 January 2018 . We refer to the transition IFRS 9 tables for a detailed description. Note that Belfius chose not to restate comparatives.

1. Presentation and figures on 31/12/17 (IAS 39)

Loans and advances due from banks (refers to table 5.3. of the annual report 2017)

Analysis by nature

(In thousands of EUR)	31/12/17
Cash collateral	11,828,695
Sight accounts	155,887
Reverse repurchase agreements	1,525,227
Loans and other advances	292,201
Bonds	324,256
Impaired loans	0
Impaired bonds	0
Less:	
Specific impairment on impaired loans or impaired bonds	0
Collective impairment	(4 838)
TOTAL	**14,121,427**
Of which included in cash and cash equivalents	1,369,062
Of which included in financial lease	49,332

2. Presentation and figures on 31/12/18 (IFRS 9)

A. Summary totals

(In thousands of EUR)	01/01/18	31/12/18
Measured at amortised cost	13,801,882	13,106,846
Measured at fair value through other comprehensive income	0	0
Measured at fair value through profit and loss	0	0
TOTAL	**13,801,882**	**13,106,846**

B. Analysis by nature

Not measured at fair value through profit or loss

(In thousands of EUR)	01/01/18 Amortised Cost	01/01/18 Measured at fair value through other comprehensive income	31/12/18 Amortised Cost	31/12/18 Measured at fair value through other comprehensive income
Cash collateral	11,828,695	0	10,743,231	0
Sight accounts	155,887	0	133,433	0
Reverse repurchase agreements	1,525,227	0	2,134,333	0
Financial lease	49,332	0	68,865	0
Other loans and advances	242,869	0	27,177	0
Impaired loans stage 3	0	0	0	0
Less :				
Impairment stage 1 2 3	(128)	0	(191)	0
TOTAL	**13,801,882**	**0**	**13,106,846**	**0**
Of which included in cash and cash equivalents	*1,369,062*	*0*	*2,208,919*	*0*

Loans and advances due from credit institutions decreased with 5.0% or EUR 0.7 billion to EUR 13.1 billion as at 31 December 2018 compared to EUR 13.8 billion as at 1 January 2018, due to a decrease of cash collateral paid according to the market evolution of derivatives of EUR 1.1 billion and EUR 0.2 billion interbank loans, partially offset by an increase of EUR 0.6 billion reverse repurchase agreements.

Not measured at fair value through profit or loss - breakdown

(In thousands of EUR)	31/12/18 Amortised Cost	31/12/18 Measured at fair value through other comprehensive income
Gross amount stage 1	13,106,766	0
less impairment allowance stage 1	(173)	0
Gross amount stage 2	271	0
less impairment allowance stage 2	(19)	0
Gross amount credit - Impaired stage 3	0	0
Impairment on credit - impaired stage 3	0	0
TOTAL	**13,106,846**	**0**

3. Analysis of quality

See note 9.2.

4. Analysis of the fair value

See note 9.1.

5.4. LOANS AND ADVANCES

Due to the application of IFRS 9 and the new presentation of the balance sheet (bonds in "Loans and advances to customers" were transferred to "Debt securities & equity instruments"), the presentation and figures of 31 December 2017 are different from the opening balance of 1 January 2018 . We refer to the transition IFRS 9 tables for a detailed description. Note that Belfius chose not to restate comparatives.

1. Presentation and figures on 31/12/17 (IAS 39)

Loans and advances to customers (refers to table 5.4. of the annual report 2017)

A. Analysis by counterparty

(In thousands of EUR)	31/12/17
Public entities	24,867,619
Corporate & SME	31,533,516
Retail	33,296,729
Impaired loans	1,821,591
Impaired bonds	0
Less:	
Specific impairment on impaired loans or impaired bonds	(1,152,862)
Collective impairment	(309,668)
TOTAL	**90,056,926**

B. Analysis by nature

(In thousands of EUR)	31/12/17
Cash collateral	580,869
Reverse repurchase agreements	671,084
Loans and other advances	83,475,952
of which bills and own acceptances	23,112
of which finance lease	3,260,637
of which consumer loans	1,458,315
of which mortgage loans	30,558,045
of which term loans	45,063,091
of which current accounts	1,672,995
of which other loans and advances	1,439,756
Bonds	4,969,959
Impaired loans	1,821,591
Impaired bonds	0
Less:	
Specific impairment on impaired loans or impaired bonds	(1,152,862)
Collective impairment	(309,668)
TOTAL	**90,056,926**

2. Presentation and figures on 31/12/18 (IFRS 9)

A Summary totals

(In thousands of EUR)	01/01/18	31/12/18
Measured at amortized cost	83,060,191	89,302,446
Measured at fair value through other comprehensive income	0	0
Measured at fair value through profit and loss	2,346,183	1,820,067
TOTAL	85,406,374	91,122,512

B. Analysis by counterparty

Not measured at fair value through profit or loss

	31/12/18	
(In thousands of EUR)	Amortised Cost	Measured at fair value through other comprehensive income
Public entities	21,692,792	0
Corporate & Small and Medium Enterprises	31,824,085	0
Households	35,405,851	0
Impaired loans stage 3	1,863,493	0
Less:		
impairment stage 1 2 3	(1,483,775)	0
TOTAL	89,302,446	0

Not measured at fair value through profit or loss - breakdown

	31/12/18	
(In thousands of EUR)	Amortised Cost	Measured at fair value through other comprehensive income
Gross amount stage 1	81,215,172	0
less impairment allowance stage 1	(162,877)	0
Gross amount stage 2	7,707,556	0
less impairment allowance stage 2	(173,662)	0
Gross amount credit - Impaired stage 3	1,863,493	0
Impairment on credit - impaired stage 3	(1,147,237)	0
TOTAL	89,302,446	0

Measured at fair value through profit and loss

(In thousands of EUR)	31/12/18			
	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily measured at fair value through profit or loss(1)	Total
Public entities	0	0	1,659,883	1,659,883
Corporate & Small and Medium Enterprises	0	0	128,051	128,051
Households(2)	32,133	0	0	32,133
TOTAL	32,133	-	1,787,934	1,820,067

(1) Note that at date of initial application of IFRS 9, a total stock of EUR 2.3 billion loans did not pass the SPPI-test and are therefore measured at fair value through profit or loss. It mainly concerns loans to the public and social sector with specifically structured interest rate features. Note that regular restructurings take place, transforming non basic loans into basic loans structures. These restructuring resulted in a decrease of EUR 0.5 billion in the non-basic loans and advances measured at fair value through profit or loss at 31 December 2018.
(2) Belfius warehouses mortgage loans, for a limited period of time, before transferring these mortgage loans to a non-related party.

C. Analysis by nature

Not measured at fair value through profit or loss

(In thousands of EUR)	01/01/18		31/12/18	
	Amortised Cost	Measured at fair value through other comprehensive income	Amortised Cost	Measured at fair value through other comprehensive income
Cash collateral	580,869	0	709,274	0
Reverse repurchase agreements	671,084	0	536,808	0
Financial lease	3,242,635	0	3,358,007	0
Other Loans and advances(1)	78,219,770	0	84,318,640	0
Of which bills and own acceptances			77,339	0
Of which consumer loans			1,634,396	0
Of which mortgage loans(2)			32,423,496	0
Of which term loans(3)			47,147,733	0
Of which current accounts			1,507,887	0
Of which other loans and advances			1,527,790	0
Impaired loans stage 3	1,821,242	0	1,863,493	0
Less:				
impairment stage 1 2 3	(1,475,411)	0	(1,483,775)	0
TOTAL	83,060,191	0	89,302,446	0

(1) The underlying pool of loans of the covered bonds (Pandbrieven) amount to EUR 10.9 billion end December 2018 (versus EUR 9.5 billion end 2017). This covered pool guarantees the outstanding covered bonds, of which 6.2 billion mortgage covered bonds (versus 4.9 billion end 2017) and 2.5 billion public covered bonds (versus 2.3 billion end 2017). This increase is explained by the issue of EUR 1.5 billion bonds covered by mortgages in 2018. We also refer to note 9.3.4. on Transfer of financial assets which do not qualify for derecognition in the consolidated balance sheet.
(2) In 2017, EUR 6.3 billion "mortgage loans" were securitised. In 2018, this decreased to EUR 5.5 billion. We also refer to note 12. "Securitisations" and to note 9.3.4. on Transfer of financial assets which do not qualify for derecognition in the consolidated balance sheet.
(3) In 2017, EUR 2.6 billion ""term loans"" were securitised. In 2018, this decreased to EUR 2.2 billion. We also refer to note 12. "Securitisations" and to note 9.3.4. on Transfer of financial assets which do not qualify for derecognition in the consolidated balance sheet.

Loans and advances increased by EUR 5.7 billion, or 6.7%, to EUR 91.1 billion as at 31 December 2018, compared to EUR 85.4 billion as at 1 January 2018. The increase in loans was due to an increase in commercial assets of EUR 6.2 billion (mainly mortgage loans and term loans) in line with our strategy to further develop our commercial franchise and to support the Belgian economy. Other items include an increase of cash collateral paid according to the market evolution of derivatives of EUR 0.1 billion and a decrease in reverse repurchase agreements of EUR 0.1 billion.

Measured at fair value through profit and loss

(In thousands of EUR)	01/01/18 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
Loans and advances	32,285	3,143	2,310,755	2,346,183

(In thousands of EUR)	31/12/18 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
Loans and advances	32,133	0	1,787,934	1,820,067

(1) Belfius warehouses mortgage loans, for a limited period of time, before transferring these mortgage loans to a non-related party.
(2) Note that at date of initial application of IFRS 9, a total stock of EUR 2.3 billion loans did not pass the SPPI-test and are therefore measured at fair value through profit or loss. It mainly concerns loans to the public and social sector with specifically structured interest rate features. Note that regular restructurings take place, transforming non basic loans into basic loans structures. These restructuring resulted in a decrease of EUR 0.5 billion in the non-basic loans and advances measured at fair value through profit or loss at 31 December 2018.

3. Analysis of quality

See note 9.2.

4. Analysis of the fair value

See note 9.1.

5.5. DEBT SECURITIES & EQUITY INSTRUMENTS

Due to the application of IFRS 9 and the new presentation of the balance sheet (bonds in "loans and advances due from banks" were transferred to "Debt securities & equity instruments"), the presentation and figures of 31 December 2017 are different from the opening balance of 1 January 2018 . We refer to the transition IFRS 9 tables for a detailed description. Note that Belfius chose not to restate comparatives.

1. Presentation and figures on 31/12/17 (IAS 39)

Investments held to maturity (refers to table 5.5. of the annual report 2017)

Analysis by nature

(In thousands of EUR)	31/12/17
Bonds issued by public sector	3,943,947
Other bonds and fixed-income instruments	1,498,052
TOTAL	5,441,999

Financial assets available for sale (refers to table 5.6. of the annual report 2017)

Analysis by nature

(In thousands of EUR)	31/12/17
Bonds issued by public sector	11,135,849
Other bonds and fixed-income instruments	4,023,536
Equity and variable-income instruments	2,890,061
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	**18,049,445**
Specific impairment on impaired financial investments	(66,848)
TOTAL	**17,982,597**

Financial assets measured at fair value through profit or loss (refers to table 5.7. of the annual report 2017)

Financial assets held for trading

Analysis by nature

(In thousands of EUR)	31/12/17
Bonds issued by public sector	208,771
Other bonds and fixed-income instruments	392,280
Equity and variable-income instruments	38,532
TOTAL	**639,583**

2. Presentation and figures on 31/12/18 (IFRS 9)

A. Summary totals

(In thousands of EUR)	01/01/18	31/12/18
Measured at amortized cost	21,143,773	21,610,561
Measured at fair value through other comprehensive income	6,962,747	5,216,152
Measured at fair value through profit and loss	2,669,808	1,742,052
TOTAL	**30,776,327**	**28,568,766**

The debt securities and equity instruments portfolio are situated in Belfius's Banking Group for EUR 16.7 billion (versus EUR 17.6 billion at 1 January 2018), and in Belfius Insurance for EUR 11.8 billion (versus EUR 13.2 billion at 1 January 2018).

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 apart from certain positions that were classified as "held to collect and sell". The latter concerns part of the Italian government bond portfolio which has been sold in the meantime for concentration risk management purposes. 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 large 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.

B. Analysis by nature

Not measured at fair value through profit or loss

(In thousands of EUR)	01/01/18 Amortised Cost	01/01/18 Measured at fair value through other comprehensive income	31/12/18 Amortised Cost	31/12/18 Measured at fair value through other comprehensive income
Debt securities issued by public sector	10,362,673	3,913,529	10,794,385	2,367,208
Other debt securities	10,968,114	1,718,472	11,010,727	1,504,313
Equity instruments	0	1,374,444	0	1,365,896
Impaired debt securities stage 3	1,782	0	1,782	0
Less:				
impairment stage 1 2 3	(188,797)	(43,699)	(196,333)	(21,265)
TOTAL	21,143,773	6,962,747	21,610,561	5,216,152
of which included in cash and cash equivalents	3,000	0	314,770	0

The debt securities measured at amortised cost increased slightly from EUR 21.1 billion to EUR 21.6 billion following the reinvestment of the proceeds from sold Italian bonds at Belfius Bank and acquisitions at Belfius Insurance.

The financial assets measured at fair value through other comprehensive income decreased by EUR 1.7 billion or 25.1% to EUR 5.2 billion as at 31 December 2018 compared to EUR 7.0 billion as at 1 January 2018. The decrease mainly resulted from the sale of some Italian government bonds for a notional amount of EUR 0.8 billion at Belfius Bank, in line with Belfius' objective to decrease its related concentration risk. At Belfius Insurance, government bonds were sold for EUR 0.5 billion within the ALM management in the individual life segment and to finance the settlement of a segregated fund. In addition, negative fair value adjustments following higher yields and declining equity markets compared to end 2017 can be noted.

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

(In thousands of EUR)	31/12/18 Amortised Cost	31/12/18 Measured at fair value through other comprehensive income[1]
Gross amount stage 1	13,762,400	2,730,778
Less impairment allowance stage 1	(1,388)	(1,818)
Gross amount stage 2	8,042,712	1,140,743
Less impairment allowance stage 2	(194,105)	(19,446)
Gross amount credit - Impaired stage 3	1,782	0
Impairment on credit - impaired stage 3	(840)	0
TOTAL	21,610,561	3,850,257

(1) Impairments of debt instruments measured at fair value through other comprehensive income do not reduce the carrying amount (i.e. fair value).

The impairment stage 2 is mainly stemming from the ex legacy bond portfolio, as since date of recognition (already recognised at DIA IFRS 9) a significant increase in credit risk (stage 2) for certain positions can be noted. Note that the number of defaulted debt securities is quite limited.

Measured at fair value through profit and loss

(In thousands of EUR)	01/01/18 Financial assets held for trading	Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily measured at fair value through profit or loss	Total
Debt securities issued by public sector	208,771	0	178,104	386,875
Other debt securities	393,662	0	1,850,738	2,244,400
Equity instruments	38,532	0	1	38,533
TOTAL	640,965	0	2,028,843	2,669,808

(In thousands of EUR)	31/12/18 Financial assets held for trading	Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily measured at fair value through profit or loss	Total
Debt securities issued by public sector	164,922	0	128,204	293,125
Other debt securities	366,886	0	956,835	1,323,722
Equity instruments	124,824	0	380	125,205
TOTAL	656,633	0	1,085,420	1,742,052

The debt securities measured at fair value through profit or loss decreased with EUR 0.9 billion, or 34.7%, to EUR 1.7 billion as at 31 December 2018 compared to EUR 2.7 billion as at 1 January 2018, principally following the decrease in outstanding of mainly monetary (mutual) funds in the non-basic fund portfolio at Belfius Insurance.

Measured at fair value through other comprehensive income - Equity

(In thousands of EUR)	31/12/18 Reason for designation	Fair Value	Dividend income recognised
Investments designated as at fair value through other comprehensive income			
TOTAL	Investment portfolio	1,365,896	67,445

(In thousands of EUR)	31/12/18 Reason for disposal	Fair Value at derecognition date	Transfer of cumulative gain or loss within equity	Dividend income recognised
Investments derecognised as at fair value through other comprehensive income				
TOTAL	Investment portfolio	159,507	15,244	9,188

The sale of certain equity positions was mainly situated at Belfius Insurance for risk and ALM purposes.

3. Analysis of quality

See note 9.2.

4. Analysis of the fair value

See note 9.1.

5.6. DERIVATIVES

Refers to table 5.9. of the annual report 2017

Due to the new presentation of the balance sheet under IFRS 9, the figures of 31 December 2017 are different from the opening balance of 1 January 2018 . We refer to the IFRS 9 transition table for a detailed description. Note that with IFRS 9, applicable as from 1 January 2018, the notion of non closely embedded derivatives for financial assets no longer exists as the financial asset should be considered as a whole. As a result, the notion of bifurcated embedded derivatives on the assets side as such disappears from the balance (fair value) and off balance sheet accounts (notional amount). Belfius chose not to restate comparatives.

1. Analysis by nature

	31/12/17		01/01/18		31/12/18	
(In thousands of EUR)	Assets	Liabilities	Assets	Liabilities(1)	Assets	Liabilities
Derivatives held for trading(1)	18,457,596	15,520,935	14,529,941	12,875,700	11,117,705	10,666,692
Derivatives designated as fair value hedges(1)	63,235	187,425	67,176	2,715,130	182,889	2,325,442
Derivatives designated as cash flow hedges	523,792	517,284	523,836	516,887	294,588	271,754
Derivatives designated as portfolio hedge	1,258,411	5,038,388	1,293,558	5,088,157	1,172,402	4,476,392
TOTAL	20,303,034	21,264,032	16,414,511	21,195,874	12,767,585	17,740,280

(1) Please note that a pro forma has been performed on the 01/01/18 figures with regard to the figures published in the half-yearly report 2018. The pro forma consists of a shift between "derivatives held for trading" and "derivatives designated as fair value hedges" for the mark to market at the liabilities side.

A decrease in the fair value of derivatives can be noted. This was mainly due to compression services on the derivatives market and market evolutions.

Note that the netting on the balance sheet of the fair value of the derivatives with LCH amounted to EUR 6.6 billion end 2018, compared to EUR 8.7 billion end 2017. Refer to note 9.3.6 Offsetting.

2. Detail of derivatives held for trading

	31/12/17				31/12/18			
	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	20,591,576	20,551,302	2,391,248	2,348,671	17,641,072	17,665,255	1,464,578	1,449,294
Interest rate derivatives	332,322,969	336,781,752	15,800,846	12,965,473	202,678,607	210,835,235	9,414,950	9,006,023
of which option/cap/floor/collar/swaption	173,599,993	183,217,533	2,659,586	2,934,108	82,998,404	89,112,770	1,447,806	1,766,503
of which interest rate swaps	147,584,187	147,277,950	13,141,053	10,031,045	118,997,914	119,062,522	7,966,678	7,239,459
of which interest rate swaps - held for trading	1,099,985	0	1	(56)	0	0	0	0
of which interest rate swaps - designated as economic hedges	0	0	0	158	48,288	0	404	0
of which interest futures	10,038,803	6,286,269	205	218	634,000	2,659,943	63	61
Credit derivatives	1,509,537	1,522,677	120,279	111,749	1,539,085	1,565,194	133,776	116,390
Equity derivatives	3,719,182	3,318,170	145,224	95,041	4,510,024	4,322,251	104,401	94,985
TOTAL	358,143,264	362,173,900	18,457,596	15,520,935	226,368,788	234,387,936	11,117,705	10,666,692

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of the derivative financial instrument that 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).

For additional information on related market risk, refer to note 9.5 Market Risk.

The implementation of IFRS 9 had an impact on the notional amount of the derivatives. In particular, Belfius opted under IAS 39, at origination, to present its not closely related embedded derivatives separately from the host contract on the balance sheet (as permitted by IAS 39) and classified the not closely related embedded derivatives as derivatives on the balance sheet. As a result, end 2017, the trading derivatives include the bifurcated embedded derivatives on that specific part of the bond and loan portfolios as well as on some issued debt securities, even if these derivatives are part of a hedge relationship.

With the application of IFRS 9, the notion of not closely embedded derivative for financial assets no longer exists. As a result, an impact on the off balance sheet accounts (notional amounts) as well as on the balance sheet accounts (fair value) can be noted. In particular, a decrease of EUR 13.5 billion can be noted on the notional amounts following the implementation of IFRS 9.

3. Fair Value Hedges

Belfius has opted to continue with the existing (micro) hedge accounting requirements of IAS 39.

A. Detail of derivatives designated as fair value hedges

Presentation and figures on 31/12/17 (IAS 39)

	31/12/17			
	Notional amount(1)		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver		
Foreign exchange derivatives	550,973	502,334	63,235	187,425
of which cross currency swaps	550,973	502,334	63,235	187,425
Interest rate derivatives	0	0	0	0
TOTAL	550,973	502,334	63,235	187,425

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of the derivative financial instrument that 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.

Presentation and figures on 31/12/18 (IFRS 9)

	31/12/18			
	Notional amount(1)		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver		
Foreign exchange derivatives	807,802	678,950	152,939	727,461
Interest rate derivatives	4,516,407	4,516,407	1,786	1,597,981
of which interest rate swaps	4,516,407	4,516,407	1,786	1,597,981
Credit derivatives(2)	1,322,285	0	28,165	0
TOTAL	6,646,494	5,195,357	182,889	2,325,442

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of the derivative financial instrument that 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 2 ratio from downward risk. Seeing that this spreadlock is defined to hedge the asset swap spread of specific bond positions, the derivative is considered as a credit derivative on which fair value hedge accounting has been set up to hedge all risks except changes in fair value due to benchmark interest rate.

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.

B. Detail of hedged exposure

The following table contains details of the hedged exposures covered by the Belfius' hedging strategies.
We refer to note 7.4 "Net income from financial instruments at fair value through profit or loss" for more information regarding the measurement of hedge effectiveness.

	31/12/18			
(In thousands of EUR)	Carrying amount of hedged item	Assets or liabilities included in hedge of a net position (before netting)	Accumulated amount of fair value adjustments on the hedged item	Accumulated amount of fair value hedged adjustments in the statement of financial positions in case of rupture
Financial assets measured at fair value through other comprehensive income	139,281	0	(2,198)	0
Credit[1]	139,281	0		
Financial assets measured at amortised cost	10,048,342	0	777,326	2,593,765
Interest rate	8,723,325	0		
Credit[1]	1,325,017	0		
Financial liabilities measured at amortised cost	0	0	0	0

(1) Belfius Insurance has concluded "spreadlock" derivatives in order to hedge the asset swap spread on certain bond positions, the purpose of these transactions is to protect the Solvency 2 ratio from downward risk. Seeing that this spreadlock is defined to hedge the asset swap spread of specific bond positions, the derivative is considered as a credit derivative on which fair value hedge accounting has been set up to hedge all risks except changes in fair value due to benchmark interest rate.

The fair value used for the measurement of hedge effectiveness is based on the fair value movements of the derivatives on the balance sheet.

In the table above the carrying amount of hedged items in a fair value hedge is broken down by accounting portfolio. The accumulated amount of fair value adjustments on the hedged item includes the gains and losses on the hedged items that, as a consequence of hedge accounting, have adjusted the carrying amount of those items. Accumulated amount of fair value hedged adjustments in the statement of financial positions in case of rupture includes those hedge adjustments which, following the discontinuation of the hedge relationship and the end of the adjustment of hedged items for hedging gains and losses, remain to be amortised to the profit or loss via a recalculated effective interest rate for hedged items measured at amortised cost, or to the amount that represents the previously recognised cumulative hedging gain or loss for hedged assets measured at fair value through other comprehensive income.

4. Cash flow hedges

Belfius has opted to continue with the existing (micro) hedge accounting requirements of IAS 39.

A. Detail of derivatives designated as cash flow hedges

Presentation and figures on 31/12/17 (IAS 39)

	31/12/17			
	Notional amount[1]		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver		
Foreign exchange derivatives	3,833,433	3,810,606	523,792	517,284
of which cross currency swaps	3,833,433	3,810,606	523,792	517,284
TOTAL	**3,833,433**	**3,810,606**	**523,792**	**517,284**

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of the derivative financial instrument that 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.

Presentation and figures on 31/12/18 (IFRS 9)

(In thousands of EUR)	31/12/18			
	Notional amount(1)		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	5,870,832	5,855,582	294,588	271,754
of which cross currency swaps	5,870,832	5,855,582	294,588	271,754
TOTAL	**5,870,832**	**5,855,582**	**294,588**	**271,754**

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of the derivative financial instrument that 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.

Following a global trend towards market standardisation of derivative contracts, Belfius decided, and successfully managed, to restructure certain derivative contracts by eliminating certain optionalities. In particular, in some derivative contracts, Belfius does not have the option to choose the currency for its collateral posting anymore. As a result, Belfius needs to pay more collateral in GBP instead of in EUR. In order to hedge this additional collateral demand in GBP, Belfius has entered into some Cross Currency Swaps whereby GBP is received in exchange for EUR. These Cross Currency Swaps are recorded in a cash flow hedge relationship for the currency risk on a "highly probable forecasted transaction", whereby Belfius demonstrates that the collateral to be paid is higher than the notional of the Cross Currency Swap.

Belfius decided to cover the risk of variability of cash flows and foreign currency changes stemming from incoming invoices charging Belfius for services 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.

Estimated cashflows from cashflow hedging derivatives per time bucket

(In thousands of EUR)	Inflow	Outflow
Not more than three months	2,831,810	(3,825,477)
More than three but not more than six months	2,831,810	(3,824,257)
More than six months but not more than one year	2,831,810	(3,806,865)
More than one but not more than two years	2,552,285	(3,716,800)
More than two but not more than five years	2,412,523	(3,709,591)
More than five years	2,198,085	(3,307,654)

B. Detail of hedged exposure

Cash flow hedges are performed on highly probable future cash flows, therefore there is no current hedged item.

Following a global trend towards market standardisation of derivative contracts, Belfius decided, and successfully managed, to restructure certain derivative contracts by eliminating certain optionalities. In particular, in some derivative contracts, Belfius does not have the option to choose the currency for its collateral posting anymore. As a result, Belfius needs to pay more collateral in GBP instead of in EUR. In order to hedge this additional collateral demand in GBP, Belfius has entered into some Cross Currency Swaps whereby GBP is received in exchange for EUR. These Cross Currency Swaps are recorded in a cash flow hedge relationship for the currency risk on a "highly probable forecasted transaction", whereby Belfius demonstrates that the collateral to be paid is higher than the notional of the Cross Currency Swap.

Belfius decided to cover the risk of variability of cash flows and foreign currency changes stemming from incoming invoices charging Belfius for services 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.

C. Detail of the effectiveness of the hedging relationships

Refer to note 7.4. "Net income from financial instruments at fair value through profit or loss" for more information regarding the measurement of hedge effectiveness.

D. Reconciliation of equity in relation to hedge accounting

For more information on the reconciliation of each component of equity and an analysis of other comprehensive income in relation to hedge accounting, refer to notes 1.3. "Consolidated statement of comprehensive income" and 1.4. "Consolidated statement of change in equity".

5. Detail of derivatives of portfolio hedge

	31/12/17				31/12/18			
	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	53,542,070	53,535,860	1,258,411	5,038,388	47,294,180	47,286,669	1,172,402	4,476,392
TOTAL	53,542,070	53,535,860	1,258,411	5,038,388	47,294,180	47,286,669	1,172,402	4,476,392

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of the derivative financial instrument that 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.

Belfius applied portfolio hedge accounting to hedge part of its loan and bond portfolio on the asset side and its issued bonds on the liability side. These hedged items are hedged by plain vanilla interest rate swaps.

The accumulated gain/loss on the hedged item in portfolio hedge of interest rate risk on the balance sheet amounts to EUR 4.6 million assets and EUR 0.2 million liabilities on 31 December 2018 compared to EUR 3.7 million assets and EUR 0.1 million liabilities at year-end 2017 (IAS 39). Refer to note 3 "Accounting principles on a consolidated basis" chapter "Transition tables from IAS 39 to IFRS 9" for a detailed description of the impacts of IFRS 9.

5.7. INVESTMENTS IN EQUITY METHOD COMPANIES

Refers to table 5.10 of the annual report 2017

1. Carrying value

(In thousands of EUR)	2017	2018
CARRYING VALUE AS AT 1 JANUARY	97,044	31,481
Disposals[1]	(69,862)	(13,900)
Changes in scope of consolidation (in)[2]	0	39,382
Changes in scope of consolidation (out)[3]	0	(9,406)
Share of result before tax	4,599	2,606
Share of tax	(404)	(861)
Dividend paid	(7,626)	(1,352)
Transfers	7,730	0
CARRYING VALUE AS AT 31 DECEMBER	31,481	47,949

(1) Belfius Bank has sold its equity participation in "NEB Participations" in 2018. Belfius Insurance has sold its equity participation in "Pole Star" and "North Light" in the second half of 2017. Belfius Insurance has sold its equity stake in "Aviabel" in the first half of 2017, classified in "Non current assets (disposal group) held for sale and discontinued operations" end 2016.

(2) Belfius has consolidated the new entity Bancontact Payconiq Company of which it owns 22.5% of the shares, through equity method, following the merger between Payconiq and Bancontact on 29 June 2018. The investment in EPC (61.37%), holiday park De Haan (25%) and investment company M80 Capital (22.91%) are consolidated through the equity method. Although Belfius owns the majority of the shares in EPC, it does not have substantiated control over the investment as

→ there is a limitation of the voting rights and

→ no shareholder/control agreements exist.

(3) Auxipar, previously evaluated through the equity method, is fully consolidated as from 29 March 2018 onwards. Refer to note 10.1 "Significant changes in the scope of consolidation" for more information.

2. List of equity method companies

(In thousands of EUR)	Book value 2017	2018	Website
NEB Participations NV	13,900	0	
Auxipar SA[1]	9,406	0	
Isabel SA	5,013	5,077	*www.isabel.eu*
Erasmus Garden SA	3,161	4,229	
L'Economie populaire de Ciney CVBA (EPC)		21,187	
Payconiq Belgium NV		6,438	
De Haan Vakantiehuizen		9,500	
M80 Capital CV		1,518	
TOTAL	31,481	47,949	

(1) Auxipar, previously evaluated through the equity method, is fully consolidated as from 29 March 2018 onwards. Refer to note 10.1. "Significant changes in the scope of consolidation" for more information.

3. Financial information of the joint arrangements and associates evaluated through the equity method

(In thousands of EUR)	Assets	Liabilities	Equity	Net income	Net asset value	%	Annual report, as at
ASSOCIATES							
Isabel SA	32,434	13,066	19,367	3,050	19,367	24.00%	31/12/17
L'Economie populaire de Ciney SCRL (EPC)	75,527	44,878	30,649	1,699	30,649	61.37%	31/12/17
Payconiq Belgium NV[1]					19,275	22.50%	
De Haan Vakantiehuizen[1]					38,000	25.00%	
M80 Capital CV[1]					6,625	22.91%	
JOINT VENTURES							
Erasmus Garden SA	32,744	28,021	4,723	1,670		50.00%	31/12/17

(1) Financial information of recently created associates is not available at this stage.

There are no significant or material commitments towards the joint ventures.

There are no significant restrictions on the equity method companies, on their ability to access or use assets, and settle liabilities, of the group.

5.8. TANGIBLE FIXED ASSETS

Refers to table 5.11 of the annual report 2017

1. Net book value

(In thousands of EUR)	Land and buildings		Office furniture and other equipment		Investment property	Total
	Own use owner	Own use finance lease	Own use owner	Own use finance lease		
ACQUISITION COST AS AT 1 JANUARY 2017	**1,419,005**	**2,507**	**381,669**	**1,200**	**555,509**	**2,359,891**
Acquisitions[1]	35,803	0	6,816	652	6,752	50,023
Subsequent expenditures	8,127	0	0	0	3,797	11,924
Post-acquisition adjustments	0	0	0	0	2,771	2,771
Disposals[2]	(86,738)	0	(2,074)	0	(5,715)	(94,527)
Change in scope of consolidation (in)	0	0	1,104	0	13,127	14,231
Change in scope of consolidation (out)	0	0	0	0	0	0
Transfers and cancellations	37,012	0	(3,892)	0	(25,030)	8,091
Foreign exchange adjustments	0	0	0	0	0	0
Other movements	0	0	45	0	263	308
ACQUISITION COST AS AT 31 DECEMBER 2017 (A)	**1,413,210**	**2,507**	**383,669**	**1,851**	**551,476**	**2,352,713**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JANUARY 2017	**(779,512)**	**(2,429)**	**(323,865)**	**(659)**	**(161,738)**	**(1,268,204)**
Accumulated depreciation	(734,495)	(2,429)	(323,865)	(659)	(161,087)	(1,222,535)
Accumulated impairment	(45,017)	0	0	0	(651)	(45,669)
Post-acquisition adjustments	0	0	0	0	0	0
Booked	(35,948)	0	(10,126)	(612)	(12,966)	(59,652)
Impairment: booked	(257)	0	0	0	0	(257)
Write-back[3]	16,135	0	0	0	102	16,237
Disposals[2]	23,907	0	1,336	0	175	25,419
Change in scope of consolidation (in)	0	0	(454)	0	0	(454)
Change in scope of consolidation (out)	0	0	0	0	0	0
Transfers and cancellations	(14,267)	0	3,888	0	3,810	(6,569)
Foreign exchange adjustments	0	0	0	0	0	0
Other movements	0	24	(46)	0	0	(21)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31 DECEMBER 2017 (B)	**(789,942)**	**(2,405)**	**(329,267)**	**(1,271)**	**(170,617)**	**(1,293,502)**
Accumulated depreciation	(760,852)	(2,405)	(329,267)	(1,271)	(170,067)	(1,263,862)
Accumulated impairment	(29,090)	0	0	0	(549)	(29,639)
NET BOOK VALUE AS AT 31 DECEMBER 2017 (A)+(B)	**623,268**	**102**	**54,402**	**580**	**380,859**	**1,059,212**

(1) Acquisitions mainly include leasing contracts for the construction of property. Disposals include the delivery of these leasing contracts and the assets are at that moment reclassed to loans and advances.
(2) Disposals include the delivery of the leasing contracts and the sale of bank agencies.
(3) For more information regarding this impairment write-back, see disclosure 7.13 "Impairment on tangible and intangible assets". Note that most of the reversal is related to the Belfius headquarter Rogier Tower. The value of the building has increased due to the reassessment of the occupancy rate following the execution of the "Belfius Together" and "Belfius Way of Working" strategy, where Belfius Insurance and Belfius Bank employees working in Brussels (Centre) are sharing more and more the same headquarter.

(In thousands of EUR)	Land and buildings		Office furniture and other equipment		Investment property	Total
	Own use owner	Own use finance lease	Own use owner	Own use finance lease		
ACQUISITION COST AS AT 1 JANUARY 2018	1,413,210	2,507	383,669	1,851	551,476	2,352,713
Acquisitions[1]	19,802	0	2,950	863	5,015	28,629
Subsequent expenditures	12,755	0	0	0	6,078	18,833
Post-acquisition adjustments	0	0	0	0	0	0
Disposals[2]	(39,248)	0	(92)	0	(3,121)	(42,461)
Change in scope of consolidation (in)[3]	0	0	385	0	34,188	34,574
Change in scope of consolidation (out)	0	0	0	0	0	0
Transfers and cancellations[4]	(101,874)	0	(3,594)	0	99,887	(5,581)
Foreign exchange adjustments	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
ACQUISITION COST AS AT 31 DECEMBER 2018 (A)	1,304,645	2,507	383,317	2,714	693,523	2,386,707
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JANUARY 2018	(789,942)	(2,405)	(329,267)	(1,271)	(170,617)	(1,293,502)
Accumulated depreciation	(760,852)	(2,405)	(329,267)	(1,271)	(170,067)	(1,263,862)
Accumulated impairment	(29,090)	0	0	0	(549)	(29,639)
Post-acquisition adjustments	0	0	0	0	0	0
Booked	(27,855)	(96)	(8,926)	(553)	(16,359)	(53,789)
Impairment: booked	(891)	0	0	0	(1,647)	(2,538)
Write-back	0	0	0	0	435	435
Disposals[2]	26,354	0	88	0	465	26,907
Change in scope of consolidation (in)[3]	0	0	0	0	(3,817)	(3,817)
Change in scope of consolidation (out)	0	0	0	0	0	0
Transfers and cancellations[4]	65,331	0	3,594	0	(63,720)	5,205
Foreign exchange adjustments	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31 DECEMBER 2018 (B)	(727,004)	(2,501)	(334,510)	(1,824)	(255,260)	(1,321,099)
Accumulated depreciation	(697,914)	(2,501)	(334,510)	(1,824)	(253,475)	(1,290,225)
Accumulated impairment	(29,090)	0	0	0	(1,784)	(30,874)
NET BOOK VALUE AS AT 31 DECEMBER 2018 (A)+(B)	577,640	6	48,807	890	438,263	1,065,607

(1) Acquisitions mainly include leasing contracts for the construction of property. Disposals include the delivery of these leasing contracts and the assets are at that moment reclassed to loans and advances.
(2) Disposals include the delivery of the leasing contracts and the sale of bank agencies.
(3) Change in scope of consolidation (in) concerns the aquisition of Offico Immo.
(4) Transfers mainly consists of the reclassification of the Galilee building from own use to investment property.

2. Fair value of investment property

(In thousands of EUR)	2017	2018
TOTAL	499,910	651,584
Fair value subject to an independent valuation	491,230	642,926
Fair value not subject to an independent valuation	8,680	8,658

The fair value of investment property increased due to the reclassification of the Galilee building from own use to investment property and the acquisition of Offico Immo.

5.9. INTANGIBLE ASSETS

Refers to table 5.12. of the annual report 2017

(In thousands of EUR)	Internally developed software	Other intangible assets	Total
ACQUISITION COST AS AT 1 JANUARY 2017	267,510	95,582	363,092
Acquisitions(1)	62,993	23,490	86,482
Disposals	0	(13)	(13)
Change in scope of consolidation (in)	0	0	0
Transfers and cancellations	(31,824)	0	(31,824)
ACQUISITION COST AS AT 31 DECEMBER 2017 (A)	298,679	119,059	417,738
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2017	(168,609)	(71,942)	(240,551)
Accumulated amortisation	(168,609)	(71,942)	(240,551)
Accumulated impairment	0	0	0
Booked	(37,785)	(9,310)	(47,095)
Change in scope of consolidation (in)	0	0	0
Disposals	0	159	159
Transfers and cancellations(2)	31,824	0	31,824
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2017 (B)	(174,571)	(81,093)	(255,664)
Accumulated amortisation	(170,689)	(81,093)	(251,781)
Accumulated impairment	(3,882)	0	(3,882)
NET BOOK VALUE AS AT 31 DECEMBER 2017 (A)+(B)	124,108	37,966	162,074

(1) During the year internally developed software costs were capitalised. The internally developed software relates to several ongoing IT projects at Belfius. These projects relate to the further digitalisation and innovation of Belfius IT platforms and applications.
(2) Transfers and cancellations mainly include cancellations of own developed software.

(In thousands of EUR)	Internally developed software	Other intangible assets	Total
ACQUISITION COST AS AT 1 JANUARY 2018	298,679	119,059	417,738
Acquisitions(1)	56,733	31,129	87,862
Disposals	0	(773)	(773)
Change in scope of consolidation (in)	0	693	693
Transfers and cancellations	0	(891)	(891)
ACQUISITION COST AS AT 31 DECEMBER 2018 (A)	355,412	149,216	504,628
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2018	(174,571)	(81,093)	(255,664)
Accumulated amortisation	(170,689)	(81,093)	(251,781)
Accumulated impairment	(3,882)	0	(3,882)
Booked	(44,995)	(13,335)	(58,330)
Change in scope of consolidation (in)	0	(94)	(94)
Disposals	0	64	64
Transfers and cancellations(2)	0	891	891
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2018 (B)	(219,566)	(93,565)	(313,131)
Accumulated amortisation	(215,684)	(93,419)	(309,103)
Accumulated impairment	(3,882)	(146)	(4,029)
NET BOOK VALUE AS AT 31 DECEMBER 2018 (A)+(B)	135,846	55,651	191,497

(1) During the year internally developed software costs were capitalised. The internally developed software relates to several ongoing IT projects at Belfius. These projects relate to the further digitalisation and innovation of Belfius IT platforms and applications.
(2) Transfers and cancellations mainly include cancellations of own developed software.

5.10. GOODWILL

Refers to table 5.13. of the annual report 2017

	Positive goodwill	
(In thousands of EUR)	2017	2018
ACQUISITION COST AS AT 1 JANUARY	129,886	129,886
ACQUISITION COST AS AT 31 DECEMBER (A)	129,886	129,886
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY	(25,920)	(25,920)
Accumulated amortisation	(25,920)	(25,920)
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER (B)	(25,920)	(25,920)
Accumulated amortisation	(25,920)	(25,920)
Accumulated impairment	0	0
NET BOOK VALUE AS AT 31 DECEMBER (A)+(B)	103,966	103,966

Positive goodwill relates to goodwill on Belfius Insurance.

The annual impairment test did not require an impairment on goodwill. The impairment test was performed by comparing the equity value of Belfius Insurance with the "value in use". This value in use was determined based on a discounted cash flow model with the following inputs:

- financial plan for 5 years,
- discount rate: a cost of equity of 10% and
- a long term growth rate for Belgium of 0.5%.

Note that the financial plan has only a limited impact on the impairment test. The main drivers are the discount curve and long term growth rate. Based on that scenario, a surplus could be identified, note that there have been no change in parameters compared to last year.

For 2017 and 2018, all scenarii (ranging from a growth rate from -2% to +2% and a discount rate of 6% to 12%) showed that no impairment was required. The assumptions for these scenarii are aligned with the expected evolution of the results in the financial plan and with the market conditions for capital costs. Only if the required cost of equity (discount curve) amounts to 17% together with a growth rate of 0,0%, would an impairment start to become necessary. At a cost of equity of 10%, impairment would start at a negative growth rate of 13% after realisation of the financial plan.

5.11. DEFERRED TAX ASSETS

Refers to table 5.14. of the annual report 2017

1. Analysis

(In thousands of EUR)	31/12/17	01/01/18	31/12/18
Deferred income tax liabilities	(176,964)	(33,170)	(8,524)
Deferred income tax assets	357,586	439,142	364,329
DEFERRED TAXES	**180,623**	**405,972**	**355,805**
Not recognised deferred tax assets	(122,187)	(122,187)	(63,821)
NET DEFERRED INCOME TAX ASSETS/(LIABILITIES)	**58,436**	**283,785**	**291,985**

2. Movements

(In thousands of EUR)	2017	2018
IFRS 9 DATE OF INITIAL APPLICATION IMPACT		225,349
AS AT 1 JANUARY	132,970	283,785
Movements of the year		8,200
Statement of income charge/credit	(59,835)	(47,483)
Items related to "Other Comprehensive Income"	24,329	67,515
Effect of change in tax rates - statement of income	(105,920)	(16,826)
Effect of change in tax rates - equity	66,892	4,712
Variation of scope of consolidation	0	282
Foreign exchange adjustments	0	0
Other movements	0	0
AS AT 31 DECEMBER	**58,436**	**291,985**

Note that any impact in equity on DIA IFRS 9 needs to be recorded net of taxes. As a result, an impact on the deferred tax assets and deferred tax liabilities is to be noted. The impacts mainly derive from the reversal of the frozen AFS reserve, the reversal of the AFS reserve relating to financial assets measured at FVTOCI under IAS 39 but measured at AC under IFRS 9, and the decrease noted in the shadow accounting.

A. Deferred tax coming from assets of the balance sheet

	31/12/17		31/12/18	
(In thousands of EUR)	Total	Of which impact in result	Total	Of which impact in result
Investments held to maturity		(6,500)		
Financial assets available for sale	(844,275)	152,615		
Cash and balances with central banks	0	0	0	0
Loans and advances	134,412	(2,105)	17,537	(14,084)
Debt securities			(113,860)	(20,878)
Equity			0	0
Derivatives	(967,008)	(432,523)	(172,127)	675,687
Gain/loss on the hedged item in portfolio hedge of interest rate risk	(849,259)	360,559	(1,099,456)	106,437
Investments in equity method companies	0	0	0	0
Other	35,399	19,333	30,964	(4,497)
Tangible fixed assets	12,344	(7,330)	10,093	(2,314)
Intangible assets	23,046	22,842	20,575	(2,470)
Goodwill			0	0
Other assets	9	3,821	296	287
Non current assets (disposal group) held for sale and discontinued operations			0	0
TOTAL	**(2,490,731)**	**91,379**	**(1,336,942)**	**742,665**

B. Deferred tax coming from liabilities of the balance sheet

(In thousands of EUR)	31/12/17 Total	31/12/17 Of which impact in result	31/12/18 Total	31/12/18 Of which impact in result
Financial liabilities measured at fair value through profit or loss	4,012	(50,264)		
Cash and balances from central banks			0	
Credit institutions borrowings and deposits			0	
Customer borrowings and deposits			3,457	4,663
Debt securities issued			7,288	7,288
Technical provisions of insurance companies	251,812	7,097	69,014	(17,739)
Derivatives	2,205,153	(30,697)	1,352,422	(846,491)
Gain/loss on the hedged item in portfolio hedge of interest rate risk	31,064	(39,457)	48,830	17,766
Other	99,518	5,359	132,582	58,298
Provisions and contingent liabilities	83,865	3,605	118,872	59,092
Subordinated debts				
Other liabilities	15,653	1,754	13,710	(794)
Liabilities included in disposal group and discontinued operations				
TOTAL	2,591,559	(107,962)	1,613,593	(776,215)

(In thousands of EUR)	31/12/17 Total	31/12/17 Of which impact in result	31/12/18 Total	31/12/18 Of which impact in result
Deferred tax coming from the balance sheet	100,828	(16,583)	276,651	(33,550)
Not recognised deferred tax assets – temporary differences	(58,035)		(5,435)	0
DEFERRED TAX – TEMPORARY DIFFERENCES	42,793	(16,583)	271,216	0

C. Deferred tax coming from other elements

(In thousands of EUR)	31/12/17 Total	31/12/17 Of which impact in result	31/12/18 Total	31/12/18 Of which impact in result
Tax losses carried forward	79,794	(156,956)	79,154	(1,098)
Tax credit carried forward	0	0	0	0
Entities with special tax status	0	0	0	0
TOTAL	79,794	(156,956)	79,154	(1,098)
Not recognised deferred tax assets – tax losses carried forward	(64,152)		(58,386)	
DEFERRED TAX COMING FROM OTHER ELEMENTS AFTER NOT RECOGNISED DEFERRED TAX ASSETS – TAX LOSSES CARRIED FORWARD[1]	15,642		20,768	

(1) Tax losses carried forward increased with EUR 5 million following the recognition of DTA in Belfius Ireland due to expected income for the years 2019-2021.

(In thousands of EUR)	31/12/17	31/12/18
DEFERRED TAX BEFORE NOT RECOGNISED DEFERRED TAX	180,623	355,805
DEFERRED TAX AFTER NOT RECOGNISED DEFERRED TAX	58,436	291,985

3. Expiry date of not recognised deferred tax assets

Nature	31/12/17				
(In thousands of EUR)	Less than 1 year	> 1 year and ≤ 5 years	> 5 years	Unlimited maturity	Total
Tax losses carried forward	0	0	0	(64,152)	(64,152)
TOTAL	0	0	0	(64,152)	(64,152)

Nature	31/12/18				
(In thousands of EUR)	Less than 1 year	> 1 year and ≤ 5 years	> 5 years	Unlimited maturity	Total
Tax losses carried forward	0	0	(365)	(58,021)	(58,386)
TOTAL	0	0	(365)	(58,021)	(58,386)

5.12. OTHER ASSETS

Refers to table 5.15. of the annual report 2017

(In thousands of EUR)	31/12/17	01/01/18	31/12/18
OTHER ASSETS	773,888	773,888	771,861
Accrued income	62,741	62,741	134,028
Deferred expenses	23,544	23,544	37,613
Payments in transit from clients	647,259	647,259	565,044
Plan assets	12,328	12,328	0
Inventories	3	3	18
Operational taxes	28,013	28,013	35,157
OTHER ASSETS SPECIFIC TO INSURANCE COMPANIES	450,342	173,412	178,341
Share of the reinsurers in the technical reserves(1)	276,930		
Receivables resulting from direct insurance transactions	72,037	72,037	81,460
Other insurance assets(2)	101,375	101,375	96,881
Impaired insurance assets	697	697	407
Less:			
Impairment	(697)	(697)	(407)
TOTAL	1,224,230	947,300	950,202

(1) The line item "Share of the reinsurers in the technical reserves" is presented seperately under the new presentation of the balance sheet and amounts to EUR 99.9 milion at 31/12/18, compared to EUR 276.9 milion at 01/01/2018. Refer to note 6.5. Technical provisions of insurance companies for more information.
(2) Other insurance assets are deposits placed with cedants as a guarantee for reinsurance transactions and claims on reinsurers.

5.13. NON CURRENT ASSETS (DISPOSAL GROUP) HELD FOR SALE AND DISCONTINUED OPERATIONS

Refers to table 5.16. of the annual report 2017

(In thousands of EUR)	31/12/17 IAS 39	01/01/18 IFRS 9	31/12/18 IFRS 9
Tangible and intangible assets held for sale	17,610	17,610	17,986
Other assets	1,172	1,172	1,061
TOTAL	18,782	18,782	19,047

5.14. LEASING

Refers to table 5.17. of the annual report 2017

1. Belfius as a lessor

A. Finance lease

(In thousands of EUR)	31/12/17	31/12/18
Gross investment in finance leases		
Not later than 1 year	863,620	915,098
> 1 year and ≤ 5 years	1,672,321	1,790,480
> 5 years	1,177,294	1,086,810
SUBTOTAL (A)	3,713,235	3,792,388
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASES (B)	408,549	371,074
NET INVESTMENT IN FINANCE LEASES (A)+(B)	3,304,686	3,421,314

(In thousands of EUR)	31/12/17	31/12/18
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	777,639	832,429
> 1 year and ≤ 5 years	1,478,234	1,609,053
> 5 years	1,048,814	979,832
TOTAL	3,304,686	3,421,314

(In thousands of EUR)	31/12/17	31/12/18
Amount of uncollectible finance lease payments included in the provision for loan losses at the end of the period	45,387	60,320
Residual values unguaranteed by lessees	318,384	358,615
Estimated fair value of finance lease	3,507,502	3,387,064
Accumulated allowance for uncollectible minimum lease payments	24,225	26,442

The main underlying assets in finance lease relate to:

- real estate such as office buildings, commercial real estate, industrial real estate;
- production equipment;
- cars and trucks, locomotives and vessels;
- alternative energy equipment (f.i. solar systems);
- IT equipment.

B. Operating lease

(In thousands of EUR)	31/12/17	31/12/18
Future net minimum lease receivables under non-cancellable operating leases are as follows:		
Not later than 1 year	25,057	28,595
> 1 year and ≤ 5 years	100,712	122,508
> 5 years	476,969	458,486
TOTAL	**602,738**	**609,590**

The main underlying assets in operating lease relate to:

- real estate;
- cars and trucks;
- IT equipment.

2. Belfius as a lessee

A. Finance lease

Amounts involved are immaterial. See note 5.8. "Tangible fixed assets".

B. Operating lease

(In thousands of EUR)	31/12/17	31/12/18
Future net minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	8,342	8,156
> 1 year and ≤ 5 years	28,533	29,505
> 5 years	21,968	21,069
TOTAL	**58,843**	**58,730**
Amount of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date:	4,462	3,184
Lease and sublease payments recognised as an expense during the period:		
Minimum lease payments	7,790	8,154
TOTAL	**7,790**	**8,154**

The main underlying assets in operating lease relate to:

- IT equipment;
- cars.

VI. NOTES ON THE LIABILITIES OF THE CONSOLIDATED BALANCE SHEET

(some amounts may not add up due to rounding)

6.1. CASH AND BALANCES FROM CENTRAL BANKS

Note that with the application of IFRS 9, Belfius has taken the opportunity to review its presentation on the balance sheet. Belfius has opted to present Cash and balances from central banks seperately under IFRS 9 instead of a cumulative presentation with Due to banks.

1. Presentation and figures on 31/12/17 (IAS 39)

Due to banks (refers to table 6.1. of the annual report 2017)

Analysis by nature

(In thousands of EUR)	31/12/17
Demand deposits	280,552
Term deposits	745,574
Repurchase agreements	1,811
Central Banks	3,978,544
Cash collateral received	5,452,457
Other borrowings	650,955
TOTAL	11,109,893

2. Presentation and figures on 31/12/18 (IFRS 9)

Analysis by nature

Not measured at fair value through profit or loss

	Amortised Cost		
(In thousands of EUR)	31/12/17	01/01/18	31/12/18
Deposits	3,978,544	3,978,544	3,962,322
TOTAL	3,978,544	3,978,544	3,962,322

Cash and balances from central banks remained stable at EUR 4.0 billion as at 31 December 2018.

3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

4. Analysis of the fair value

See note 9.1.

6.2. CREDIT INSTITUTIONS BORROWINGS AND DEPOSITS

Note that with the application of IFRS 9, Belfius has taken the opportunity to review its presentation on the balance sheet. Belfius has opted to present Cash and balances from central banks seperately under IFRS 9 instead of a cumulative presentation with Due to banks.

1. Presentation and figures on 31/12/2017 (IAS 39)

Due to banks (refers to table 6.1. of the annual report 2017)

Analysis by nature

(In thousands of EUR)	31/12/17
Demand deposits	280,552
Term deposits	745,574
Repurchase agreements	1,811
Central banks	3,978,544
Cash collateral received	5,452,457
Other borrowings	650,955
TOTAL	11,109,893

2. Presentation and figures on 31/12/2018 (IFRS 9)

A. Summary totals

(In thousands of EUR)	31/12/17	01/01/18	31/12/18
Measured at amortised cost	7,131,349	7,131,349	5,866,810
Measured at fair value through profit and loss	0	0	0
TOTAL	7,131,349	7,131,349	5,866,810

B. Analysis by nature

Not measured at fair value through profit or loss

	Amortised Cost	
(In thousands of EUR)	01/01/18	31/12/18
Demand deposits	280,552	95,167
Term deposits	745,574	800,624
Repurchase agreements	1,811	0
Cash collateral received	5,452,457	4,421,154
Other borrowings	650,955	549,865
Financial lease	0	0
TOTAL	7,131,349	5,866,810

Credit Institutions borrowings and deposits decreased with EUR 1.3 billion, or 17.7%, to EUR 5.9 billion as at 31 December 2018 compared to EUR 7.1 billion as at 1 January 2018, following a decrease in cash collateral received according to the market evolution of derivatives by EUR 1.0 billion and deposits for EUR 0.2 billion.

3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

4. Analysis of the fair value

See note 9.1.

6.3. BORROWINGS AND DEPOSITS

Due to the the new presentation of the balance sheet (Further detailing of balance sheet from "Financial liabilities measured at FVTPL" to
- Borrowings and deposits measured at FVTPL;
- Debt securities issued and other financial liabilities measured at FVTPL; and
- Unit-linked products insurance activities),

the presentation of 31 December 2017 is different as from 1 January 2018. We refer to the transition IFRS 9 tables for a detailed description.
Note that Belfius chose not to restate comparatives.

1. Presentation and figures on 31/12/2017 (IAS 39)

Customer borrowings and deposits (refers to table 6.2. of the annual report 2017)

Analysis by nature

(In thousands of EUR)	31/12/17
Demand deposits	24,318,276
Saving deposits	35,952,551
Term deposits	8,908,989
Other customer deposits	7,033,386
TOTAL CUSTOMER DEPOSITS	76,213,201
Repurchase agreements	10,415
Other borrowings	50,866
TOTAL CUSTOMER BORROWINGS	61,282
TOTAL	76,274,483

Financial liabilities measured at fair value through profit or loss (refers to table 6.4. of the annual report 2017)

Financial liabilities held for trading

Analysis by nature

(In thousands of EUR)	31/12/17
Bonds issued by public sector	61,496
Other bonds	1,299
Repurchase agreements	0
Equity instruments	0
TOTAL	62,796

Financial liabilities designated at fair value

Analysis by nature

(In thousands of EUR)	31/12/17
Non-subordinated liabilities	6,232,343
Unit-linked products	2,597,572
TOTAL	8,829,915

2. Presentation and figures on 31/12/18 (IFRS 9)

A. Summary totals

(In thousands of EUR)	01/01/18	31/12/18
Measured at amortised cost	76,274,483	79,609,747
Measured at fair value through profit and loss	53,669	51,563
TOTAL	76,328,151	79,661,310

B. Analysis by nature

Not measured at fair value through profit or loss

	Amortised Cost	
(In thousands of EUR)	01/01/18	31/12/18
Demand deposits	24,318,275	26,008,153
Saving deposits	35,952,551	38,131,900
Term deposits	8,908,989	7,984,047
Cash collateral	12,059	20,153
Other customer deposits	7,021,327	7,450,482
TOTAL DEPOSITS	76,213,201	79,594,736
Repurchase agreements	10,415	0
Other borrowings	50,866	15,011
Financial lease	0	0
TOTAL BORROWINGS	61,282	15,011
TOTAL	76,274,483	79,609,747

Borrowings and deposits increased by EUR 3.3 billion, or 4.4%, to EUR 79.7 billion as at 31 December 2018, compared to EUR 76.3 billion as at 1 January 2018. The increase in customer borrowings and deposits was due to the organic growth of sight and saving accounts.

Measured at fair value through profit or loss

	Financial liabilities designated at fair value through profit or loss	
(In thousands of EUR)	01/01/18	30/06/18
Deposits	53,669	51,563
Other borrowings	0	0
TOTAL	53,669	51,563

3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

4. Analysis of the fair value

See note 9.1.

6.4. DEBT SECURITIES ISSUED AND OTHER FINANCIAL LIABILITIES

Due to the the new presentation of the balance sheet (Further detailing of balance sheet from "Financial liabilities measured at FVTPL" to:

- Borrowings and deposits measured at FVTPL;
- Debt securities issued and other financial liabilities measured at FVTPL; and
- Unit-linked products insurance activities), the presentation of 31 December 2017 is different as from 1 January 2018. We refer to the transition IFRS 9 tables for a detailed description. Belfius chose not to restate comparatives.

1. Presentation and figures on 31/12/2017 (IAS 39)

Debt securities (refers to table 6.3. of the annual report 2017)

Analysis by nature

(In thousands of EUR)	31/12/17
Certificates of deposit	4,834,442
Customer saving certificates	2,358,979
Non-convertible bonds	7,612,633
Covered bonds	7,221,010
TOTAL	22,027,063

Financial liabilities measured at fair value through profit or loss (refers to table 6.4. of the annual report 2017)

Financial liabilities held for trading

Analysis by nature

(In thousands of EUR)	31/12/17
Bonds issued by public sector	61,496
Other bonds	1,299
Repurchase agreements	0
Equity instruments	0
TOTAL	62,796

Financial liabilities designated at fair value

Analysis by nature

(In thousands of EUR)	31/12/17
Non-subordinated liabilities	6,232,343
Unit-linked products	2,597,572
TOTAL	8,829,915

2. Presentation and figures on 31/12/18 (IFRS 9)

A. Summary totals

(In thousands of EUR)	01/01/18	31/12/18
Measured at amortised cost	22,027,063	19,274,694
Measured at fair value through profit and loss	6,241,470	7,412,178
TOTAL	28,268,533	26,686,872

B. Analysis by nature

Not measured at fair value through profit or loss

	Amortised Cost	
(In thousands of EUR)	01/01/18	31/12/18
Certificates of deposit	4,834,442	3,091,780
Customer saving certificates	2,358,979	1,754,812
Non-convertible debts	7,612,633	5,697,953
Convertible debt securities other than group shares	0	0
Convertible debt securities in group shares	0	0
Other dilutive instruments	0	0
Covered bonds(1)	7,221,010	8,730,149
TOTAL	22,027,063	19,274,694

Debt securities measured at amortised cost decreased by EUR 2.8 billion, or 12.5%, to EUR 19.3 billion as at 31 December 2018 compared to EUR 22.0 billion as at 1 January 2018, due to the maturity of certificates of deposit and other debt securities, partially offset by the issuance of EUR 1.5 billion covered bonds in 2018.

(1) **The covered bonds programmes**:

Belfius has two covered bond programmes:

- Mortgage Pandbrieven programme; and
- Public Pandbrieven programme.

The covering assets of the Mortgage Pandbrieven are mainly Belgian mortgage loans granted in accordance with the law on mortgage loans (law of 4 August 1992), through the branch network of Belfius. The covering assets of the Public Pandbrieven are mainly loans granted to Belgian public sector entities (municipalities, provinces, etc.).

The Belgian pandbrieven investors have a direct recourse to

- the general estate of the issuing credit institution (i.e. repayment of the Belgian pandbrieven is an obligation of the issuing bank as a whole); and
- the segregated estate, that comprises the cover pool that is exclusively reserved for the Belgian pandbrieven investors under the specific program to which the segregated estate is joined and for the claims of other parties that are or can be identified in the issue conditions. Assets become part of the cover pool upon registration in a register held by the issuer for such purpose.

A detailed description of the covering assets (including the outstanding amount and the characteristics of the loans in the cover pool) can be consulted in the management report "Risk management" and in section "9.3. Information on asset encumbrance and collateral received" as well as:

- for the Mortgage Pandbrieven Programme on https://www.belfius.be/EN/debt-issuance/Belgian-mortgage-pandbrieven-programme/index.aspx
- for the Public Pandbrieven Programme on https://www.belfius.be/EN/debt-issuance/Belgian-public-pandbrieven-programme/index.aspx

The carrying value of the cover pool amount to EUR 10.9 billion in December 2018 (versus EUR 9.5 billion in December 2017). This increase is explained by the issue of EUR 1.5 billion covered bonds in 2018. The carrying value of the cover pool is accounted for in loans and advances. We also refer to note 5.4.

Measured at fair value through profit or loss

(In thousands of EUR)	01/01/18 Financial liabilities held for trading	01/01/18 Financial liabilities designated at fair value through profit or loss	01/01/18 Total	31/12/18 Financial liabilities held for trading	31/12/18 Financial liabilities designated at fair value through profit or loss	31/12/18 Total
Debt securities		6,178,674	6,178,674		7,322,359	7,322,359
Debt securities issued by public sector (trading positions)	61,496		61,496	89,748		89,748
Other debt securities (trading positions)	1,299		1,299	71		71
Equity instruments (trading positions)	0		0	0		0
TOTAL	62,796	6,178,674	6,241,470	89,819	7,322,359	7,412,178

The debt securities measured at fair value through profit and loss increased with EUR 1.2 billion, or 18.8%, to EUR 7.4 billion as at 31 December 2018 compared to EUR 6.2 billion as at 1 January 2018 following new issuances of (structured) debt securities for retail customers, partially offset by debt securities that came to maturity.

The category "Financial liabilities designated at fair value through profit or loss" is currently used in the following situations:

- for insurance activities: mainly (unit-linked) "branch 23" insurance contracts. The return of the underlying investment fund units belongs entirely to its policyholder;
- 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.

3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

4. Analysis of the fair value

See note 9.1.

6.5. PROVISIONS FOR INSURANCE ACTIVITIES

Refers to table 6.5. of the annual report 2017

Due to the application of IFRS 9 (remeasurement) figures of 31 December 2017 are different from the opening balance of 1 January 2018. We refer to the transition IFRS 9 tables for a detailed description. Note that Belfius chose not to restate comparatives.

Note that 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 group's bank and insurance entities and to distribution commissions that Belfius Insurance pays to Belfius Bank.

(In thousands of EUR)	31/12/17	01/01/18	31/12/18
GROSS RESERVES			
In the consolidated balance sheet (as presented on balance sheet)	15,149,692	14,583,630	13,907,770
Intragroup transactions	10,180	10,180	12,592
Gross reserves including intragroup transactions	15,159,873	14,593,810	13,920,361

1. Insurance contracts Life

A. Gross reserves

(In thousands of EUR)	31/12/17 Insurance contracts	31/12/17 Investment contracts with DPF[1]	31/12/17 Total
LIFE INSURANCE RESERVES	4,741,747	8,264,624	13,006,372
Reserves due to results of LAT (Liability Adequacy Test)	0	0	0
Reserves due to shadow accounting adjustments	63,311	563,424	626,735
Variation due to variation of scope of consolidation IFRS 5	0	0	0
TOTAL LIFE INSURANCE RESERVE	4,805,059	8,828,048	13,633,107
Claims reserves	59,915	48,088	108,003
Profit sharing reserve	78,987	90,969	169,956
Unearned premium reserves (UPR)	0	0	0
Other technical reserves	3,436	0	3,436
Variation due to variation of scope of consolidation IFRS 5	0	0	0
TOTAL GROSS TECHNICAL RESERVES LIFE	4,947,398	8,967,105	13,914,503

(1) Discretionary participation feature (DPF).

(In thousands of EUR)	01/01/18 Insurance contracts	01/01/18 Investment contracts with DPF[1]	01/01/18 Total	31/12/18 Insurance contracts	31/12/18 Investment contracts with DPF[1]	31/12/18 Total
LIFE INSURANCE RESERVES	4,741,747	8,264,624	13,006,372	4,542,627	7,831,039	12,373,665
Reserves due to results of LAT (Liability Adequacy Test)			0			0
Reserves due to shadow accounting adjustments	60,674	0	60,674	21,902	0	21,902
Variation due to variation of scope of consolidation IFRS 5			0	0	0	0
TOTAL LIFE INSURANCE RESERVE	4,802,421	8,264,624	13,067,046	4,564,529	7,831,039	12,395,568
Claims reserves	59,915	48,088	108,003	59,467	42,792	102,259
Profit sharing reserve	78,987	90,969	169,956	62,498	83,406	145,904
Unearned premium reserves (UPR)	0	0	0			0
Other technical reserves	3,436	0	3,436	139	0	139
Variation due to variation of scope of consolidation IFRS 5	0	0	0			0
TOTAL GROSS TECHNICAL RESERVES LIFE	4,944,759	8,403,681	13,348,441	4 686 633	7 957 237	12 643 869

(1) Discretionary participation feature (DPF).

The gross technical reserves for Life decreased by EUR 705 million from EUR 13.3 billion as at 1 January 2018 to EUR 12.6 billion as at 31 December 2018. The evolution can be explained as follows:

- the main reason for the decrease results from the market conditions (persistent low interest rates and high insurance taxes) not being supportive for Life Investment products. As such Belfius also offers more and more its clients the opportunity to switch to alternative investment forms, including in the form of pure branch 23 or mixed branch 44 products. As a result, a substantial part of the branch 21 investment contracts at maturity in 2018 was not reinvested in branch 21 investment contracts;
- Life Insurance reserves decreased with EUR 348 million following the settlement of a segregated fund. In addition, the dedicated reserves due to shadow accounting adjustments decreased by EUR 39 million;
- decrease of the discretionary participation share reserve for EUR 24 million to EUR 146 million (see below);
- In 2018, Belfius has defined its Risk Appetite Framework (RAF) for Life reserving under IFRS. The application of the RAF confirmed that the Life technical provisions were more than sufficient. Belfius assessed these life technical provisions, in line with this RAF, taking into account the remaining uncertainties, model risks and sensitivities, resulting in a decrease in the technical provisions of EUR 45 million.

The total reserves in application of the shadow accounting amount to EUR 22 million as at end of 2018 against EUR 61 million as at 1 January 2018. An amount of EUR 22 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 segregated fund management. The need for a shadow loss adjustment for the financial assets measured at fair value through other comprehensive income that are compared to the technical provisions was also determined. In this respect, the influence on the valuation of the technical reserves is checked when the unrealized results recognized in equity are effectively realized and reinvested at current market conditions. Based on this exercise, the IFRS Best Estimate (BE) valuation of the liability of Belfius Insurance on its life insurance policies is higher than the life insurance reserves thereon, however since this difference is more than covered by the (in IFRS) unrecognized capital gains on assets covering those life insurance portfolios, no shadow loss adjustment is to be booked in 2018. Certain net unrealized gains that were previously presented on the balance sheet under IAS 39, are no longer presented on the balance sheet under IFRS 9 following the determination of the business models under IFRS 9.

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, decided to include on the balance sheet. The valuation rules stipulate that for the part of this estimate for which no technical provisions have been booked through the profit and loss account, this is presented on balance in a separate category of equity.

The profit sharing reserve included in the technical provisions decreased with EUR 25 million and amounted to EUR 170 million as at 1 January 2018 versus EUR 146 million end of 2018.

The evolution in the profit sharing provisions, related to current year, from EUR 29 million as at 1 January 2018 to EUR 22 million at the end of 2018, is attributable to the lower discretionary profit distribution within the segregated accounts, partially compensated by a higher provision for profit sharing for the branch 44 products and for life insurance products for the self-employed. The evolution of the discretionary profit sharing element for the coming years included in the profit sharing reserve decreased from EUR 141 million as at 1 January 2018 to EUR 122 million as at end of 2018 as the profit sharing dotation of current year.

At the end of 2018, the estimate of the discretionary participation features amounted to EUR 201 million, of which EUR 22 million was part of the 2018 profit-sharing plan and EUR 179 million related to an estimate for the coming years. From the EUR 179 million relating to the coming years, EUR 122 million was included in technical provisions through the income statement, the balance, EUR 57 million, was processed through equity.

As at 1 January 2018, the estimate of the discretionary participation features amounted to EUR 170 million, of which EUR 29 million was part of the 2017 profit-sharing plan and EUR 141 million related to an estimate for the coming years. As at 1 Januari 2018, the total estimate of the discretionary participation features was fully included in the technical provisions via the income statement. An additional provision was made in P&L 2017 for future discretionary profit sharing (EUR 85 million) following the realization of some capital gains within the Life segment. The provision ensures an accounting matching principle whereby the part of the investment results for profit sharing is attributed to the year in which effective annual profit sharing is dotated to the policyholders.

The provision for future discretionary participation increases from EUR 141 million as of 1 January 2018 to EUR 179 million as of 31 December 2018 stemming from higher volumes that, in accordance with the profit-sharing plan, may give rise to a discretionary participation right in the future, and is in accordance with the profit sharing strategy set by the Board of Directors.

B. Share of reinsurers

	31/12/17		
(In thousands of EUR)	Insurance contracts	Investment contracts with DPF[1]	Total
Share of reinsurers in Life insurance reserve	172,203	0	172,203
Share of reinsurers in claims reserves	1,508	0	1,508
Share of reinsurers in unearned premium reserves (UPR)	0	0	0
Share of reinsurers in profit sharing reserves	5,383	0	5,383
Share of reinsurers in other technical reserves	1,662	0	1,662
TOTAL SHARE OF REINSURERS IN TECHNICAL RESERVES LIFE	180,757	0	180,757

(1) Discretionary participation feature (DPF).

	01/01/18			31/12/18		
(In thousands of EUR)	Insurance contracts	Investment contracts with DPF[1]	Total	Insurance contracts	Investment contracts with DPF[1]	Total
Share of reinsurers in Life insurance reserve	172,203	0	172,203	11,935	0	11,935
Share of reinsurers in claims reserves	1,508	0	1,508	455	0	455
Share of reinsurers in unearned premium reserves (UPR)	0	0	0	0	0	0
Share of reinsurers in profit sharing reserves	5,383	0	5,383	0	0	0
Share of reinsurers in other technical reserves	1,662	0	1,662	0	0	0
TOTAL SHARE OF REINSURERS IN TECHNICAL RESERVES LIFE	180,757	0	180,757	12,390	0	12,390

(1) Discretionary participation feature (DPF).

The total share of reinsurers in technical reserves Life decreases with EUR 169 million from EUR 181 million as at 1 January 2018 to EUR 12 million as at end 2018 following the settlement of a segregated fund, for which 50% of the underlying risks were reinsured.

C. Discretionary participation feature included in equity

	31/12/17		
(In thousands of EUR)	Insurance contracts	Investment contracts with DPF[1]	Total
Net discretionary participation feature included in equity	0	0	0

(1) Discretionary participation feature (DPF).

	01/01/18			31/12/18		
(In thousands of EUR)	Insurance contracts	Investment contracts with DPF[1]	Total	Insurance contracts	Investment contracts with DPF[1]	Total
Net discretionary participation feature included in equity	0	0	0	0	41,850	41,850

(1) Discretionary participation feature (DPF).

The discretionary participation feature of insurance contracts increased to EUR 42 million as at 31 December 2018 compared to EUR 0 at 1 January 2018. The provision for future discretionary participation on 1 January 2018 has been fully included in the technical provisions through the statement of income. The provision for future discretionary participation increases from EUR 141 million as of 1 January 2018 to EUR 179 million as of 31 December 2018 stemming from higher volumes that, in accordance with the profit-sharing plan, may give rise to a discretionary participation right in the future.

D. Reconciliation of changes in Life insurance reserve

(In thousands of EUR)	2017 Gross amount contracts	2017 Reinsurance amount	2017 Net amount	2018 Gross amount contracts	2018 Reinsurance amount	2018 Net amount
IFRS 9 DATE OF INITIAL APPLICATION IMPACT				(566,061)		(566,061)
LIFE INSURANCE RESERVES AS AT 1 JANUARY	14,584,885	158,947	14,425,937	13,067,046	172,203	12,894,843
Reimbursment segregated fund	0	0	0	(348,019)	(174,593)	(173,425)
Net payment received/premiums receivable	576,557	19,345	557,212	601,496	20,509	580,987
Additional reserves due to shadow accounting adjustments	(146,911)	0	(146,911)	(38,771)	0	(38,771)
Additional reserves due to results of LAT (Liability Adequacy Test)	0	0	0	0	0	0
Claims paid	(1,616,762)	(4,837)	(1,611,925)	(1,063,194)	(5,251)	(1,057,944)
Results on death and on life	(78,943)	1,628	(80,570)	(84,763)	11,362	(96,125)
Attribution of technical interest	326,882	1,189	325,693	288,869	1,528	287,341
Other changes	(12,601)	(4,069)	(8,532)	(27,095)	(13,823)	(13,272)
Variation due to variation of scope of consolidation IFRS 5	0	0	0	0	0	0
LIFE INSURANCE RESERVES AS AT 31 DECEMBER	13,633,107	172,203	13,460,904	12,395,568	11,935	12,383,633

E. Classification of the reserve by guaranteed interest rate

Guaranteed interest rate (In thousands of EUR)	Classification of the reserve[1] 31/12/17		31/12/18	
> 4.00%	1,445,155	11%	1,215,524	10%
≤ 4.00%	856,509	7%	852,235	7%
≤ 3.50%	1,329,063	10%	1,199,195	10%
≤ 3.00%	2,971,122	23%	2,613,583	21%
≤ 2.50%	1,491,056	11%	1,304,083	11%
≤ 2.00%	1,610,555	12%	1,705,485	14%
≤ 1,50%	628,925	5%	590,844	5%
≤ 1,00%	1,313,998	10%	1,367,008	11%
≤ 0,50%	923,006	7%	1,044,214	8%
Equal to 0%	203,769	2%	284,670	2%
Other	233,214	2%	196,825	2%
TOTAL	13,006,372	100%	12,373,666	100%

(1) Total gross technical reserves Life excluding shadow accounting adjustments.

2. Insurance contracts Non-Life

A. Gross reserves

(In thousands of EUR)	31/12/17	01/01/18	31/12/18
Claims reserves	953,050	953,050	969,238
Reserves Unallocated Loss Adjustment Expenses (ULAE)	42,339	42,339	47,789
Premium deficiency reserves (Non-Life LAT)			
Reserves for claims incurred but not reported (IBNR)	79,800	79,800	82,709
GROSS RESERVES	1,075,189	1,075,189	1,099,735
Other technical reserves	36,333	36,333	36,799
Profit sharing reserves	1,362	1,362	1,701
Unearned premium reserves (UPR)	132,486	132,486	138,256
TOTAL GROSS RESERVES NON-LIFE	1,245,370	1,245,370	1,276,492

The technical provision for non life products increased slightly with EUR 32 million to EUR 1.3 billion as at 31 December 2018 due to the growth in Non-Life activity.

B. Share of reinsurers

(In thousands of EUR)	31/12/17	01/01/18	31/12/18
Share of reinsurers in claims reserves	93,316	93,316	87,044
Share of reinsurers in reserves Unallocated Loss Adjustment Expenses (ULAE)			
Share of reinsurers in reserves for claims incurred but not reported (IBNR)			
SHARE OF REINSURERS	93,316	93,316	87,044
Share of reinsurers in other technical reserves	295	295	253
Share of reinsurers in unearned premium reserves (UPR)	2,563	2,563	215
TOTAL SHARE OF REINSURERS IN TECHNICAL RESERVES NON-LIFE	96,174	96,174	87,513

C. Reconciliation of changes in claims reserves

	2017			2018		
(In thousands of EUR)	Gross amount contracts	Reinsurance amount	Net amount	Gross amount contracts	Reinsurance amount	Net amount
CLAIMS RESERVES AS AT 1 JANUARY	1,018,900	91,862	927,038	1,075,188	93,315	981,873
Claims paid on previous years	(140,888)	(9,915)	(130,973)	(174,100)	(4,679)	(169,421)
Change in claim charges on previous years	(53,879)	7,499	(61,378)	(57,606)	(5,582)	(52,024)
Liabilities on claims current year	251,055	3,870	247,186	256,252	3,989	252,263
CLAIMS RESERVES AS AT 31 DECEMBER	1,075,188	93,315	981,873	1,099,735	87,044	1,012,691

6.6. PROVISIONS AND CONTINGENT LIABILITIES

Refers to table 6.6. of the annual report 2017

Due to the application of IFRS 9 (impairment) an impact on "provisions for off balance sheet commitments given" can be noted. As a result, the figures of 31 December 2017 are different from the ones of 1 January 2018. We refer to the IFRS 9 transition tables for a detailed description. Note that Belfius chose not to restate comparatives.

1. Analysis of movements

(In thousands of EUR)	Pensions and other employment defined benefit obligations	Other long term employee benefits	Re-structuring[1]	Provisions for legal & tax litigations[2]	Onerous contracts	Impairment on financial guarantees and commitments given	Other provisions	Total
AS AT 1 JANUARY 2017	207,801	22,126	97,778	37,494	2,010	11,514	33,519	412,243
Additional provisions	27,586	4,939	5,663	73,786	0	1,992	7,470	121,435
Amount used	(46,865)	(1,239)	(39,989)	(514)	(2,010)	0	(4,486)	(95,103)
Unused amounts reversed	(785)	(53)	(1,087)	(328)	0	(4,958)	(2,189)	(9,400)
Transfers	15,984	0	0	0	0	0	(930)	15,054
Remeasurement pension plans[3]	(18,784)	0	0	0	0	0	0	(18,784)
Foreign exchange adjustments	0	0	0	0	0	(146)	0	(146)
Other movements	0	0	0	0	0	0	0	0
AS AT 31 DECEMBER 2017	184,937	25,774	62,365	110,437	0	8,401	33,385	425,300

(1) The restructuring provision is used in line with agreed plans and is reviewed annually and adjusted, where necessary, if the reality is different from the taken assumptions (e.g. higher number of people leaving the company, inflation, pension data ...). This is done to make sure that Belfius can continue to meet its obligations related to previous labour agreements.
(2) The "Provision for legal litigations" contains mainly amounts provisioned for potential settlements of disputes with third parties, see below.
(3) A decrease is noted for the remeasurement of the defined benefit plans due to a slightly higher discount rate compared to year-end 2016 following the increased interest rates and the favorable return on the pension plan assets.

(In thousands of EUR)	Pensions and other employment defined benefit obligations	Other long term employee benefits	Re-structuring[1]	Provisions for legal & tax litigations	Onerous contracts[2]	Impairment on financial guarantees and commitments given[3]	Other provisions	Total
IFRS 9 DATE OF INITIAL APPLICATION IMPACT						112,864		112,864
AS AT 1 JANUARY 2018	184,937	25,774	62,365	110,437	0	121,266	33,385	538,164
Additional provisions	57,422	2,544	19,028	8,292	6,498	119,123	4,305	217,211
Amount used	(45,474)	(1,501)	(28,148)	(8,712)	(1,875)	0	(11,080)	(96,789)
Unused amounts reversed	(2,917)	(213)	(4,201)	(1,212)	0	(101,173)	(4,428)	(114,145)
Transfers	(12,496)	0	0	0	0	0	0	(12,496)
Remeasurement pension plans[4]	94,427	0	0	0	0	0	0	94,427
Foreign exchange adjustments	0	0	0	0	0	380	0	380
Other movements	0	0	0	0	0	0	0	0
AS AT 31 DECEMBER 2018	275,898	26,604	49,044	108,805	4,624	139,595	22,182	626,752

(1) In 2018, a restructuring provision of EUR 5 million was recognised following the decision of Belfius Insurance to focus its wholesale non-life insurance business on the segment of social sector through direct distribution and to put the wholesale non-life-activities through the brokerage channel and bank distribution channel in run-off. This freed-up resources are reallocated to its strong developing non-life insurance business with SME customers through its own (bank and DVV) distribution channels. Furthermore, a reassessment of the Belfius Bank provision for the restructuring plan took place, resulting in an increase of EUR 11 million.
(2) During 2018 an onerous contract was recognised on a contractual dispute.
(3) Under IFRS 9 loan commitments, financial guarantees and other commitments given are subject to impairment. We refer to the transition IFRS 9 tables for a detailed description. We also refer to note 9.2.8 movements in allowance for credit losses for more detail.
(4) The other comprehensive income remeasurement of defined benefit plans decreased compared to year end 2017 mainly due to the negative return on plan assets and the remeasurement of a pension plan for which Belfius is not informed anymore of the fair value of the underlying asset portfolio of its segregated fund at the end of 2018 (we refer to the chapter material litigation for more information).

2. Post-employment benefits

In Belgium, each employee is eligible for a state pension. In addition, Belfius provides pension plan benefits for its employees and in some cases reimburses certain medical costs for retired employees.

The liability for those benefits is calculated and booked into our accounts according to the IAS19-methodology.

Considering that Belfius has benefit plans for employees mainly located in Belgium, the post-employment benefits are subject to the Belgian market practice and regulations (the plans abroad are not substantial).

Belfius Bank accounts liabilities for several defined benefit plans.

Pension plans are mainly settled through the payment of a lump sum even though the option exists to receive a payment as an annuity.

Additional pension plans

The legislation of 18/12/15 intending to guarantee the sustainability and the social character of supplementary pensions and to strengthen complementarity in relation to the legal retirement pension, is including the aspect regarding the guaranteed interest rate for employers on contribution for defined contribution plans and is including additional rules regarding the time of payment of the supplementary pension and a ban on favorable anticipation.

In addition, the transitional measures that are applicable for older employees were integrated in the calculation of liabilities.

During 2018, there were negociations with the social partners regarding the project "Drive 2020". In the part reward a principle agreement has been signed by the social partners. This principle agreement will be worked out during 2019 and will be formalized in CAO. As the principle agreement includes an evolution in salary determination on other criteria, there might be a future need to adapt the pension plans in respect of these salary changes.

Defined benefit plans (=DB)

Under defined benefit plans, the employee future benefit depends on various factors such as the employee's length of service and his final salary.

Before 2007 all pension plans of Belfius were defined benefit plans. Belfius employees build up rights in these defined benefit plans, which could vary according to the time of entry into service and according to the entity in which the employees are employed.

As from 01/01/07 new employees in Belfius Bank were no longer granted access to a defined benefit plan. Instead, a defined contribution plan was introduced for new employees.

Since 01/10/13 the existing defined benefit plans of Belfius Bank have been closed and all employees became member of the existing defined contribution plans. From that date, the defined benefit plans of Belfius Bank are managed dynamically which makes that the final benefit can only be impacted by a change in salary and members can no longer add service time in these defined benefit plans.

Belfius Insurance had a similar evolution as Belfius Bank. From 01/01/2007 on, new employees joined a defined contribution plan, but the employees who entered before that date kept their defined benefit plan as active plan and continue to build up rights into this defined benefit plan. Most pension plans of Belfius Insurance are internally insured and consequently, the non qualifying assets of these pension plans are not included in the reporting of the net pension liabilities.

Defined contribution plans (= DC)

Under defined contribution plans, the benefit upon retirement depends on the contributions to the plan, both employer and employee contributions, and the investment performance of the fund or insurance contract.

Belgian defined contribution pension plans are by Belgian law subject to minimum guaranteed rates of return on employer contributions and on employee contributions.

This compulsory return implies that Belgian defined contribution plans are defined benefit plans under the requirement of IAS 19.

There are several defined contribution plans within Belfius Bank. The main defined contribution plan is funded by employer and employee contributions. Employer contributions made to the plan are based on seniority and salary. Employee contributions are a fixed percentage of salary. The defined contribution plans of Belfius Bank are all managed in an OFP (organism for financing of pensions).

Belfius Insurance and Corona also dispose of defined contribution pension plans (branch 21) for their employees (internal insured plans).

The guaranteed minimum return for which the employer is responsible, at the end, changed materially in 2016 following the new legislation.

If the pension plan is a branch 21 group insurance, the so-called horizontal method is applicable. The reserves contributions preserve their initial employers guarantee until the final payout. This means that the existing reserves as at 31/12/15 are still subject to the existing guaranteed 3.75% on employee contributions and 3.25% on the employer contributions until departure. For contributions from 01/01/16 onwards, the guarantee of 1,75% has become variable. This maximum guarantee can change in the future in function of the OLO 10 years interest rate.

For the defined contribution plans of Belfius Insurance and Corona the horizontal method is applicable.

For the defined contribution plans that are managed within an OFP the so-called vertical method is applicable. This means that the existing guarantee of 3.25% on employers contributions and 3.75% on employee contributions only applies until 31/12/2015.

For the year 2016, 2017 and 2018, the accumulated reserves as well as the new contributions are accrued to the minimum variable employer guaranteed interest rate (1.75%).

The Belgian defined contribution plans are treated as defined benefit plans for the consolidated financial statements.

Since the contribution rates of the basic DC-plan of Belfius Bank and the DC-plan of Corona increase with seniority, the determination of liabilities are calculated upon the "projected unit credit" method.

This means that the projected benefit at the end of the career is calculated taking into account the future contributions and the salary increases until payout.

The defined benefit obligations is obtained by using the ratio of past service time to the projected service time and by calculating an actualisation using the applicable discount rate.

For the other DC-plans of Belfius, the calculation of the benefits is awarded to the already existing service time just based on the already paid contributions.The projected defined benefit obligation of those plans is also including an acutalisation using the appropriate discount rate.

In all cases, if the defined benefit obligation calculated as described above, is lower than the individual account or the benefit obligation at the end of the year taking into account the interest rates guaranteed by the employer, then the highest of these 3 values is included in the liabilities of Belfius.

A. Movement in the defined benefit liability (asset)

(In thousands of EUR)	Present value of obligation	Plan assets at fair value(1)	Deficit/ (surplus)	Asset ceiling	Net liability/ (asset)
AS AT 1 JANUARY 2017	1,914,028	(1,748,219)	165,809	41,991	207,800
Service cost					
Current service cost	53,179	0	53,179	0	53,179
Past service cost and (gain)/loss on settlements(2)	(27,462)	0	(27,462)	0	(27,462)
Administrative expenses	0	2,343	2,343	0	2,343
Interest income – Interest expense	30,790	(28,286)	2,504	723	3,227
(A) EXPENSE AND INCOME RECOGNIZED IN P&L	56,507	(25,943)	30,563	723	31,287
Remeasurements (gain)/loss					
Effect of changes in demographic assumptions	(4,001)	0	(4,001)	0	(4,001)
Effect of changes in financial assumptions	(13,003)	0	(13,003)	0	(13,003)
Effect of experience adjustments	39,890	0	39,890	0	39,890
Return on plan assets (excl. interest income)	0	(12,764)	(12,764)	0	(12,764)
Changes in the effect of asset ceiling (excluding interest income/ expense)	0	0	0	(28,884)	(28,884)
(B) REMEASUREMENTS (GAIN)/LOSS RECOGNIZED IN OCI	22,886	(12,764)	10,123	(28,884)	(18,761)
DEFINED BENEFIT COST INCLUDED (A)+(B)	79,393	(38,707)	40,686	(28,161)	12,525
Contributions					
Employer	0	(46,557)	(46,557)	0	(46,557)
Plan participants	2,958	(2,958)	0	0	0
Payments					
Benefit payments	(90,553)	87,320	(3,233)	0	(3,233)
Settlement payments	0	0	0	0	0
Other					
Effect of business combinations and disposals(3)	2,111	0	2,111	0	2,111
Foreign exchange adjustments	(1,487)	1,500	14	(55)	(41)
AS AT 31 DECEMBER 2017(4)(5)	1,906,450	(1,747,620)	158,830	13,776	172,606

(1) Concerning the market value of the pension plan ensured by Ethias we refer to item 3 of the section legal litigations.
(2) The negative past service cost of 2017 is based on the transfer of surplusses formerly subject to asset ceiling to a "Belfius defined contribution pension plan" in order to pay future risk premiums.
(3) Some additional small pension liabilities with non qualifying assets were included in the IAS 19 liabilities of Belfius in 2017.
(4) By the end of 2017, 91.5% of the total pension liabilities are related to funded pension plans, 6.2% are related to non qualifying assets, and 2.3% are related to unfunded pension liabilities.
(5) The total position of defined pension plans is 172,606 k EUR. 184,937 k EUR concerns "pension and other employment defined benefit obligations" and 12,328 k EUR concerns "other assets - plans assets" for the plan ending with a net asset as at end 2017.

(In thousands of EUR)	Present value of obligation	Plan assets at fair value	Deficit/ (surplus)	Asset ceiling	Net liability/ (asset)
AS AT 1 JANUARY 2018	1,906,450	(1,747,620)	158,830	13,776	172,606
Service cost					
Current service cost	53,425	0	53,425	0	53,425
Past service cost and (gain)/loss on settlements	0	0	0	0	0
Administrative expenses	0	2,175	2,175	0	2,175
Interest income - Interest expense	31,627	(29,217)	2,410	265	2,675
(A) EXPENSE AND INCOME RECOGNIZED IN P&L	85,052	(27,042)	58,010	265	58,275
Remeasurements (gain)/loss					
Effect of changes in demographic assumptions	941	0	941	0	941
Effect of changes in financial assumptions	(21,407)	0	(21,407)	0	(21,407)
Effect of experience adjustments	7,231	0	7,231	0	7,231
Return on plan assets (excl. interest income)	0	117,301	117,301	0	117,301
Changes in the effect of asset ceiling (excluding interest income/ expense)	0	0	0	(9,613)	(9,613)
(B) REMEASUREMENTS (GAIN)/LOSS RECOGNIZED IN OCI	(13,235)	117,301	104,066	(9,613)	94,452
DEFINED BENEFIT COST INCLUDED (A)+(B)	71,817	90,259	162,076	(9,348)	152,728
Contributions					
Employer	0	(44,952)	(44,952)	0	(44,952)
Plan participants	2,964	(2,964)	0	0	0
Payments					
Benefit payments	(87,847)	83,237	(4,610)	0	(4,610)
Settlement payments	0	0	0	0	0
Other					
Effect of business combinations and disposals	0	0	0	0	0
Foreign exchange adjustments	(263)	274	12	(12)	0
AS AT 31 DECEMBER 2018(1)	1,893,121	(1,621,766)	271,355	4,416	275,771

(1) By the end of 2018, 91.4% of the total pension liabilities are related to funded pension plans, 6.4% are related to non qualifying assets, and 2.2% are related to unfunded pension liabilities.

B. Fair value of plan assets

(In thousands of EUR)	31/12/17	31/12/18
Plan assets at fair value		
Cash and cash equivalents	26,462	4,741
Equity instruments	266,186	151,447
Debt securities(1)	1,301,053	453,730
Real estate	59,610	15,682
Insurance contracts(1)	94,309	996,166
TOTAL	1,747,620	1,621,766

(1) The amount decreased compared to year end 2017 mainly due to the negative return on plan assets and the remeasurement of a pension plan for which Belfius is not informed anymore of the fair value of the underlying asset portfolio of its segregated fund at the end of 2018 (we refer to the chapter material litigation for more information).

C. Assumptions for Belgian plans

	31/12/17	31/12/18
Discount rate	1.70%	1.81%
Inflation rate	1.75%	1.75%
Salary growth rate (age-linked)	0.75% - 3.00%	0.75% - 3.00%

Assumptions

The discount rate is based on an AA corporate bond yield curve.

The inflation rate is based on the long term estimates published by the European Central Bank.

Belfius uses the Belgian mortality tables that through age corrections are adapted to the current generally longer service life.

D. Sensitivity(1) of the present value of the Defined Benefit Obligation at end of year to changes of assumptions

	-50bp	+50bp
Discount rate	5.99%	-5.29%
Inflation rate	-3.63%	3.92%
Real salary increase	-2.92%	3.32%

(1) If all other assumptions are held constant.

E. Weighted average duration of the benefit obligation

	31/12/17	31/12/18
Belgium	12.03	11.32

F. Risks and ALM

Several of Belfius Group defined benefit pension plans are insurance policies issued by Ethias. This is further explained in item 3 of the section ""legal litigations"".

The key risks to which pension plans managed by the Belfius pension fund (OFP) are exposed, relate to interest rate, inflation, longevity and age of retirement. The management of the pension plans has been delegated to an "Investment Committee" and is mainly liability driven in its investment policy. A formalised investment framework ("Statement of Investment Principles") has been set-up to ensure a well-diversified and dedicated investment portfolio. The pension plans' liabilities are evaluated at least once a year. On a regular basis, an ALM study (with cash flow analysis and stress tests) is performed to determine and analyse the sensitivities of the plans to i.e. interest rate and inflation shocks. These form an important driver for the investment committee in its deliberations on the asset allocation of the investment portfolio. Day-to-day management of this portfolio and the plans' liquidity aspects have been entrusted to an external asset manager who, on a regular basis, delivers a report of its activities to the investment committee.

The pension plans managed as group insurance branch 21 have the same risks, but the risks of interest rate and longivety are partly covered by the insurer.

3. Contingent liabilities

A. Commitments to Single Resolution Fund

Belfius has opted 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. 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 tax payer.

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 hereabove, as the management is of the opinion, after due consideration of appropriate advice, that, while it is often not feasible to predict or determine the ultimate outcome of all pending litigations, such litigations are without legal merit, can be successfully defended or that the outcome of these actions is not expected to result in a significant loss.

In the opinion of Belfius, the most important cases are listed below, regardless of whether a provision has been made or not. Their description does not deal with elements or evolutions that do not have an impact on the position of Belfius. If the cases listed below were to be successful for the opposite parties, they could eventually result in monetary consequences for Belfius. Such impact remains unquantifiable at this stage. Within the Belgian financial sector, prevention of money laundering is standard practice and high on the agenda and as custumory Belfius collaborates with the Belgian authorities in that context.

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 16,000,000. The Municipal Holding entered into liquidation in December 2011. Due to the intervention of Belfius as dealer of the treasury notes, the Housing Fund demands 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 rejects 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.

There was no significant evolution in this claim since 2016. The date of the hearings is not yet known.

No provision has been made for this claim.

Arco - Cooperative shareholders

Various parties, including Belfius Bank, have been summoned by Arco - Cooperative shareholders in three separate procedures, i.e. one procedure before the Dutch speaking Commercial Court of Brussels, one procedure before the Court of First Instance of Antwerp, Section Turnhout 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. The plaintiffs have requested that the Brussels Court rule, among other things, that:
- the agreements by virtue of which they became shareholders of the relevant Arco entities are null and void,
- the defendants should, jointly and severally, reimburse the plaintiffs their financial contribution in these entities plus interest and
- the defendants are liable for certain additional damages to the plaintiffs.

The financial contribution of the 2,169 plaintiffs for which reimbursement is sought amounted to approximately EUR 6.5 million (principal amount) as at the date of this Report. 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 and the Chairman of the Management Board of the Arco entities are also defendants in the proceedings before the Commercial Court of Brussels. Belfius Bank has submit its first legal briefs on 16 August 2018 and the case will normally be pleaded during several pleading sessions in June 2021.

→ Separately from the abovementioned proceedings before the Commercial Court of Brussels, on 24 October 2016, three shareholders in Arcopar initiated court proceedings (the "Turnhout Proceedings") against Belfius Bank before the Court of First Instance of Antwerp, section Turnhout. The plaintiffs in the Turnhout Proceedings request that Belfius Bank is to be held liable to pay an "undetermined provisional amount of 2,100 EUR" per plaintiff plus interest and costs, because they claim that Belfius Bank misled them in subscribing Arcopar-shares. As at the date of this Report, the aggregate amount of the claims of the plaintiffs in the Turnhout Proceedings amounted to approximately EUR 6,300 EUR (principal amount). The plaintiffs base their claims upon promotional material that was distributed by the predecessors of Belfius Bank as well as the Arco entities and the former Belgian Christian collective of workers' associations (ACW). On 27 February 2017, Belfius Bank summoned Arcopar to intervene in the Turnhout Proceedings and to indemnify Belfius Bank for any amount for which it would be held liable towards the plaintiffs. In subsidiary order, the plaintiffs have also filed a claim against Arcopar and Belfius Bank requesting that their subscription of Arcopar shares is to be declared null and void. On 3 April 2018, the plaintiffs also summoned the

Belgian State to intervene in the Turnhout Proceedings. All parties requested the Court to transfer this case to the Court of First Instance of Brussels. The Court decided on 19 November 2018 to grant the requested transfer and this procedure is now joined with the procedure before the Court of First Instance of Brussels.

→ Furthermore, 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 7 February 2018 to intervene in this procedure, and claim compensation from Belfius Bank because they consider that Belfius Bank erred in the sale of the Arco shares. Groups of Arco-shareholders organized themselves via social media to mobilize other Arco shareholders to become claimant in this procedure, and to the knowledge of Belfius, as of today, at least 5,000 Arco shareholders did so. 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.

Ethias

Belfius is involved in a dispute with Ethias related to the management of a pension plan.

Ethias is managing one of Belfius' pension plans under an insurance agreement whereby Ethias must provide a guaranteed return on the pension reserves. Given the fact that the plan is managed in a segregated fund and that 100% of the financial gains on the underlying assets were contractually allocated to the plan, Belfius had to value these assets at their market value according to IFRS rules (IAS 19). In the course of 2016, Ethias claimed a significant increase in costs which was not supported by the contracts in place. Following Belfius' refusal, Ethias notified their intent to transfer the plan to a "main fund". If that were to occur Belfius would no longer be able to book the plan at the market value of the assets but would rather have to calculate the present value of the reserves based upon Ethias guaranteed return, which would result in a overall negative impact for Belfius on "other comprehensive income" (OCI) of about EUR 66 million before tax by YE 2018.

In order to prevent this, Belfius summoned Ethias before the Court in Brussels in summary proceedings on 23 December 2016. Separately from the summary proceeding, Belfius also started a proceeding on the merits before the Commercial Court of Brussels on 12 January 2017.

On 18 January 2017, the Court in summary proceedings prohibited the transfer of the assets to the main fund of Ethias and ordered Ethias to continue allocating 100% of the financial gains to the segregated fund. Ethias appealed against the judgment before the Brussels Court of Appeal. On 20 June 2017, the Court again ruled against Ethias and maintained the prohibition on the transfer of the plan's assets. However, because summary proceedings do not allow an adjudication on the merits, the Court also ruled that Ethias was no longer required to allocate 100% of the financial gains to the pension plan, awaiting the judgment on the merits.

In the meantime, Ethias stopped providing financial information about the market value of the plan underlying assets, making it impossible for Belfius to value the plan assets at their market value. On 29 March 2018, Belfius introduced a request for an "interim injunction" before the Commercial Court of Brussels, as part of the proceeding on the merits and with the purpose of obtaining – from Ethias – the withheld financial information about the pension plan assets. On 30 July 2018, the Court stated that Ethias was, for the time being (i.e. until a final decision is taken on the merits) not required to disclose financial information about the segregated plan. Consequently, Belfius had to stop valuing the plan at the market value of the underlying assets, which resulted in the above mentioned negative OCI impact on 31 December 2018.

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 a provision to cover the potential adverse outcome of those active litigation proceedings for which it assesses to have a less strong case.

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 International 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.

6.7. SUBORDINATED DEBTS

Refers to table 6.7. of the annual report 2017

1. Not measured at fair value through profit or loss

(In thousands of EUR)	Amortised Cost 31/12/17	01/01/18	31/12/18
CONVERTIBLE SUBORDINATED DEBT	0	0	0
Loan capital perpetual subordinated notes	0	0	0
Loan capital non-perpetual subordinated notes	0	0	0
NON-CONVERTIBLE SUBORDINATED DEBT	1,198,968	1,198,968	1,219,469
Loan capital perpetual subordinated notes	350,644	350,644	159,385
Loan capital non-perpetual subordinated notes	848,325	848,325	1,060,084
TOTAL	1,198,968	1,198,968	1,219,469
HYBRID CAPITAL AND REDEEMABLE PREFERENCE SHARES	0	0	0

Subordinated debts remained stable at EUR 1.2 billion as at 31 December 2018, compared to EUR 1.2 billion as at 1 January 2018. The 2018 Tier 2 issue was entirely offset by anticipated calls on issued debt.

2. Measured at fair value through profit or loss

(In thousands of EUR)	Financial liabilities designated at fair value through profit or loss 31/12/17	01/01/18	30/06/18
Sububordinated and potentially dilutive debts	0	0	0
TOTAL	0	0	0

3. Analysis cash flows and non-cash changes

(In thousands of EUR)	31/12/17	31/12/18
OPENING BALANCE	1,398,653	1,198,968
CASH FLOWS		
Issuance of subordinated debts	49,626	198,952
Repayments of subordinated debts	(215,472)	(190,254)
NON-CASH CHANGES		
Foreign exchange adjustments	(30,808)	10,341
Effective Interest rate	(480)	1,461
Fair value hedge revaluation	(2,549)	0
Transfers between reimbursement value and premium/discount	0	0
CLOSING BALANCE	1,198,968	1,219,469

4. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

5. Analysis of the fair value

See note 9.1.

6. Data for each subordinated debt

Ref. No.	Currency	Amount in thousands of currency units	Maturity date or method for determining the duration	a) Circumstances for early redemption b) Conditions for subordination c) Conditions for convertibility	Conditions of compensations	Value in regulatory Tier2 capital in thousands EUR
1.(1)	EUR	15,000	15/07/19	a) not applicable b) no specific conditions c) none	CMS linked(2)	1,610
2.(1)	EUR	40,000	03/12/19	a) not applicable b) no specific conditions c) none	• if GBP libor 12 months < 5%: rate = GBP libor 12 months + 20bps, • if GBP libor 12 months ≥ 5%: rate = 7.55%	7,382
3.(1)	EUR	11,000	16/12/19	a) not applicable b) no specific conditions c) none	CMS linked(2)	2,108
4.	EUR	29,973	01/03/22	a) not applicable b) no specific conditions c) none	Euribor 3m + 43bps	18,975
5.	EUR	44,962	04/04/22	a) not applicable b) no specific conditions c) none	6%	29,301
6.	EUR	17,500	undetermined (call date: 29/12/23)	a) possible with the agreement of the ECB, from the date of the call, then at the end of each period of 12 years b) no specific conditions c) none	4.609% till 29/12/23, then IRS 12y + 200bps	17,500
7.	EUR	17,500	undetermined (call date: 29/12/22)	a) possible with the agreement of the ECB, from the time of the call, on 29/12/29 and then at the end of each period of 10 years b) no specific conditions c) none	5.564% till 29/12/19, then IRS 3y + 200 bps	17,500
8.	EUR	50,000	undetermined (call date: 15/07/23)	a) possible with the agreement of the ECB, from the date of the call, then at the end of each period of 12 years b) no specific conditions c) none	5.348% till 15/07/23, ten IRS 12y + 200bps	50,000
9.(1)	JPY	10,000,000	11/09/25	a) not applicable b) no specific conditions c) none	6.1%, multicurrency	79,564
10.(1)	JPY	10,000,000	11/09/25	a) not applicable b) no specific conditions c) none	6.05%, multicurrency	79,564
11.	EUR	72,000	undetermined (call date: 1/1/25)	a) possible with the agreement of the ECB, from the date of the call, then at the end of each year b) no specific conditions c) none	6.25% till 01/01/25, then Euribor 3m + 417bps	72,000
12.	EUR	546,606	11/05/26	a) not applicable b) no specific conditions c) none	3.125%	546,606
13.	EUR	197,759	15/03/2028 (call date: 15/3/23)	a) possible with the agreement of the ECB, at the date of the call b) no specific conditions c) none	1.625% till 15/03/23, then IRS 5y + 123bps	197,759
14(3).	EUR	497,083	undetermined (call date: 16/4/25)	a) possible with the agreement of the ECB, from the date of the call, then semi-annually b) no specific conditions c) none	3.625% till 16/04/25, then resettable every 5 years	497,083

(1) As the interest structure embedded in the contract is considered as not closely related to the host contract; it has been bifurcated and is presented as a separate derivative on the balance sheet.
(2) CMS: Constant Maturity Swap.
(3) Issue of EUR 500 million (nominal value) Additional Tier-1 instruments (AT1), that qualify as additional equity under CRR/CRD IV. The AT1 security has been analysed in respect with IAS 32 and is considered as an equity instrument and is not included in the total of the disclosure 6.7 (subordinated debts).

6.8. OTHER LIABILITIES

Refers to table 6.8. of the annual report 2017

(In thousands of EUR)	31/12/17	31/12/18
OTHER LIABILITIES (EXCEPT RELATING TO INSURANCE ACTIVITIES)	1,428,332	1,347,371
Accrued costs	107,232	154,511
Deferred income	30,567	23,430
Subsidies	0	0
Other granted amounts received	161	153
Salaries and social charges (payable)	137,391	130,460
Shareholder dividends payable	0	0
Operational taxes	54,957	48,045
Long-term construction contracts	0	0
Pending payments to clients and debts to service providers	598,890	525,370
Pending payments from lease contracts	155,895	130,369
Pending payments from factoring activities	343,239	335,033
Deferred DOP	0	0
OTHER LIABILITIES SPECIFIC TO INSURANCE ACTIVITIES	333,989	152,699
Debts for deposits from assignees(1)	256,643	81,571
Debts resulting from direct insurance transactions	56,848	52,269
Debts resulting from reinsurance transactions	20,456	18,658
Other insurance liabilities	43	202
TOTAL	1,762,321	1,500,070

(1) Debts for deposits from assignees decreased following the settlement of segregated fund from which 50% of the technical provisions were reinsured..

VII. NOTES ON THE 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 2017

Due to the new presentation by measurement category as from 1 January 2018, the presentation of 31 December 2017 is different from 31 December 2018. Note that Belfius opted not to restate the comparatives of 2017 statement of income.

1. Presentation and figures on 31/12/17 (IAS 39)

(In thousands of EUR)	31/12/17
INTEREST INCOME	3,561,100
INTEREST INCOME OF ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,902,037**
Loans and advances due from banks	34,603
Loans and advances to customers	2,183,504
Financial assets available for sale	478,700
Investments held to maturity	91,542
Interest on impaired assets	27,210
Interest income on financial liabilities (negative yield)	85,427
Other	1,052
INTEREST INCOME OF ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**659,063**
Financial assets held for trading	10,323
Financial assets designated at fair value	0
Derivatives held for trading	299,732
Derivatives as hedging instruments	349,008
INTEREST EXPENSE	(1,609,627)
INTEREST EXPENSE OF LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**(462,636)**
Due to banks	(9,501)
Customer borrowings and deposits	(89,136)
Debt securities	(236,396)
Subordinated debts	(39,447)
Interest expense on financial assets (negative yield)	(86,363)
Other	(1,792)
INTEREST EXPENSE OF LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**(1,146,991)**
Financial liabilities held for trading	(652)
Financial liabilities designated at fair value	(99,218)
Derivatives held for trading	(232,425)
NET INTEREST INCOME	1,951,473

1. Presentation and figures on 31/12/18 (IFRS 9)

(In thousands of EUR)	31/12/18
INTEREST INCOME	3,399,369
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST	2,517,807
Loans and advances due from credit institutions	17,370
Loans and advances	1,923,601
Debt securities issued by public sector	367,632
Other debt securities	208,305
Other	898
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OCI	117,575
Debt securities issued by public sector	74,526
Other debt securities	43,049
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	696,874
Financial assets held for trading	6,377
Non-trading financial assets mandatorily measured at fair value	97,542
Loans and advances	71,318
Debt securities issued by public sector	1,572
Other debt securities	24,652
Derivatives held for trading	152,688
Derivatives as hedging instruments	440,266
INTEREST INCOME ON FINANCIAL LIABILITIES (NEGATIVE YIELD)	67,113
MODIFICATION GAIN ON FINANCIAL LIABILITIES	0
INTEREST EXPENSE	(1,527,831)
INTEREST EXPENSE OF FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(364,269)
Cash and balances with central banks	0
Credit institutions borrwings and deposits	(15,806)
Customers borrowings and deposits	(103,403)
Debt securities issued	(210,804)
Subordinated debts	(32,343)
Other	(1,912)
INTEREST EXPENSE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(1,066,108)
Financial liabilities held for trading	(1,485)
Financial liabilities designated at fair value	(90,572)
Derivatives held for trading	(167,641)
Derivatives as hedging instruments	(806,410)
INTEREST EXPENSE ON FINANCIAL ASSETS (NEGATIVE YIELD)	(97,454)
MODIFICATION LOSS ON FINANCIAL ASSETS	0
NET INTEREST INCOME	1,871,539

Net interest income decreased by EUR 79.9 million, or 4.1%, to EUR 1,871.5 million for the year ended 31 December 2018 from EUR 1,951.5 million for the year ended 31 December 2017. The interest margin remains under pressure due to the low interest rate environment within a highly competitive market, though partially compensated by higher volumes in loans. In addition, the lower outstandings in Branch 21 and reinvestments at lower market yields had a negative impact on the net interest income at Belfius Insurance. The net interest income of 2017 included an exceptional impact of EUR 40 million following the standardisation of collateral contracts, and was furthermore positively impacted by a volume discount of EUR 21 million on TLTRO II since Belfius achieved its targets of increased loans to the real economy end 2017.

7.2. DIVIDEND INCOME

Refers to table 7.2. of the annual report 2017

Due to the new presentation by measurement category as from 1 January 2018, the presentation of 31 December 2017 is different from 31 December 2018. Note that Belfius opted not to restate the comparatives of 2017 statement of income.

1. Presentation and figures on 31/12/17 (IAS 39)

(In thousands of EUR)	31/12/17
Financial assets available for sale	71,559
Financial assets held for trading	1,525
Financial assets designated at fair value	0
TOTAL	73,083

2. Presentation and figures on 31/12/18 (IFRS 9)

(In thousands of EUR)	31/12/18
Financial assets held for trading	3,536
Financial assets measured at fair value through other comprehensive income	67,445
Non-trading financial assets mandatorily measured at fair value through profit or loss	0
TOTAL	70,981

7.3. NET INCOME FROM EQUITY METHOD COMPANIES

Refers to table 7.3. of the annual report 2017

(In thousands of EUR)	31/12/17	31/12/18
Income from equity method companies before tax	4,599	2,606
Share of tax	(404)	(861)
Impairments on goodwill	0	0
TOTAL	4,195	1,745

7.4. NET INCOME FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Refers to table 7.4. of the annual report 2017

Due to the application of IFRS 9 as from 1 January 2018, the presentation of 31 December 2017 is different from 31 December 2018. Note that Belfius opted not to restate the comparatives of 2017 statement of income.

1. Presentation and figures on 31/12/17 (IAS 39)

(In thousands of EUR)	31/12/17
Net trading income	240,309
Net result of hedge accounting	(193,732)
Net result of financial instruments designated at fair value through profit or loss and result from the related derivatives	(434)
Of which trading derivatives included in a fair value option strategy	(33,976)
TOTAL	46,143

2. Presentation and figures on 31/12/18 (IFRS 9)

(In thousands of EUR)	31/12/18
Net trading income	95,579
Net result of financial assets designated at fair value through profit or loss and result from the related derivatives	0
Result of financial assets non-trading mandatorily measured at fair value through profit or loss	(72,735)
Loans and advances due from credit institutions	0
Loans and advances	(50,358)
Debt securities issued by public sector	4,332
Other Debt securities	(26,689)
Equity instruments	(20)
Net result of financial liabilities designated at fair value through profit or loss and result from the related derivatives (except own credit risk)	1,699
Net result of hedge accounting	(35,188)
TOTAL	(10,644)

Net income from financial instruments measured at fair value through profit or loss decreased by EUR 56.8 million to EUR -10.7 million for the year ended 31 December 2018, compared to EUR 46.1 million for the year ended 31 December 2017. The net result from financial instruments, including debt instruments not compliant with the SPPI test, was negatively impacted by the illiquidity in the market on the last quarter of 2018 as well as the increased credit spreads.

In 2018, the net income from financial instruments at fair value through profit or loss was negatively impacted by basis risks (reflected in the net result of hedge accounting), partially offset by the net trading income. Belfius is managing basis risks by means of additional derivatives (economic hedges for basis risks) for which no hedge accounting is set up, meaning that the result of these economic hedges is not included in the "net result from hedge accounting" but in the line "net trading income".

In 2017, the net income from financial instruments at fair value through profit or loss was impacted by the positive response by Belfius on the global trend towards derivative standardisation. Belfius concluded agreements on certain collateral contracts of derivatives which had a positive impact on the net trading result of EUR 75 million. This positive impact was partially offset by the impact in the net result of hedge accounting of methodological refinements on ALM management of loans, by including more credit contingencies on expected cash-flows, amounting to a loss of EUR 174 million.

The total amount recorded on the balance sheet as credit value adjustments stands at EUR -97 million end 2018 (compared to EUR -85 million end 2017), whereas total amount on the balance sheet of the debit value adjustment recorded amounts to EUR 5 million end 2018 (EUR 4 million end 2017). The total amount on the balance sheet related to funding value adjustments amounts to EUR -45 million end 2018 (compared to EUR -42 million end 2017). We also refer to note 9.5 which gives a global overview of the market risks.

The total P&L impact for credit value adjustments amounted to EUR -12 million in 2018 (compared to +97 million in 2017), for debit value adjustments EUR +1 million in 2018 (compared to -5 million in 2017) and for funding value adjustments EUR -3 million in 2018 (compared to EUR +7 million in 2017).

All effectiveness tests were respected at all times.

Belfius applies mainly Fair value Hedges for establishing a hedge relationship between the hedged items and hedging instruments for the interest rate risk. It applies this on a macro basis on the asset side and on the liability side as well as on a micro basis for certain bonds on asset and liability side.

Result of hedge accounting

(In thousands of EUR)	31/12/17	31/12/18
FAIR VALUE HEDGES	(13,136)	(32,980)
Fair value changes of the hedged item attributable to the hedged risk	(27,485)	(140,597)
Fair value changes of the hedging derivatives	14,349	107,617
CASH FLOW HEDGES	0	0
Fair value changes of the hedging derivatives – ineffective portion	0	0
PORTFOLIO HEDGE	(180,595)	(2,208)
Fair value changes of the hedged item	(769,701)	(275,869)
Fair value changes of the hedging derivatives	589,106	273,661
TOTAL	(193,732)	(35,188)

(In thousands of EUR)	31/12/17	31/12/18
DISCONTINUATION OF CASH FLOW HEDGE ACCOUNTING (CASH FLOWS STILL EXPECTED TO OCCUR) – AMOUNTS RECORDED IN INTEREST MARGIN	103	87

For more details, we refer to note 5.6.Derivatives.

7.5. NET INCOME ON INVESTMENTS AND LIABILITIES

Refers to table 7.5. of the annual report 2017

Due to the application of IFRS 9 as from 1 January 2018, the presentation of 31 December 2017 is different from 31 December 2018. Note that Belfius opted not to restate the comparatives of 2017 statement of income.

1. Presentation and figures on 31/12/17 (IAS 39)

(In thousands of EUR)	31/12/17
Gains on Loans and advances	17,276
Gains on Financial assets available for sale	171,778
Gains on Tangible fixed assets	10,746
Gains on Liabilities	6
TOTAL GAINS	199,806
Losses on Loans and advances	(7,246)
Losses on Financial assets available for sale	(19,174)
Losses on Investments held to maturity	(24)
Losses on Tangible fixed assets	(499)
Losses on Assets held for sale	(52)
Losses on Liabilities	(110)
Other losses	(27)
TOTAL LOSSES	(27,133)
NET IMPAIRMENT	1,285
TOTAL	173,958

Net impairment

	Specific risk		Total
(In thousands of EUR)	Allowances	Write-backs	
AS AT 31 DECEMBER 2017			
Securities available for sale	(1,933)	3,218	1,285
TOTAL	(1,933)	3,218	1,285

2. Presentation and figures on 31/12/18 (IFRS 9)

(In thousands of EUR)	31/12/18
FINANCIAL ASSETS AT AMORTISED COST (NOT IMPAIRED)(1)	**4,143**
Realised gains on debt securities issued by public sector	1
Realised gains on other debt securities	4,142
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (NOT IMPAIRED)	**304,231**
Realised gains on debt securities issued by public sector	296,284
Realised gains on other debt securities	7,948
ASSETS HELD FOR SALE	**47,368**
Realised gains on Assets Held for Sale(2)	47,368
OTHER	**11,608**
Realised gains on Tangible fixed assets	7,730
Realised gains on Intangible fixed assets	428
Other realised gains	3,450
FINANCIAL LIABILITIES AT AMORTISED COST	**1**
Realised gains on financial Liabilities	1
TOTAL GAINS	**367,351**
FINANCIAL ASSETS AT AMORTISED COST (NOT IMPAIRED)(1)	**(13,275)**
Realised losses on other debt securities	(13,275)
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (NOT IMPAIRED)	**(232,351)**
Realised losses on debt securities issued by public sector	(231,719)
Realised losses on other debt securities	(633)
ASSETS HELD FOR SALE	**(1)**
Realised losses on Assets Held for Sale	(1)
OTHER	**(10)**
Realised losses on Tangible fixed assets	(10)
FINANCIAL LIABILITIES AT AMORTISED COST	**(9)**
Realised losses on financial Liabilities	(9)
TOTAL LOSSES	**(245,647)**
TOTAL NET INCOME ON INVESTMENTS AND LIABILITIES	**121,704**

(1) This line item contains the repayment on notional amount of Asset Backed Securities.
(2) This line item contains the proceeds of the sale of NEB participations and the capital gain on the acquisition of Auxipar.

Net income on investments and liabilities decreased by EUR 52.3 million, or 30%, to EUR 121.7 million for the year ended 31 December 2018, compared to EUR 174.0 million for the year ended 31 December 2017.

The net income on investments and liabilities in 2018 is mainly impacted by the sale of the "NEB Participations" for EUR 23.6 million and the revaluation of the historical stake in Auxipar following step up acquisition for EUR 23 million. Belfius Insurance realised capital gains on divestments in bonds for EUR 60 million, part of these capital gains (EUR 25 million) were realised following the settlement of a segregated fund and are almost entirely compensated by an opposite movement in the technical result from insurance activities life. The Belfius' Banking Group realised a capital gain of EUR 10 million following the sale of certain Italian government bond and swap packages, for a notional amount of EUR 0.8 billion in line with Belfius' objective to decrease its related concentration risk.

In 2017, the net income on investments and liabilities is impacted following a capital gain on the sale of Aviabel, North Light and Pole Star for total consideration of EUR 67 million. Belfius also recognised capital gains on divestments from bonds, funds and equities, a material portion of which were reserved in the technical provision for future discretionary participation features. Belfius Bank also realised an accounting gain of EUR 36 million on the sale of bonds as part of the final stage of its tactical de-risking programme though partially compensated by losses of EUR 13 million following the unwind of a Negative Basis Trade position classified in trading. Note that on DIA IFRS 9 the irrevocable choice was made to measure all equity instruments at fair value through other comprehensive income. As a result any realised result on equity instruments are accounted for directly in retained earnings.

Note that in 2017, "Net income on investments and liabilities" includes write-offs and recoveries on impaired financial assets classified at "Financial assets available for sale" or "Investments held to maturity". When impaired financial assets classified at "Financial assets available for sale" are disposed of or written off, Belfius records the realised results thereon in "Net income on investments and liabilities”. When impaired “Investments held to maturity” are written off, Belfius records the realised result in “Net income on investments and liabilities”. When tangible and intangible assets are disposed off, all realised gains and losses are reported in “net income on investments and liabilities”. Furthermore, “Net income on investments and liabilities” includes the gains and losses on not impaired loans and advances that have been sold. The impairments on this category are recorded in “impairments on loans and advances and provisions for credit commitments”.

As from 1 January 2018, Belfius has opted to review the presentation of the realised result on financial assets and presents the realised result on financial assets in the line “Impairments on financial instruments and provisions for credit commitments” excluding financial assets classified under the business model “held to collect and sale”. The realised result of the latter will be reported in the line “Net income on investments and liabilities”. The realised result on impaired financial assets (stage 3) under all business models will be classified in the line “Impairments on financial instruments and provisions for credit commitments”.

For comparison purposes, an amount of EUR 4.3 million was reported in 2017 in the line “Net income on investment and liabilities” whereas it would have been classified under the line “Impairments on financial instruments and provisions for credit commitments” in 2018.

The table below provides a summary of the realised gains and losses from derecognition on not impaired and impaired financial instruments. These realised gains and losses can be accounted for in the line-item “Net income on investments and liabilities” (note 7.5.) or in in the line-item “Impairments on financial instruments and provisions for credit commitments” (note 7.13.).

A. Realised gains or losses arising from derecognition of financial assets measured at amortised cost (impaired and not impaired)

(In thousands of EUR)	31/12/18
REALISED GAINS FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**5,627**
Realised gains on loans and advances	709
Realised gains on debt securities issued by public sector	188
Realised gains on other debt securities	4,729
REALISED GAINS ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**19,346**
Realised gains on impaired loans and advances	19,345
Realised gains on impaired other debt securities	1
REALISED LOSSES ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**(15,516)**
Realised losses on Loans and advances	(1,913)
Realised losses on debt securities issued by public sector	(84)
Realised losses on other debt securities	(13,520)
REALISED LOSSES ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**(18,913)**
Realised losses on impaired Loans and advances	(18,913)

B. Realised gains or losses arising from derecognition of financial assets measured at fair value through other comprehensive income (impaired and not impaired)

(In thousands of EUR)	31/12/18
REALISED GAINS FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**304,231**
Realised gains on debt securities issued by public sector	296,284
Realised gains on other debt securities	7,948
REALISED GAINS ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**0**
REALISED LOSSES ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**(232,351)**
Realised losses on debt securities issued by public sector	(231,719)
Realised losses on other debt securities	(633)
REALISED LOSSES ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**0**

7.6. FEE AND COMMISSION INCOME – EXPENSE

Refers to table 7.6. of the annual report 2017

	31/12/17 IAS 39			31/12/18 IFRS 9		
(In thousands of EUR)	Income	Expense	Net	Income	Expense	Net
Commissions on unit trusts and mutual funds managed by third parties	296,800	(57,140)	239,660	296,262	(65,011)	231,251
Insurance activity	113,341	(4,020)	109,321	117,193	(9,842)	107,351
Credit activity	36,262	(9,521)	26,741	36,389	(9,136)	27,254
Purchase and sale of securities	20,550	(1,599)	18,951	17,714	(1,792)	15,922
Purchase and sale of unit trusts and mutual funds	29,326	(393)	28,933	20,990	(25)	20,965
Payment services	154,841	(58,890)	95,951	165,012	(60,227)	104,784
Commissions to not exclusive brokers	1,871	(11,735)	(9,864)	1,554	(11,172)	(9,618)
Financial engineering	(86)	0	(86)	0	0	0
Services on securities other than safekeeping	4,767	(1,255)	3,512	5,871	(1,178)	4,694
Custody	23,539	(2,950)	20,589	28,141	(2,855)	25,286
Issues and placements of securities	3,063	(3,604)	(542)	1,039	(4,277)	(3,239)
Servicing fees of securitisation	251	0	251	222	0	222
Private banking	18,457	(5,255)	13,203	25,754	(2,870)	22,883
Clearing and settlement	8,847	(6,116)	2,731	6,566	(4,348)	2,218
Securities lending	4,448	(4)	4,444	6,820	(1)	6,819
Financial guarantees	5,196	(6,327)	(1,131)	4,839	(5,976)	(1,137)
TOTAL	721,472	(168,809)	552,663	734,366	(178,710)	555,656

Net fee and commission income increased with EUR 3.0 million, or 0.5%, to EUR 555.7 million for the year ended 31 December 2018, compared to EUR 552.7 million for the year ended 31 December 2017. The increase was principally attributable to an increase in commission income on payment services, private banking and unsecured bond lending activity within the money market. The asset management fees remained stable despite less favorable stock markets and commercial pressure.

7.7. INSURANCE RESULTS

Refers to table 7.7. of the annual report 2017

Note that 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 group's bank and insurance entities and to distribution commissions that Belfius Insurance pays to Belfius Bank.

(In thousands of EUR)	31/12/17 IAS 39	31/12/18 IFRS 9
GROSS EARNED PREMIUMS		
In the consolidated income statement (as presented on statement of income)	1,451,024	1,488,048
Intragroup transactions	17,157	8,594
Gross earned premiums including intragroup transactions	1,468,182	1,496,642

1. Overview per activity

A. Consolidated statement of income

	31/12/17 IAS 39				31/12/18 IFRS 9			
(In thousands of EUR)	Life	Non-Life	Non-Technical	Total	Life	Non-Life	Non-Technical	Total
INCOME	**267,246**	**200,427**	**25,962**	**493,635**	**283,427**	**198,514**	**17,261**	**499,202**
Technical result[1]	(359,903)	151,089	0	(208,814)	(212,542)	158,652	0	(53,890)
Gross earned premiums	799,667	668,515	0	1,468,182	796,928	699,714	0	1,496,642
Other technical income and charges	(1,159,569)	(517,426)	0	(1,676,996)	(1,009,469)	(541,062)	0	(1,550,532)
Financial result	607,139	48,447	27,960	683,546	476,610	38,988	18,542	534,140
Interest income, Interest expense, Dividend income	469,961	41,941	22,057	533,959	424,419	37,892	20,247	482,558
Net income on investments and liabilities	143,628	6,224	3,378	153,230	68,330	1,312	6,822	76,463
Net income from equity method companies, Net income from financial instruments at fair value through profit or loss, Other income, Other expense	(6,450)	283	2,524	(3,643)	(16,138)	(216)	(8,528)	(24,881)
Fee and commission income, Fee and commission expense	20,009	891	(1,998)	18,903	19,359	874	(1,281)	18,953
EXPENSES	**(66,314)**	**(157,528)**	**(12,017)**	**(235,859)**	**(68,158)**	**(157,192)**	**(5,303)**	**(230,652)**
Impairments on loans and advances and provisions for credit commitments, Impairments on goodwill	946	(63)	(618)	265	1,768	134	428	2,330
Impairments on tangible and intangible assets	0	0	0	0	0	0	0	0
NET INCOME BEFORE TAX	**201,878**	**42,836**	**13,327**	**258,042**	**217,038**	**41,456**	**12,385**	**270,879**
Tax (expense) income	(31,259)	(7,011)	(49,214)	(87,484)	(52,196)	(10,356)	(2,864)	(65,415)
NET INCOME	**170,619**	**35,825**	**(35,887)**	**170,558**	**164,842**	**31,100**	**9,522**	**205,464**
Attributable to non-controlling interests	0	0	0	0	409	0	530	939
Attributable to equity holders of the parent	170,619	35,825	(35,887)	170,558	164,434	31,100	8,992	204,526

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

B. Consolidated balance sheet

Technical provisions of insurance companies (In thousands of EUR)	31/12/17 IAS 39				31/12/18 IFRS 9			
	Life	Non-Life	Non-Technical	Total	Life	Non-Life	Non-Technical	Total
Technical provisions – insurance activities	13,914,503	1,245,370	0	15,159,874	12,643,869	1,276,492	0	13,920,361
Technical provisions unit-linked	2,597,572	0	0	2,597,572	2,837,971		0	2,837,971
Technical provisions – share of reinsurers	180,757	96,174	0	276,930	12,390	87,513	0	99,902

Technical result from insurance activities improved with EUR 154.9 million, or 74.2%, to a loss of EUR 53.8 million for the year ended 31 December 2018, compared to a loss of EUR 208.8 million for the year ended 31 December 2017.

The technical result from insurance activities Life improved over the year with EUR 147 million. The attribution of technical interests decreased with EUR 38 million following the declining outstanding in Life Branch 21 and a decreasing average guaranteed interest rate on the remaining volumes. In 2018, Belfius has defined its Risk Appetite Framework (RAF) for Life reserving under IFRS. The application of the RAF confirmed that the Life technical provisions were more than sufficient. Belfius assessed these life technical provisions, in line with this RAF, taking into account the remaining uncertainties, model risks and sensitivities, resulting in a positive impact of EUR 45 million. The technical result Life was negatively impacted following the reimbursement of a segregated fund, offset by an opposite movement in the net income on investments and liabilities.

In 2017, a material part of the capital gains (EUR 85 million) realised within the Life Segment were reserved by the insurer in the technical provision for future discretionary participation features to ensure an accounting matching principle whereby the part of the investments results for profit sharing is attributed to the year in which effective annual profit sharing is dotated to the policyholders.

In Non Life, the technical margin improved with EUR 8 million. The year was marked by better results in Cars/Third Party Liability within the retail distribution, also stemming from a release of EUR 10 million of claim provisions in accordance with the risk appetite framework. This positive evolution was partially compensated by the impact of some large storms in January and May and by worse results in the branch accidents at work.

2. Gross earned premiums Life

(In thousands of EUR)	31/12/17 IAS 39			31/12/18 IFRS 9		
	Insurance contracts	Investment contracts with DPF	Total	Insurance contracts	Investment contracts with DPF	Total
Gross premiums written	474,465	325,202	799,667	498,703	298,225	796,928
Change in gross unearned premium reserves (UPR)	0	0	0	0	0	0
GROSS EARNED PREMIUMS	474,465	325,202	799,667	498,703	298,225	796,928

(In thousands of EUR)	31/12/17 IAS 39	31/12/18 IFRS 9
GROSS PREMIUMS WRITTEN LIFE	799,667	796,928
Direct business	798,000	796,235
Accepted reinsurance	1,667	693

(In thousands of EUR)	31/12/17 IAS 39	31/12/18 IFRS 9
GROSS PREMIUMS WRITTEN UNIT-LINKED	250,115	413,077

3. Non-Life insurance by product group

(In thousands of EUR)	Gross earned premiums	Claims incurred and other technical expenses	Acquisition commissions	Technical result from ceded reinsurance	Net income on capital	Operating expenses	Other	Net income before tax
TOTAL AS AT 31 DECEMBER 2017 IAS 39	668,515	(369,870)	(129,789)	(17,768)	48,447	(157,528)	833	42,841
ACCEPTED REINSURANCE	1,753	(1,229)	(171)	(337)	1,246	(83)	(9)	1,168
DIRECT BUSINESS	666,763	(368,640)	(129,617)	(17,431)	47,201	(157,445)	843	41,673
All risks/accidents	109,298	(56,875)	(22,672)	(723)	9,097	(28,992)	(80)	9,053
Cars/third party liability	168,161	(120,954)	(28,578)	1,787	22,664	(42,557)	(193)	330
Cars/other branches	92,228	(51,915)	(17,684)	(940)	1,550	(23,590)	(13)	(364)
Fire and other damage to property	223,317	(83,884)	(55,622)	(16,982)	7,215	(45,792)	(310)	27,943
Other[1]	73,759	(55,012)	(5,060)	(574)	6,675	(16,514)	1,437	4,712

(1) Includes Credit and suretyship, non-life distribution, health and accidents at work.

(In thousands of EUR)	Gross earned premiums	Claims incurred and other technical expenses	Acquisition commissions	Technical result from ceded reinsurance	Net income on capital	Operating expenses	Other	Net income before tax
TOTAL AS AT 31 DECEMBER 2018 IFRS 9	699,714	(375,567)	(134,937)	(30,559)	38,988	(157,192)	1,008	41,456
ACCEPTED REINSURANCE	1,858	(1,831)	(207)	(283)	1,123	(3)	(7)	650
DIRECT BUSINESS	697,856	(373,736)	(134,730)	(30,276)	37,865	(157,189)	1,015	40,806
All risks/accidents	118,021	(67,736)	(24,433)	(3,230)	7,713	(28,308)	(68)	1,960
Cars/third party liability	175,886	(81,365)	(28,779)	(7,711)	16,721	(42,651)	(133)	31,968
Cars/other branches	100,703	(57,756)	(18,673)	(776)	1,252	(24,561)	(11)	178
Fire and other damage to property	237,905	(104,601)	(57,308)	(17,956)	6,350	(45,690)	(56)	18,643
Other[1]	65,341	(62,277)	(5,537)	(603)	5,829	(15,980)	1,283	(11,944)

(1) Includes Credit and suretyship, non-life distribution, health and accidents at work.

7.8. OTHER INCOME

Refers to table 7.8. of the annual report 2017

(In thousands of EUR)	31/12/17 IAS 39	31/12/18 IFRS 9
Operational taxes	3	0
Rental income from investment property	25,519	31,406
Other rental income	4,191	4,279
Other banking income	0	772
Write-back of provisions for litigations[1]	842	9,327
Real estate projects	2,505	5,742
Asset Finance activities[2]	72,253	92,826
Other income on other activities[2]	36,581	49,314
OTHER INCOME	141,895	193,666

(1) We refer to note 6.6. "Provisions and contingent liabilities" for a detailed description. Please note that the additional provisions for litigations are recorded in other expense (we refer to note 7.9.).

(2) Asset finance activities have been detailed further and are presented as a specific line item. The presentation for 2017 changed to be aligned with the 2018 presentation.

7.9. OTHER EXPENSE

Refers to table 7.9. of the annual report 2017

(In thousands of EUR)	31/12/17 IAS 39	31/12/18 IFRS 9
Sector levies[1]	(217,356)	(221,919)
Repair and maintenance on investment properties that generated income during the current financial year	(9,095)	(6,303)
Other banking expenses	0	(13)
Provisions for litigations[2]	(39,475)	(5,767)
Real estate projects	(1,337)	(3,939)
Asset Finance activities[3]	(63,503)	(81,662)
Other expense on other activities[3][4]	(49,147)	(69,965)
OTHER EXPENSE	(379,913)	(389,568)

(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 17.5 million in its off balance sheet accounts (stable compared to 2017).
(2) A provision for potential settlements of ongoing disputes with third parties was recognised in 2017. We refer to note 6.6 "Provisions and contingent liabilities". Please note that write-backs of provisions for litigations are recorded in other income (we refer to note 7.8.).
(3) Asset finance activities have been detailed further and are presented as a specific line item. The presentation for 2017 changed to be aligned with the 2018 presentation.
(4) "Other expenses on other activities" includes other operational expenses, depreciation and amortization on investment property, and other operational taxes.

7.10. STAFF EXPENSE

Refers to table 7.10. of the annual report 2017

(In thousands of EUR)	31/12/17 IAS 39	31/12/18 IFRS 9
Wages and salaries	(417,380)	(440,897)
Social security and insurance costs	(118,827)	(118,438)
Pension costs-defined benefit plans[1]	(29,890)	(56,942)
Pension costs-defined contribution plans[1]	(202)	(240)
Other postretirement obligations (reversal / use)	(297)	(396)
Share-based payments	0	0
Other long-term employee benefits	(3,648)	(830)
Restructuring expenses (reversal / use)[1]	28,477	14,463
Other expense	(20,558)	(11,460)
TOTAL	(562,324)	(614,740)

(1) We refer to note 6.6 "Provisions and contingent liabilities" for a detailed description.

Staff expense increased by EUR 52.4 million, or 9.3%, to EUR 614.7 million for the year ended 31 December 2018, compared to EUR 562.3 million for the year ended 31 December 2017. This increase was mainly driven by important investments in human resources to support the growth in developing markets such as bankassurance, corporate, and private & wealth management. In addition, a positive impact in 2017 (amounting to EUR 27 million) following the restructuring of a pension plan can be noted. In 2018, a restructuring provision of EUR 5 million was recognised following the decision of Belfius Insurance to focus its wholesale non-life insurance business on the segment of social sector through direct distribution and to put the wholesale non-life-activities through the brokerage channel and bank distribution channel in run-off. This freed-up resources are reallocated to its strong developing non-life insurance business with SME customers through its own (bank and DVV) distribution channels. Furthermore, a reassessment of the Belfius Bank provision for the restructuring plan took place, resulting in an increase of EUR 11 million.

Average FTE as at 31 december 2017	Belgium	Luxembourg	Ireland	Fully consolidated
Senior Executives	153	2	2	157
Employees	6,111	4	6	6,121
TOTAL	6,264	6	8	6,278
of which banking group	4,979	3	8	4,990
of which insurance group	1,285	3	0	1,288

Average FTE as at 31 december 2018	Belgium	Luxembourg	Ireland	Fully consolidated
Senior Executives	153	1	2	156
Employees	6,191	4	5	6,200
TOTAL	6,344	5	7	6,356
of which banking group	5,062	3	7	5,072
of which insurance group	1,282	2	0	1,284

7.11. GENERAL AND ADMINISTRATIVE EXPENSE

Refers to table 7.11. of the annual report 2017

(In thousands of EUR)	31/12/17(1) IAS 39	31/12/18 IFRS 9
Occupancy	(28,055)	(26,109)
Operating leases (except technology and system costs)	(7,363)	(7,749)
Professional fees(1)	(50,344)	(59,937)
Marketing advertising and public relations	(55,968)	(50,277)
Technology and system costs	(178,788)	(155,380)
Software costs and research and development costs	(35,250)	(50,994)
Repair and maintenance expenses	(398)	(409)
Restructuring costs other than staff	7,172	0
Insurance (except related to pension)	(3,800)	(3,689)
Transportation of mail and valuable	(17,118)	(16,988)
Operational taxes	(57,922)	(57,958)
Other general and administrative expense(1)	(51,479)	(67,449)
TOTAL	(479,313)	(496,938)

(1) Please note that a pro forma has been performed on the 31/12/17 figures with regards to the figures published in the financial statements 2017. The pro forma consists of a shift from "Other general and administrative expense" towards "professional fees".

General and administrative expense increased by EUR 17.6 million, or 3.7%, to EUR 496.9 million for the year ended 31 December 2018, compared to EUR 479.3 million for the year ended 31 December 2017. This increase was mainly driven by important investments in digitalization and innovation.

7.12. DEPRECIATION AND AMORTISATION OF FIXED ASSETS

Refers to table 7.12. of the annual report 2017

(In thousands of EUR)	31/12/17 IAS 39	31/12/18 IFRS 9
Depreciation of buildings	(29,720)	(27,342)
Depreciation of other tangible assets	(10,738)	(9,479)
Amortisation of intangible assets(1)	(43,213)	(58,184)
TOTAL	(83,672)	(95,004)

(1) Following continuous investments in digitalization and innovation, more own development costs are being capitalised since a few years. As a result the amortisation of intangible assets increased.

7.13. IMPAIRMENTS ON FINANCIAL INSTRUMENTS AND PROVISIONS FOR CREDIT COMMITMENTS

Refers to table 7.13. of the annual report 2017

Due to the application of IFRS 9 (impairment) as from 1 January 2018, the presentation of 31 December 2017 is different from 31 December 2018. We refer to the reconciliation of impairment allowance balance from IAS 39 (+ specific provisions IAS 37) to IFRS 9 table. Note that Belfius opted not to restate the comparatives of 2017 statement of income.

1. Presentation and figures on 31/12/17 (IAS 39)

A. Collective impairment

(In thousands of EUR)	31/12/17
Allowances	(41,581)
Write-backs	48,492
TOTAL OF COLLECTIVE IMPAIRMENT ON LOANS	6,911

B. Specific impairment

	31/12/17				
(In thousands of EUR)	Allowances	Write-backs	Losses	Recoveries	Total
Loans and advances due from banks	0	43	(19)	0	24
Loans and advances to customers	(492,753)	582,950	(160,981)	28,641	(42,143)
Assets from insurance companies	(291)	30	0	0	(262)
Other receivables	(560)	50	0	0	(510)
Commitments	(1,992)	4,958	0	0	2,967
TOTAL	(495,595)	588,030	(161,000)	28,641	(39,924)

Note that in 2017, "Net income on investments and liabilities" includes write-offs and recoveries on impaired financial assets classified at "Financial assets available for sale" or "Investments held to maturity". When impaired financial assets classified at "Financial assets available for sale" are disposed of or written off, Belfius records the realised results thereon in "Net income on investments and liabilities". When impaired "Investments held to maturity" are written off, Belfius records the realised result in "Net income on investments and liabilities". When tangible and intangible assets are disposed off, all realised gains and losses are reported in "net income on investments and liabilities". Furthermore, "Net income on investments and liabilities" includes the gains and losses on not impaired loans and advances that have been sold. The impairments on this catergory are recorded in "impairments on loans and advances and provisions for credit commitments".

2. Presentation and figures on 31/12/18 (IFRS 9)

A. Summary Totals

(In thousands of EUR)	31/12/18
Impairment on financial instruments and off balance commitments - Stage 1	(17,343)
Impairment on financial instruments and off balance commitments - Stage 2	22,576
Impairment on financial instruments, other assets and off balance commitments - Stage 3	(71,630)
TOTAL	(66,397)

As from 1 January 2018, Belfius has opted to review the presentation of the realised result on financial assets and presents the realised result on financial assets in the line "Impairments on financial instruments and provisions for credit commitments" excluding financial assets classified under the business model "held to collect and sale". The realised result of the latter will be reported in the line "Net income on investments and liabilities". The realised result on impaired financial assets (stage 3) under all business models will be classified in the line "Impairments on financial instruments and provisions for credit commitments".

For comparison purposes, an amount of EUR 4.3 million was reported in 2017 in the line "Net income on investment and liabilities" whereas it would have been classified under the line "Impairments on financial instruments and provisions for credit commitments" in 2018.

Impairments on financial instruments and provision for credit commitments increased by EUR 33.4 million, to EUR 66.4 million (IFRS 9) for the year ended 31 December 2018, compared to EUR 33.0 million (IAS 39) for the year ended 31 December 2017. Some additional impairments were recorded during 2018 as a result of the growth of the loan portfolio, increased forward looking provisioning for real estate exposures and increased risk profile of certain subportfolios.

Certain reversals have been noted from the sale of certain Italian government bonds in line with Belfius' objective to decrease its related concentration risk as well as from portfolio management and positive evolutions in credit files. Note that in 2017, an exceptional positive impact (of EUR 27 million) following de-risking can be noted, mainly on the sale of the remaining US RMBS bond of the former legacy portfolio.

B. Impairment on financial instruments and off balance commitments – stage 1

	31/12/18				
(In thousands of EUR)	Allowances	Write-backs	Capital gains	Capital losses	Total
Loans and advances due from credit institutions	(169)	93	0	0	(76)
Loans and advances	(122,247)	98,317	0	0	(23,930)
Debt securities	(1,525)	745	0	0	(780)
Off balance commitments	(34,495)	41,937	0	0	7,442
TOTAL	(158,436)	141,093	0	0	(17,343)

Stage 1 impairment increased with EUR 17 million mainly following new production.

C. Impairment on financial instruments and off balance commitments – stage 2

	31/12/18				
(In thousands of EUR)	Allowances	Write-backs	Capital gains	Capital losses	Total
Loans and advances due from credit institutions	(19)	32	0	0	13
Loans and advances	(130,557)	141,209	709	(1,913)	9,449
Debt securities	(28,938)	44,406	774	(328)	15,914
Off balance commitments	(51,491)	48,691	0	0	(2,800)
TOTAL	(211,005)	234,338	1,484	(2,241)	22,576

Stage 2 impairment decreased with EUR 23 million due to transfers from stage 2 towards stage 3 and a positive impact on the sale of Italian sovereign bonds as well as standard credit risk actions.

D. Impairment on financial instruments, other assets and off balance commitments - stage 3

	31/12/18						
(In thousands of EUR)	Allowances	Write-backs	Write-offs	Capital gains	Capital losses	Recoveries	Total
Loans and advances due from credit institutions	0	0	0	0	0	0	0
Loans and advances	(285,178)	237,847	(7,401)	6,926	(18,913)	18,764	(47,954)
Debt securities	0	0	0	1	0	0	0
Off balance commitments	(29,355)	6,861	0	0	0	0	(22,494)
Other assets(1)	(2,048)	866	0	0	0	0	(1,182)
TOTAL	(316,582)	245,574	(7,401)	6,927	(18,913)	18,764	(71,630)

(1) This concerns impairments on mainly other insurance assets, subject to impairment and reported under other assets on the balance sheet.

Stage 3 impairment increased with EUR 70 million resulting from transfers from stage 2 towards stage 3.

7.14. IMPAIRMENTS ON TANGIBLE AND INTANGIBLE ASSETS

Refers to table 7.14. of the annual report 2017

(In thousands of EUR)	31/12/17 IAS 39	31/12/18 IFRS 9
Impairment on investment property	133	(1,212)
Impairment on land and buildings[1]	13,727	(766)
Impairment on other tangible assets	0	0
Impairment on assets held for sale	(511)	0
Impairment on long-term construction contracts	0	0
Impairment on intangible assets	(3,882)	(146)
TOTAL	**9,467**	**(2,124)**

(1) 2017 was impacted by the reversal of an impairment on the building of Belfius's headquarters at Rogier Tower for EUR 14 million.

The impairments on tangible and intangible assets increased by EUR 11.7 million to a loss of EUR 2.1 million for the year ended 31 December 2018, compared to a gain of EUR 9.5 million for the year ended 31 December 2017. Following the investments in digitalisation and innovation, Belfius continues to review the (expected) economic use of its internally developed software and recorded, where necessary, impairments.

7.15. IMPAIRMENTS ON GOODWILL

Refers to table 7.15. of the annual report 2017

Nil

The annual impairment test did not require an impairment on goodwill. The impairment test was performed by comparing the equity value of Belfius Insurance with the "value in use". This value in use was determined based on a discounted cash flow model with the following inputs:

- financial plan for 5 years;
- discount rate: a cost of equity of 10%; and
- a long term growth rate for Belgium of 0.5%.

Note that the financial plan has only a limited impact on the impairment test. The main drivers are the discount curve and long term growth rate. Based on that scenario, a surplus could be identified, note that there have been no change in parameters compared to last year.

For 2017 and 2018, all scenarii (ranging from a growth rate from -2% to +2% and a discount rate of 6% to 12%) showed that no impairment was required. The assumptions for these scenarii are aligned with the expected evolution of the results in the financial plan and with the market conditions for capital costs. Only if the required Cost of equity (discount curve) amounts to 17% together with a growth rate of 0.0%, an impairment would start to become necessary. At a cost of equity of 10%, impairment would start at a negative growth rate of 13% after realisation of the financial plan.

7.16. TAX (EXPENSE) INCOME

Refers to table 7.16. of the annual report 2017

(In thousands of EUR)	31/12/17 Tax on current year result	Other tax expense	Total	31/12/18 Tax on current year result	Other tax expense	Total
Current tax expense / income: Income tax on current year	(159,371)		(159,371)	(160,972)		(160,972)
Current tax expense / income: Income tax on previous year		2,300	2,300		17,726	17,726
Current tax expense / income: Provision for tax litigations		(34,186)	(34,186)		(2,260)	(2,260)
TOTAL CURRENT TAXES			**(191,258)**			**(145,506)**
Deferred taxes on current year	(228,870)		(228,870)	(71,229)		(71,229)
Deferred taxes on previous year		63,121	63,121		(151)	(151)
TOTAL DEFERRED TAXES			**(165,749)**			**(71,381)**
TOTAL	(388,241)	31,235	(357,007)	(232,201)	15,315	(216,886)
TAX ON CURRENT YEAR RESULT (A)			(388,241)			(232,201)
OTHER TAX EXPENSE (B)			31,235			15,315
TOTAL (A)+(B)			(357,007)			(216,886)
STANDARD CALCULATED TAX RATE			-37.09%			-25.02%

Effective corporate income tax charge

(In thousands of EUR)	31/12/17	31/12/18
NET INCOME BEFORE TAX	**962,528**	**866,876**
Income and losses from companies accounted for by the equity method	4,195	1,745
TAX BASE (A)	958,334	865,131
Statutory tax rate	33,99%	29,58%
TAX EXPENSE USING STATUTORY RATE	**325,738**	**255,906**
Tax effect of rates in other jurisdictions	(7,684)	(8,610)
Tax effect of non-taxable revenues(1)	(13,424)	(31,930)
Tax effect of non-tax deductible expenses	12,124	17,320
Tax effect of utilisation of previously unrecognised tax losses	0	121
Tax effect on tax benefit not previously recognised in profit or loss	0	(1,557)
Tax effect from reassessment of unrecognised deferred tax assets	(6,631)	(9,859)
Tax effect of change in tax rates	105,920	16,826
Items taxed at a reduced rate(2)	(32,269)	0
Other increase (decrease) in statutory tax charge	4,467	(6,016)
TAX ON CURRENT YEAR RESULT (B)	388,241	232,201
Tax base	958,334	865,131
EFFECTIVE TAX RATE (B)/(A)	40.5%	26.8%

(1) Mainly definitively tax-exempted income (dividends and capital gains on shares).
(2) Items taxed at a reduced rate mainly refer to capital gains on shares. Note that on DIA IFRS 9 the irrevocable choice was made to measure all equity instruments at fair value through other comprehensive income. As a result any realised result on these equity instruments are accounted for directly in retained earnings.

The tax expense including deferred taxes decreased with EUR 140.1 million, or 39.2%, to EUR 216.9 million for the year ended 31 December 2018, compared to EUR 357.0 million for the year ended 31 December 2017.

In 2018, the tax expense was mainly impacted by the recognition of a tax asset on the innovation income deduction by Belfius Bank, the expected recovery of the fairness tax by Belfius Insurance following the decision of the Constitutional Court to repeal the law and the closing of the Dublin branch which had a positive impact on the current tax for EUR 31 million. As a result, the standard calculated tax rate of 2018 amounts to 25%. The reassessment of (net) deferred tax assets following the Belgian corporate tax reform has a negative impact on Belfius' net results of EUR 17 million.

In 2017, the tax expense was impacted by the reassessment of (net) deferred tax assets following the Belgian corporate income tax reform, whereby the nominal corporate income tax rate will gradually decrease from 33.9% in 2017 to 25% in 2020. This resulted in an additional tax expense for the banking group of EUR 64 million and EUR 42 million for the insurance group. Furthermore, an exceptional tax gain was accounted following the recognition of previously unrecognized deferred tax assets EUR 33 million. Without the Belgian corporate tax reform the effective tax rate of 2017 would have been 29.5%.

OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VIII. NOTES ON THE CONSOLIDATED OFF-BALANCE SHEET ITEMS

(some amounts may not add up due to roundings)

8.1. REGULAR WAY TRADE

Refers to table 8.1. of the annual report 2017

(In thousands of EUR)	31/12/17	31/12/18
Loans to be delivered and purchases of assets	2,302,973	1,484,815
Borrowings to be received and sales of assets	7,976,417	6,998,340

8.2. GUARANTEES

Refers to table 8.2. of the annual report 2017

(In thousands of EUR)	31/12/17	31/12/18
Guarantees given to credit institutions	1,274,481	1,180,557
Guarantees given to customers	3,869,989	4,075,552
Guarantees received from credit institutions(1)	957,394	902,575
Guarantees received from customers	30,462,784	30,133,568

(1) This amount includes the personal guarantees and similar rights of recourse obtained for derivatives.

8.3. LOAN COMMITMENTS

Refers to table 8.3. of the annual report 2017

(In thousands of EUR)	31/12/17	31/12/18
Unused lines granted to credit institutions	206,907	213,660
Unused lines granted to customers	23,606,619	26,071,945
Unused lines obtained from credit institutions	21,352	11,775
Unused lines obtained from customers	0	0

8.4. OTHER COMMITMENTS TO FINANCING ACTIVITIES

Refers to table 8.4. of the annual report 2017

(In thousands of EUR)	31/12/17	31/12/18
Insurance activity – Commitments given	0	0
Insurance activity – Commitments received	70,151	67,520
Banking activity – Commitments given(1)	21,032,593	22,783,793
Banking activity – Commitments received	69,865,357	75,903,870

(1) Mainly related to repurchase agreements and collateralisation of loans with the European Central Bank and other central banks.

For more details regarding the liquidity position, we refer to the "Risk Management" section in the Management Report.

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 7.2 billion (nominal) at the end of 2017 and EUR 8.7 billion (nominal) at the end of 2018. 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 2017

(In thousands of EUR)	31/12/17	31/12/18
Single Resolution Fund– Commitments given(1)	17,473	17,473
Other contingent lialibities	0	143

(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.

8.6. BOND LENDING AND BOND BORROWING TRANSACTIONS

Refers to table 8.6. of the annual report 2017

(In thousands of EUR)	31/12/17	31/12/18
Securities lending	1,627,190	1,622,279
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 2017

Due to the application of IFRS 9 and the new presentation of the balance sheet, the presentation and figures of 31 December 2017 is different from the opening balance of 1 January 2018 and new classes have been identified. We refer to the IFRS 9 date of initial application for a detailed description.

1. Fair value of financial instruments

A. Breakdown of fair value of assets

Presentation and figures on 31/12/17 (IAS 39)

(In thousands of EUR)	31/12/17		
	Carrying amount	Fair value	Difference
Cash and balances with central banks	10,236,669	10,236,669	0
Loans and advances	104,178,353	110,940,869	6,762,516
Loans and other advances	98,992,204	106,300,820	7,308,616
Bonds	5,186,149	4,640,049	(546,100)
Investments held to maturity	5,441,999	5,453,674	11,674
Financial assets measured at fair value through profit or loss	3,240,298	3,240,298	0
Financial assets available for sale	17,982,597	17,982,597	0
Derivatives	20,303,034	20,303,034	0
Gain/loss on the hedged item in portfolio hedge of interest rate risk	3,720,764	3,720,764	0
Non current assets (disposal group) held for sale and discontinued operations	18,782	32,974	14,192
TOTAL	**165,122,495**	**171,910,878**	**6,788,383**

Presentation and figures on 31/12/18 (IFRS 9)

(In thousands of EUR)	31/12/18		
	Carrying amount	Fair value	Difference
Cash and cash balances with central banks	8,314,303	8,314,303	0
Loans and advances due from credit institutions	13,106,846	13,106,404	(442)
Measured at amortised cost	13,106,846	13,106,404	(442)
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	91,122,512	96,690,717	5,568,204
Measured at amortised cost	89,302,446	94,870,650	5,568,204
Measured at fair value through other comprehensive income	0	0	0
Measured at fair value through profit or loss	1,820,067	1,820,067	0
Debt securities	27,077,665	27,865,078	787,413
Measured at amortised cost	21,610,561	22,397,974	787,413
Measured at fair value through other comprehensive income	3,850,257	3,850,257	0
Measured at fair value through profit or loss	1,616,847	1,616,847	0
Equity instruments	1,491,101	1,491,101	0
Measured at fair value through other comprehensive income	1,365,896	1,365,896	0
Measured at fair value through profit or loss	125,205	125,205	0
Unit linked assets - insurance product branch 23	2,837,971	2,837,971	0
Derivatives	12,767,585	12,767,585	0
Gain/loss on of the hedged item in portfolio hedge of interest rate risk	4,590,806	4,590,806	0
Non current assets (disposal group) held for sale and discontinued operations	19,047	29,761	10,714
TOTAL	**161,327,837**	**167,693,726**	**6,365,889**

B. Breakdown of fair value of liabilities

Presentation and figures on 31/12/17 (IAS 39)

(In thousands of EUR)	31/12/17		
	Carrying amount	Fair value	Difference
Borrowings and deposits	87,384,376	87,479,299	94,923
Debt securities	22,027,063	22,637,612	610,549
Subordinated debts	1,198,968	1,336,003	137,034
Financial liabilities measured at fair value through profit or loss	8,892,710	8,892,710	0
Derivatives	21,264,032	21,264,032	0
Gain/loss on of the hedged item in portfolio hedge of interest rate risk	105,017	105,017	0
Liabilities included in disposal group and discontinued operations	0	0	0
TOTAL	140,872,166	141,714,673	842,507

Presentation and figures on 31/12/18 (IFRS 9)

(In thousands of EUR)	31/12/18		
	Carrying amount	Fair value	Difference
Cash and balances from central banks	3,962,322	3,940,904	(21,418)
Borrowings and deposits	85,528,120	85,657,094	128,973
Measured at amortised cost	85,476,557	85,605,530	128,973
Measured at fair value through profit or loss	51,563	51,563	0
Debt securities issued and other financial instruments	26,686,872	27,231,576	544,705
Measured at amortised cost	19,274,694	19,819,398	544,705
Measured at fair value through profit or loss	7,412,178	7,412,178	0
Unit linked products insurance activities	2,837,971	2,837,971	0
Derivatives	17,740,280	17,740,280	0
Gain/loss on of the hedged item in portfolio hedge of interest rate risk	165,078	165,078	0
Subordinated debts	1,219,469	1,310,888	91,420
Measured at amortised cost	1,219,469	1,310,888	91,420
Measured at fair value through profit or loss	0	0	0
Liabilities included in disposal group and discontinued operations	0	0	0
TOTAL	138,140,112	138,883,791	743,679

The decrease in fair value of the loan portfolio is mainly linked to the slight increase in interest rates on the long end of the interest rate curve as well as the prepayment wave of the last years. Note that an internal estimate of the future potential prepayment rate has been considered in the determination of the fair value.

For some assets and liabilities, Belfius estimates that the fair value approximates the carrying value (as 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

Presentation and figures on 31/12/17 (IAS 39)

	31/12/17			
(In thousands of EUR)	Level 1	Level 2	Level 3	Total
Loans and advances	1,099,150	27,716,334	82,125,385	110,940,869
Loans and other advances	0	26,099,416	80,201,404	106,300,820
Bonds	1,099,150	1,616,918	1,923,981	4,640,049
Investments held to maturity	4,968,234	363,563	121,876	5,453,674
SUBTOTAL	6,067,384	28,079,897	82,247,261	116,394,543
Financial assets measured at fair value through profit or loss	3,012,917	72,723	154,657	3,240,298
Financial assets available for sale	16,325,526	322,701	1,334,370	17,982,597
Derivatives	1,967	19,334,196	966,871	20,303,034
Non current assets (disposal group) held for sale and discontinued operations	0	31,802	1,172	32,974
SUBTOTAL	19,340,410	19,761,422	2,457,070	41,558,902

Presentation and figures on 31/12/18 (IFRS 9)

	31/12/18			
(In thousands of EUR)	Level 1	Level 2	Level 3	Total
Loans and advances	0	23,799,308	85,997,812	109,797,121
Measured at amortised cost	0	23,767,175	84,209,878	107,977,054
Measured at fair value through other comprehensive income	0	0	0	0
Measured at fair value through profit or lossDebt securities	0	32,133	1,787,934	1,820,067
Debt securities	19,836,870	4,705,038	3,323,170	27,865,078
Measured at amortised cost	15,905,656	3,899,071	2,593,247	22,397,974
Measured at fair value through other comprehensive income	3,265,291	299,277	285,688	3,850,257
Measured at fair value through profit or loss	665,923	506,689	444,235	1,616,847
Equity instruments	1,191,888	0	299,213	1,491,101
Measured at fair value through other comprehensive income	1,067,064	0	298,832	1,365,896
Measured at fair value through profit or loss	124,824	0	381	125,205
Unit linked assets - insurance product branch 23	2,837,971	0	0	2,837,971
Derivatives	594	12,052,792	714,199	12,767,585
Non current assets (disposal group) held for sale and discontinued operations	0	28,700	1,061	29,761
TOTAL	23,867,323	40,585,838	90,335,455	154,788,616

B. Liabilities

Presentation and figures on 31/12/17 (IAS 39)

	31/12/17			
(In thousands of EUR)	Level 1	Level 2	Level 3	Total
Borrowings and deposits	0	86,948,046	531,253	87,479,299
Debt securities	8,275,470	3,094,131	11,268,011	22,637,612
Subordinated debts	875,527	98,457	362,019	1,336,003
SUBTOTAL	9,150,997	90,140,635	12,161,283	111,452,914
Financial liabilities measured at fair value through profit or loss	2,622,050	2,944,937	3,325,724	8,892,710
Derivatives	353	20,450,312	813,367	21,264,032
Liabilities included in disposal group and discontinued operations	0	0	0	0
SUBTOTAL	2,622,403	23,395,249	4,139,090	30,156,742

Presentation and figures on 31/12/18 (IFRS 9)

(In thousands of EUR)	31/12/18 Level 1	Level 2	Level 3	Total
Borrowings and deposits	0	85,180,904	476,190	85,657,094
Measured at amortised cost	0	85,129,341	476,190	85,605,530
Measured at fair value through profit or loss	0	51,563	0	51,563
Debt securities issued and other financial liabilities	10,043,729	6,638,004	10,549,844	27,231,576
Measured at amortised cost	9,940,925	1,884,635	7,993,839	19,819,398
Measured at fair value through profit or loss	102,803	4,753,369	2,556,005	7,412,178
Unit linked liabilities - insurance product branch 23	2,837,971	0	0	2,837,971
Derivatives	122	17,059,286	680,871	17,740,280
Subordinated debts	879,643	95,250	335,995	1,310,888
Measured at amortised cost	879,643	95,250	335,995	1,310,888
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	13,761,466	108,973,444	12,042,899	134,777,809

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

Presentation and figures on 31/12/17 (IAS 39)

(In thousands of EUR)	31/12/17 From level 1 to 2	From level 2 to 1
Financial assets measured at fair value through profit or loss	15,973	300,949
Financial assets available for sale	35,931	388,491
Derivatives	0	0
TOTAL	51,904	689,441

Presentation and figures on 31/12/18 (IFRS 9)

(In thousands of EUR)	31/12/18 From level 1 to 2	From level 2 to 1
Debt securities	75,100	145,108
Measured at fair value through other comprehensive income	75,097	125,617
Measured at fair value through profit or loss	3	19,490
Derivatives	0	0
TOTAL	75,100	145,108

Seeing the improved liquidity following higher market activity on certain bonds, they have been transferred from level 2 to level 1.

B. Liabilities at fair value in the balance sheet

Presentation and figures on 31/12/17 (IAS 39)

Nil.

Presentation and figures on 31/12/18 (IFRS 9)

Nil.

4. Reconciliation Level 3

A. Assets

Presentation and figures on 31/12/17 (IAS 39)

(In thousands of EUR)	31/12/17 Opening balance	Total of realised gains and losses in P&L	Total of unrealised gains and losses in P&L	Total gains/losses in other comprehensive income	Purchases	Sales	Settlements	Transfers in Level 3	Transfer out of Level 3	Closing balance
Financial assets measured at fair value through profit or loss	271,710	0	0		155,858	(268,243)	0	1,200	(5,867)	154,657
Financial assets available for sale	1,238,643	(125)	36,851	(11,387)	138,404	(5,544)	(36,365)	12,180	(38,287)	1,334,370
Derivatives	1,217,438	0	(287,051)		237,748	0	(218,768)	24,146	(6,642)	966,871
TOTAL	2,727,791	(125)	(250,200)	(11,387)	532,010	(273,788)	(255,133)	37,527	(50,797)	2,455,898

Presentation and figures on 31/12/18 (IFRS 9)

(In thousands of EUR)	31/12/18 Opening balance on 01/01/18	Total of unrealised gains and losses in P&L	Total gains/losses in other comprehensive income	Purchases	Sales	Settlements	Transfers in Level 3	Transfer out of Level 3	Foreign exchange adjustments	Closing balance
Loans and advances	2,313,898	(155,892)		22,600	(392,671)	0	0	0	0	1,787,934
Measured at fair value through profit or loss	2,313,898	(155,892)		22,600	(392,671)	0	0	0	0	1,787,934
Debt securities	966,939	(1,356)	(7,152)	199,463	(184,116)	(46,007)	22	(197,870)	0	729,923
Measured at fair value through other comprehensive income	395,032	(150)	(7,152)	2,450	(2,251)	(5,197)	0	(97,045)	0	285,688
Measured at fair value through profit or loss	571,907	(1,207)		197,013	(181,864)	(40,810)	22	(100,825)	0	444,235
Equity instruments	219,006	0	38,137	14,501	(20,465)	(1,754)	59,508	(9,720)	0	299,213
Measured at fair value through other comprehensive income	216,437	0	38,137	14,120	(20,464)	(1,754)	59,508	(7,152)	0	298,832
Measured at fair value through profit or loss	2,569	0		380	(1)	0	0	(2,568)	0	381
Derivatives	782,518	20,959		108,743	0	(116,089)	4,566	(86,127)	(372)	714,199
TOTAL	4,282,361	(136,289)	30,985	345,306	(597,252)	(163,850)	64,096	(293,717)	(372)	3,531,269

The "sale" in "loans and advances measured at fair value through profit and loss" is mainly due to the decrease in structured loans following the restructuring to more basic loans. The "purchases" of debt securities measured at fair value through profit or loss is mainly linked to Belgian regional bonds.

B. Liabilities

Presentation and figures on 31/12/17 (IAS 39)

(In thousands of EUR)	31/12/17 Opening balance	Total of unrealised gains and losses in P&L	Total gains/ losses in other comprehensive income	Purchases	Sales	Direct origination	Settlements	Transfers in Level 3	Transfer out of Level 3	Closing balance
Financial liabilities measured at fair value through profit or loss	2,681,797	(23,705)		50,734	(727)	572,453	(11,602)	80,743	(23,968)	3,325,724
Derivatives	986,949	(184,287)		163,290	0	0	(145,253)	(9,894)	2,562	813,367
TOTAL	3,668,745	(207,992)		214,024	(727)	572,453	(156,855)	70,849	(21,407)	4,139,090

Presentation and figures on 31/12/18 (IFRS 9)

(In thousands of EUR)	31/12/18 Opening balance on 01/01/18	Total of unrealised gains and losses in P&L	Total gains/ losses in other comprehensive income	Purchases	Sales	Direct origination	Settlements	Transfers in Level 3	Transfer out of Level 3(1)	Closing balance
Debt securities issued and other financial liabilities	3,325,724	(6,057)		5	(50,734)	617,189	(115,328)	0	(1,214,794)	2,556,005
Measured at fair value through profit or loss	3,325,724	(6,057)		5	(50,734)	617,189	(115,328)	0	(1,214,794)	2,556,005
Unit-linked liabilities - insurance product branch 23	0	0		0	0	0	0	0	0	0
Derivatives	812,448	13,106		91,079	0	0	(146,871)	2,859	(91,750)	680,871
TOTAL	4,138,171	7,049		91,084	(50,734)	617,189	(262,198)	2,859	(1,306,545)	3,236,876

(1) Following the formal validation of the valuation model, a shift from level 3 to level 2 can be noted for equity indexed bonds.

The column "Total of realised gains and losses in P&L" and "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.

Note that the column "Total gains/losses in other comprehensive income" comprises the OCI reserve at reporting date of level 3 assets.

The column direct origination refers to the issuance of Belfius bonds. These are classified at Fair value through profit and loss to eliminate an accounting mismatch.

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)

If 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 – these market prices 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 (f.e. currency swaps, swaptions, cap/floors, foreign exchange contracts/options, and less liquid bonds):

- 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 observable data (prices) or indirectly observable data (spreads).

Fair value measurements that do not fall under level 1 or do not comply with the two conditions for level 2 mentioned above, are reported as part of the level 3 disclosure. In that respect, the following parameters are within Belfius not considered to be observable: Belgian inflation, CMS spread, equity correlations (such as equity baskets, illiquid bonds, total return swaps, credit default obligations and 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 of these loans 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 (backtesting) 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, again, 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 the market practices. The discount interest rate curve takes account of any collateral agreements.

Following additional value adjustments are also applied within Belfius:

- Unearned credit spread: this value adjustment takes account of the possibility that a counterparty might default and part of the fair value cannot be recovered (Credit Value Adjustment) and of the creditworthiness of Belfius (Debit Value Adjustment). The Unearned credit spread is calculated both on collateralized and non collateralized derivatives. For collateralized derivatives with standard ISDA/CSA agreements, the unearned credit spread is calculated taking into account the Margin Period of Risk and the collateral exchanged. For uncollateralized 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 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 uncollateralized transactions. For all uncollateralized transactions, a correction is made for the funding value adjustment based on the average funding cost of Belfius Bank. This funding cost is determined by ALM taking into account the different funding sources.

- 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.
- Cash-CDS adjustment: this adjustment takes into account the spread difference between the cash instruments and corresponding derivatives.

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 (f.i. 3M euribor) is assumed to be approximated by their carrying amounts;
- an adjustment or the credit risk is 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 own funds 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	-2.78	
OTC derivatives on CMS spread	Correlation between CMS interest rates	+10%	+0.06	
OTC swaps Bermudian Feature	Mean Reversion	1%	+0.84	
Collateralised Debt Obligation	Credit spread	-10 bps	-3.68	
Credit Default Swap	Credit spread	-10 bps	+2.49	
Illiquid bonds	Credit spread	-10 bps		+1.41

B. Valuation process

The Risk Management department in charge of market risks determines the fair value and the fair value level of each transaction. Seeing that the market risk department provides all market data, it has the expertise with respect to observability. In addition, the market risk department has a clear view on the validation status and the reliability of the models used.

C. Transfers between valuation levels

The IFRS levels are dependent on an internal liquidity score for the bonds or on an observability criteria and a validation status of the model for the derivative products. The liquidity score of the bonds is distributed between very liquid (big score) and very illiquid (small score). Therefore, a small change in the liquidity on the market doesn't influence the distribution of L1 and L2 or L3. A few bonds are nevertheless close to the border of illiquidity and can change from L1 to L2 or L3 and vice versa but the main part stands in amortised cost for the bank. The main events in 2018 (Italy and Spain political events, Donald Trump tweets and commercial threats) changed some high scores to lower scores, though this had a small impact on the overall liquidity score. We observed also decreasing of L3 volume following a corresponding decreasing of the L3 positions. For derivatives products, we haven't seen any important transfers between levels since the volume of the stock is stable and the observability stay the same. Moreover, the validation of the models is increasing in coverage 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 recognized as deferred Day One Profit or Loss (DOP) in 2017 nor in 2018.

More specifically, as Belfius treats in plain vanilla products, (like Interest Rate Swaps (IRS)) or some more complex products (like structured transactions) which are hedged in the market in line with market risk limits and framework, the resulting day one profit is recognized up-front. Only a few transactions of non material amounts have non observable parameters, consequently the Deferred DOP is immaterial.

9.2. CREDIT RISK EXPOSURE

Refers to table 9.2. of the annual report 2017

Due to the application of IFRS 9 and the new presentation of the balance sheet, the presentation and figures of 31 December 2017 is different from the opening balance of 1 January 2018 and new classes have been identified. We refer to the IFRS 9 date of initial application for a detailed description.

1. The credit risk management practices - general principles

Maximum Credit Risk Exposure is expressed as Full Exposure At Default (FEAD), and is determined as follows:

- for balance sheet assets (except for derivatives): the gross carrying amounts (before impairment);
- for derivatives: the fair value of derivatives after netting, increased with the potential future exposure calculated under the current exposure method (add-on);
- for reverse repurchase agreements: the carrying amount complemented by the excess collateral provided for repurchase agreements;
- for off-balance sheet commitments: either the undrawn part of liquidity facilities or the maximum commitment of Belfius for guarantees granted to third parties.

The definition of the Maximum Credit Risk Exposure as used internally and in the risk tables presented below, presents the carrying amount of the assets gross of any impairment losses which differs slightly from IFRS 7 which requires a presentation of assets net of impairment.

2. Inputs, assumptions and techniques used for estimating impairment

We refer to the chapter "Risk management" of the management report for futher information, section Credit Risk.

3. Analysis of total credit risk exposure

A. Exposure by geographical region

Presentation and figures on 31/12/17 (IAS 39)

(In thousands of EUR)	31/12/17 (PF[1])
Belgium	122,926,718
France	6,868,668
Germany	1,204,985
Greece	303
Ireland	78,470
Italy	4,130,791
Luxembourg	990,555
Spain	2,741,814
Portugal	157,746
Other EU countries	11,722,656
Rest of Europe	883,453
Turkey	83,403
United Kingdom	10,846,189
United States and Canada	2,828,216
South and Central America	451,265
Southeast Asia	441,789
Japan	398,310
Other	1,342,982
TOTAL	**168,098,313**

(1) The figures of 31/12/2017 have been restated following the application of the refined calculation methodology on the potential future exposure for derivatives.

Presentation and figures on 31/12/18 (IFRS 9)

	31/12/18								
(In thousands of EUR)	Belgium	France	Luxembourg	Germany	Portugal	Ireland	Italy[1]	Greece[2]	Spain
Cash and balances with central banks	0	0	0	0	0	0	0	0	0
Loans and advances	88,973,997	1,888,286	440,323	103,684	921	1,801	52,370	64	588,923
Measured at amortised cost	87,141,567	1,888,286	440,323	103,684	921	1,801	52,370	64	588,923
Measured at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0
Measured at fair value through profit or loss	1,832,430	0	0	0	0	0	0	0	0
Debt securities	8,498,716	3,452,602	143,496	181,935	188,176	147,116	2,424,563	0	1,416,797
Measured at amortised cost	7,025,858	2,806,767	104,103	112,814	48,524	33,356	1,603,777	0	891,697
Measured at fair value through other comprehensive income	1,161,872	513,675	39,393	56,234	139,652	101,027	770,750	0	505,681
Measured at fair value through profit or loss	310,987	132,160	0	12,886	0	12,733	50,036	0	19,419
Derivatives	888,352	902,232	55,481	319,203	0	21	30,268	0	191,244
Loan commitments and financial guarantees given	26,159,010	544,094	410,613	4,584	544	2,330	5,639	234	48,198
Other (of which mainly securities lending and margin calls)	1,171,671	864,430	70,245	399,131	0	97	4,658	0	21,328
TOTAL	125,691,746	7,651,644	1,120,157	1,008,536	189,640	151,364	2,517,498	298	2,266,491

	31/12/18									
(In thousands of EUR)	Other EU countries[3]	Rest of Europe	United States and Canada	United Kingdom	Southeast Asia	South and Central America	Turkey	Japan	Other	TOTAL
Cash and balances with central banks	8,265,933	2,368	4,505	1,240	340	148	66	355	427	8,275,381
Loans and advances	685,474	57,318	33,033	129,601	45,232	14,729	6,834	3,386	38,492	93,064,468
Measured at amortised cost	685,474	57,318	33,033	129,601	45,232	14,729	6,834	3,386	38,492	91,232,039
Measured at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0	0
Measured at fair value through profit or loss	0	0	0	0	0	0	0	0	0	1,832,430
Debt securities	1,030,133	186,835	2,297,705	5,396,811	22,062	93,719	0	399,191	629,162	26,509,019
Measured at amortised cost	811,944	168,174	2,163,704	4,816,730	22,062	82,922	0	398,686	615,077	21,706,195
Measured at fair value through other comprehensive income	161,054	18,534	88,981	276,303	0	10,797	0	505	917	3,845,375
Measured at fair value through profit or loss	57,135	127	45,020	303,779	0	0	0	0	13,167	957,449
Derivatives	94,365	958	197,181	935,318	55	0	0	5,982	3,556	3,624,216
Loan commitments and financial guarantees given	344,190	33,597	1,080,360	931,343	229,047	297,914	39,763	259	331,620	30,463,338
Other (of which mainly securities lending and margin calls)	37,247	670,359	175,392	1,360,875	0	0	0	0	17,610	4,793,043
TOTAL	10,457,342	951,435	3,788,177	8,755,187	296,737	406,510	46,664	409,173	1,020,866	166,729,466

(1) Belfius has sold in Q1 part of its Italian government bond and swap packages, for a notional amount of EUR 0.8 billion, which were classified under a "hold-to-collect and sale" business model. This sale of certain Italian government bonds is in line with Belfius' objective to decrease its related concentration risk. This brings the total remaining exposure to the Italian Republic at EUR 2.2 billion as at end 2018.
(2) The exposure on Greece mainly concerns a small number of retail loans granted to residents in Greece having economical ties to Belgium and displaying good credit stance.
(3) Includes supranational entities, such as the European Central Bank. The significant decrease is mainly related to a decrease of cash and balances with central banks.

B. Exposure by category of counterpart

Presentation and figures on 31/12/17 (IAS 39)

(In thousands of EUR)	31/12/17 (PF[1])
Central governments	24,799,346
Public sector entities	47,374,892
Corporate	29,484,919
Monoline insurers	3,517,111
ABS/MBS	997,140
Project finance	2,034,176
Individuals, SME, self-employed	45,168,423
Financial institutions	13,977,287
Other	745,019
TOTAL	**168,098,313**

(1) The figures of 31/12/17 have been restated following the application of the refined calculation methodology on the potential future exposures for derivatives.

Presentation and figures on 31/12/18 (IFRS 9)

	31/12/18								
(In thousands of EUR)	Central governments	Public sector entities	Corporate	Monoline insurers	ABS/MBS	Project finance	Individuals, SME, self-employed	Financial institutions	Total
Cash and balances with central banks	8,275,381	0	0	0	0	0	0	0	8,275,381
Loans and advances	1,562,935	27,907,375	18,301,019	0	0	859,281	42,055,243	2,378,615	93,064,468
Measured at amortised cost	1,562,935	26,086,885	18,289,079	0	0	859,281	42,055,243	2,378,615	91,232,039
Measured at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0
Measured at fair value through profit or loss	0	1,820,490	11,940	0	0	0	0	0	1,832,430
Debt securities	10,214,674	3,946,706	3,322,469	3,650,491	840,079	696,867	0	3,837,732	26,509,019
Measured at amortised cost	8,040,483	3,252,689	2,466,710	3,361,355	724,837	696,867	0	3,163,254	21,706,195
Measured at fair value through other comprehensive income	2,087,858	462,323	840,921	0	27,070	0	0	427,204	3,845,375
Measured at fair value through profit or loss	86,334	231,694	14,839	289,136	88,172	0	0	247,274	957,449
Derivatives	35,309	881,119	287,854	442,138	0	173,771	104	1,803,921	3,624,216
Loan commitments and financial guarantees given	93,490	12,621,786	10,344,576	426,195	0	491,750	5,860,923	624,617	30,463,338
Other (of which mainly securities lending and margin calls)	306,705	336,878	648,339	0	0	0	687	3,500,434	4,793,043
TOTAL	**20,488,494**	**45,693,863**	**32,904,257**	**4,518,824**	**840,079**	**2,221,670**	**47,916,958**	**12,145,319**	**166,729,466**

C. Detail of most important countries per counterparty

Presentation and figures on 31/12/17 (IAS 39)

	31/12/17 (PF[1])						
(In thousands of EUR)	Central government bonds	Financial institutions	ABS/MBS	Public sector entities	Corporate - Project finance	Other	Total
Belgium	7,199,038	597,717	50,000	45,167,119	22,610,379	47,302,464	122,926,718
France	796,034	4,138,065	33,821	939,245	849,546	111,957	6,868,668
United Kingdom	0	3,862,647	265,936	45,649	3,809,619	2,862,338	10,846,189
Spain	360,321	1,941,119	164,048	123,954	144,186	8,186	2,741,814
Italy	3,733,129	116,627	126,302	0	149,243	5,489	4,130,791
United States and Canada	0	737,060	110,318	89,303	1,210,816	680,719	2,828,216
TOTAL	12,088,522	11,393,234	750,427	46,365,270	28,773,789	50,971,153	150,342,395

(1) The figures of 31/12/2017 have been restated following the application of the refined calculation methodology on the potential future exposure for derivatives.

Presentation and figures on 31/12/18 (IFRS 9)

	31/12/18						
(In thousands of EUR)	Central government bonds	Financial institutions	ABS/MBS	Public sector entities	Corporate - Project finance	Other	Total
Belgium	5,179,577	470,560	50,000	43,608,219	26,756,862	49,626,528	125,691,746
France	875,202	4,751,843	17,421	824,653	1,067,559	114,966	7,651,644
United Kingdom	0	2,434,714	246,634	12	2,953,988	3,119,839	8,755,187
Spain	511,201	1,294,953	141,281	112,074	197,640	9,341	2,266,491
Italy	2,231,345	66,421	96,536	0	120,248	2,948	2,517,498
United States and Canada	0	881,894	100,048	153,380	1,219,927	1,432,928	3,788,177
TOTAL	8,797,325	9,900,385	651,920	44,698,338	32,316,224	54,306,550	150,670,743

We refer to the chapter “Risk management” of the management report for futher information, section Credit Risk.

4. Maximum Credit Risk exposure by categories of Financial Instruments subject to impairment

Presentation and figures on 31/12/18 (IFRS 9)

Financial Assets

	31/12/18			
(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
CREDIT RATING GRADES				
Cash and balances with central banks	8,275,381	0	0	8,275,381
LOANS AND ADVANCES				
Measured at amortised cost	82,267,111	7,239,449	1,725,479	91,232,039
AAA to AA-	26,539,155	1,381,885	28,628	27,949,668
A+ to BBB-	38,606,869	2,483,839	185	41,090,893
Non investment grade	15,457,228	3,201,402	8,818	18,667,448
Default	0	0	1,687,282	1,687,282
Unrated	1,663,859	172,323	567	1,836,749
DEBT SECURITIES				
Measured at amortised cost	14,071,343	7,633,070	1,782	21,706,195
AAA to AA-	9,175,812	383,257	0	9,559,069
A+ to BBB-	4,842,422	7,016,059	1,782	11,860,264
Non investment grade	2,546	233,753	0	236,299
Default	0	0	0	0
Unrated	50,564	0	0	50,564
Measured at fair value through other comprehensive income	3,032,836	812,539	0	3,845,375
AAA to AA-	1,139,999	2,158	0	1,142,157
A+ to BBB-	1,768,070	720,504	0	2,488,575
Non investment grade	107,947	47,288	0	155,235
Default	0	0	0	0
Unrated	16,819	42,589	0	59,408

Off-Balance sheet exposure

	31/12/18			
(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
CREDIT RATING GRADES				
Loan commitments and financial guarantees given	28,712,724	1,683,203	67,411	30,463,338
AAA to AA-	8,965,656	132,629	0	9,098,285
A+ to BBB-	15,115,311	550,764	910	15,666,986
Non investment grade	4,432,615	967,504	1	5,400,120
Defaulted	0	0	66,500	66,500
Unrated	199,142	32,305	0	231,447

The indicated ratings are either internal or external based. In fact, Belfius applies the AIRBA (Advanced Internal Ratings Based Approach) for the calculation of capital requirements for credit risk within the context of Pillar 1 of Basel III. Except for Asset Backed Securities (ABS) positions for which the credit risk is based on external ratings only (Fitch, Standard & Poors and/or Moody's).

Purchased at credit impaired

Nil.

5. Maximum credit risk exposure by class of financial instruments and impact of collateral

A. Presentation and figures on 31/12/17 (IAS 39)

	31/12/17 (PF[1])	
(In thousands of EUR)	Maximum credit risk exposure	Effect of physical collateral
Cash and balances with central banks	10,192,945	0
Loans and advances	87,322,855	2,840,841
Debt securities	26,435,922	0
Derivatives	8,154,746	0
Loan commitments and financial guarantees given	30,310,897	242,696
Other (of which mainly securities lending and margin calls)	5,680,948	0
TOTAL	**168,098,313**	**3,083,537**

(1) The figures of 31/12/2017 have been restated following the application of the refined calculation methodology on the potential future exposure for derivatives.

B. Presentation and figures on 31/12/18 (IFRS 9)

	31/12/18	
(In thousands of EUR)	Maximum credit risk exposure	Effect of physical collateral
Cash and balances with central banks	8,275,381	0
Loans and advances	93,064,468	3,187,427
Measured at amortised cost	91,232,039	3,185,881
Measured at fair value through other comprehensive income	0	0
Measured at fair value through profit or loss	1,832,430	1,546
Debt securities	26,509,019	0
Measured at amortised cost	21,706,195	0
Measured at fair value through other comprehensive income	3,845,375	0
Measured at fair value through profit or loss	957,449	0
Derivatives	3,624,216	42,538
Loan commitments and financial guarantees given	30,463,338	231,013
Other (of which mainly securities lending and margin calls)	4,793,043	0
TOTAL	**166,729,466**	**3,460,977**

6. Financial assets subject to impairment that are past due

A financial asset is past due when the counterparty has failed to make a payment when contractually due. This is considered on a contract by contract basis. For example, if a counterpart fails to pay the required interests at due date, the entire loan is considered as past due.

A. Presentation and figures on 31/12/17 (IAS 39)

(In thousands of EUR)	31/12/17			
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets, before deducting any impairment loss
	≤ 90 days	> 90 days ≤ 180 days	> 180 days	
Financial assets available for sale (excluding variable income securities)	0	0	0	1,782
Loans and advances (at amortised cost)	551,888	13,728	17,461	1,821,591
Investments held to maturity	0	0	0	0
Other financial instruments – at cost	0	0	0	3,122
TOTAL	**551,888**	**13,728**	**17,461**	**1,826,495**

B. Presentation and figures on 31/12/18 (IFRS 9)

(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)			Carrying amount – Credit impaired financial assets (stage 3)		
	≤ 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	423	0	0	0	0	0	0	0	0
Loans and advances	233,644	38,801	8,226	115,154	26,397	13,662	58,160	86,513	390,814
Debt securities	0	0	0	0	0	0	0	0	0
TOTAL	**234,068**	**38,801**	**8,226**	**115,154**	**26,397**	**13,662**	**58,160**	**86,513**	**390,814**

Past due outstandings relate mainly to retail and corporate loans.

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.

7. Forbearance

A. Presentation and figures on 31/12/17 (IAS 39)

	31/12/17			
	Gross carrying amount of exposures with forbearance measures	Impairment	Collateral received and financial guarantees received	
(In thousands of EUR)			Collateral received on exposures with forbearance measures	Financial guarantees received on exposures with forbearance measures
Debt Instruments at amortised cost	626,890	(122,035)	329,701	4,713
Loan commitments – given	25,327	0	21,528	0

A. Presentation and figures on 31/12/18 (IFRS 9)

	31/12/18			
	Gross carrying amount of exposures with forbearance measures	Impairment	Collateral received and financial guarantees received	
(In thousands of EUR)			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	675,313	(122,358)	289,346	46,870
Debt securities	0	0	0	0
Off-Balance sheet exposure	12,622	0	5,799	0

We also refer to the chapter "Risk management" of the management report for further information section Credit Risk 3.5.

8. Movements in allowances for credit losses

A. Presentation and figures on 31/12/17 (IAS 39)

(In thousands of EUR)	As at 1 January 2017	Utilisation	Amounts set aside for estimated probable loan losse[1]	Amounts reversed for estimated probable loan losses	Other	As at 31 December 2017	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
SPECIFIC ALLOWANCES FOR INDIVIDUALLY AND COLLECTIVELY ASSESSED FINANCIAL ASSETS	**(1,329,891)**	**152,401**	**(494,686)**	**436,711**	**15,756**	**(1,219,710)**	**28,641**	**(37,634)**
Loans and advances due from banks	(43)	38	0	5	()	0	0	()
Loans and advances to customers[1]	(1,261,638)	149,145	(492,753)	436,706	15,678	(1,152,862)	28,641	(37,634)
Investments held to maturity	0	0	0	0	0	0	0	0
Financial assets available for sale	(68,210)	3,218	(1,933)	0	77	(66,848)	0	0
Fixed-income instruments	(840)	0	0	0	0	(840)	0	0
Equity instruments	(67,370)	3,218	(1,933)	0	77	(66,008)	0	0
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS	**(333,995)**	**0**	**(41,581)**	**48,492**	**12,579**	**(314,506)**	**0**	**0**
Loans and advances due from banks	(6,311)	0	(7)	1,163	317	(4,838)	0	0
Loans and advances to customers	(327,684)	0	(41,574)	47,328	12,262	(309,668)	0	0
Investments held to maturity						0	0	0
TOTAL	**(1,663,887)**	**152,401**	**(536,268)**	**485,203**	**28,335**	**(1,534,216)**	**28,641**	**(37,634)**

(1) Belfius accomplished its last part of its former active tactical de-risking program by selling the remaining US RMBS bonds in the former Side portfolio (as from 01/01/17 merged into Group Center) allowing for a reversal of previously recorded specific impairments.

B. Presentation and figures on 31/12/18 (IFRS 9)

	31/12/18			
(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	(97)	(32)	0	(128)
Increase due to origination and acquisition	(1,064)	(1)	0	(1,065)
Decrease due to derecognition	1,321	31	0	1,352
Changes due to credit risk	(295)	(18)	0	(313)
Transfer to 12-month ECL (stage 1)	5	0	0	5
Foreign exchange and other movements	(42)	1	0	(42)
BALANCE AT 31 DECEMBER	(173)	(19)	0	(191)
LOANS AND ADVANCES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(138,340)	(184,209)	(1,152,862)	(1,475,411)
Increase due to origination and acquisition	(188,101)	(181,793)	(32,351)	(402,246)
Decrease due to derecognition	147,714	172,167	30,031	349,912
Changes due to credit risk	1,548	(46,826)	(46,883)	(92,161)
Transfer to 12-month ECL (stage 1)	14,848	0	0	14,848
Transfer to lifetime ECL not credit impaired (stage 2)	0	67,046	0	67,046
Transfer to lifetime ECL credit impaired (stage 3)	0	0	10,229	10,229
Decrease in allowance due to write off	0	0	55,491	55,491
Foreign exchange and other movements	(545)	(47)	(10,892)	(11,485)
BALANCE AT 31 DECEMBER	(162,877)	(173,662)	(1,147,237)	(1,483,775)

The "increase due to origination and acquisition" as well as "decrease due to derecognition" mainly relate to the fact that renewal of straight loans and Roll Over loans are accounted as an increase (New deal) and a decrease (End of former deal).

Note that the sale of loans (pruning) had an impact on the "decrease due to derecognition" for stage 2 and stage 3 loans.

(In thousands of EUR)	31/12/18 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	(835)	(187,122)	(840)	(188,797)
Increase due to origination and acquisition	(641)	(7,976)	0	(8,617)
Decrease due to derecognition	383	6,950	0	7,332
Changes due to credit risk	(316)	(6,795)	0	(7,111)
Transfer to 12-month ECL (stage 1)	21	0	0	21
Transfer to lifetime ECL not credit impaired (stage 2)	0	767	0	767
Foreign exchange and other movements	(1)	72	0	71
BALANCE AT 31 DECEMBER	(1,388)	(194,105)	(840)	(196,333)
Measured at fair value through other comprehensive income				
BALANCE AT 1 JANUARY	1,598	42,101	0	43,699
Increase due to origination and acquisition	290	739	0	1,029
Decrease due to derecognition	(169)	(19,948)	0	(20,117)
Changes due to credit risk	194	(1,222)	0	(1,028)
Transfer to 12-month ECL (stage 1)	(96)	0	0	(96)
Transfer to lifetime ECL not credit impaired (stage 2)	0	(2,223)	0	(2,223)
BALANCE AT 31 DECEMBER	1,818	19,446	0	21,265
OFF-BALANCE SHEET EXPOSURE				
BALANCE AT 1 JANUARY	51,080	57,272	12,913	121,266
Increase due to origination and acquisition	38,912	49,081	0	87,993
Decrease due to derecognition	(24,111)	(34,351)	(3,622)	(62,085)
Changes due to credit risk	(12,313)	16,619	31,633	35,939
Transfer to 12-month ECL (stage 1)	(9,834)	0	0	(9,834)
Transfer to lifetime ECL not credit impaired (stage 2)	0	(28,548)	0	(28,548)
Transfer to lifetime ECL credit impaired (stage 3)	0	0	(5,516)	(5,516)
Foreign exchange and other movements	(33)	269	144	380
BALANCE AT 31 DECEMBER	43,701	60,342	35,552	139,595

Some additional impairments were recorded during 2018 as a result of the growth of the loan portfolio, increased forward looking provisioning for real estate exposures and increased risk profile of certain subportfolios. Certain reversals have been noted from the sale of certain Italian government bonds in line with Belfius' objective to decrease its related concentration risk as well as from portfolio management and positive evolutions in credit files.

Movements in allowances include as well trade receivables and lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of IFRS 9.

9. Credit risk information for loans designated at fair value through profit or loss

There are currently no financial assets designated at fair value through profit or loss. We refer to note 5.4 Loans and advances and 5.5. Debt securities & Equity Instruments.

10. Credit risk information about financial liabilities designated at fair value through profit or loss

31/12/17 (In thousands of EUR)	Book value	Amount of change in the fair value attributable to changes in the credit risk of the liability		Difference between carrying amount of the financial liability and contractual amount required to be paid at maturity(1)
		Change of the period	Cumulative amount	
	8,829,915	0	0	89,737

(1) This amount includes the premium/discount and the change in market value.

31/12/18 (In thousands of EUR)	Book value	Amount of change in the fair value attributable to changes in the credit risk of the liability		Difference between carrying amount of the financial liability and contractual amount required to be paid at maturity(1)
		Change of the period	Cumulative amount	
	7,373,923	0	0	7,747

(1) This amount includes the premium/discount and the change in market value.

11. Writte-offs

The contractual amount outstanding on financial assets that were written off during the year and that are still subject to enforcement activity is nil.

9.3. INFORMATION ON ASSET ENCUMBRANCE AND COLLATERAL RECEIVED

Refers to table 9.3. of the annual report 2017

1.1. Assets

(In thousands of EUR)	31/12/17 Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Equity instruments	0	0	1,737,779	1,737,779
Debt securities	3,029,165	3,386,715	11,741,357	23,502,428
Loans and advances	27,348,857		68,871,758	
of which cash collateral given	*12,409,546*			

(In thousands of EUR)	31/12/18 Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Equity instruments	0	0	1,491,101	1,491,101
Debt securities	3,644,984	3,883,137	23,432,682	23,982,349
Loans and advances	28,019,960		63,102,552	
of which cash collateral given	*11,421,886*			

1.2. Collateral received

	As at 31 December 2017		As at 31 December 2018	
(In thousands of EUR)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	730,460	2,865,887	129,502	3,084,326
Equity instruments	0	108,398	0	169,708
Debt securities	730,460	2,757,489	129,502	2,914,618
Other collateral received	0	0	0	0
Own debt securities issued other than own covered bonds or ABSs	0	326,597	0	426,773

2. Summary encumbrance by source

As at 31 December 2017 (In thousands of EUR)	Encumbered assets						Total
	Loans and advances	Debt securities					
		Financial assets available for sale	Investments held to maturity	Loans and advances	Financial assets held for trading	Fair value of encumbered collateral received or own debt securities issued	
SOURCE OF ENCUMBRANCE							
Derivatives - collateral	12,409,546	598,282	32,565	281,935	0	257,342	13,579,670
Repurchase agreements		21,466	12,062	978	87	172,493	207,086
Collateralised deposits other than repurchase agreements	1,006,174	21,398	11,762	160,377	0	13,177	1,212,889
Central bank funding	4,058,298	0	187,358	175,122	0	0	4,420,779
Covered bonds issued	9,130,482	0	0	0	0	0	9,130,482
Asset-backed securities issued	517,274	0	0	0	0	0	517,274
Fair value of securities borrowed with non cash-collateral	0	0	0	0	0	0	0
Securities lending	0	725,759	591,320	1,216	0	279,758	1,598,052
Other	227,082	0	110,033	97,444	0	7,691	442,250
TOTAL	**27,348,857**	**1,366,906**	**945,101**	**717,072**	**87**	**730,460**	**31,108,482**

As at 31 december 2018 (In thousands of EUR)	Encumbered assets						Total
	Loans and advances		Debt securities				
	Measured at amortised cost	Measured at fair value through profit or loss	Measured at amortised cost	Measured at fair value through other comprehen-sive income	Measured at fair value through profit or loss	Fair value of encumbered collateral received or own debt securities issued	
SOURCE OF ENCUMBRANCE							
Derivatives - collateral	11,421,886	0	1,294,012	0	0	(351,418)	12,364,480
Repurchase agreements	3,014	0	8,829	0	0	1	11,845
Collateralised deposits other than repurchase agreements	1,092,956	0	241,918	0	4,237	0	1,339,112
Central bank funding	4,117,911	0	363,173	0	0	125,593	4,606,677
Covered bonds issued	10,559,103	0	97,130	0	0	0	10,656,233
Asset-backed securities issued	365,361	0	0	0	0	0	365,361
Fair value of securities borrowed with non cash-collateral	245,033	0	729,739	0	0	0	974,773
Securities lending	0	0	728,269	0	0	321,531	1,049,800
Other	204,770	0	165,876	0	21,726	33,794	426,166
TOTAL	**28,010,034**	**0**	**3,628,946**	**0**	**25,964**	**129,502**	**31,794,446**

This information on asset encumbrance was determined on a consolidated basis of Belfius Bank and Belfius Insurance, according to the current Belfius interpretation of the EBA definition and scope.

Following the EBA definition, an asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn. This definition covers more than the IFRS requirements that focuses more on pledged assets. Among the encumbered assets the securities lending should not be considered as pledged. As a consequence, assets pledged according to IFRS 7 amount to 30.7 billion EUR. This represents an increase of EUR 1.2 billion compared to 2017.

The definition of encumbered assets includes assets that were pledged as a result of repurchase agreements, loans granted by the central banks, guarantees for the issuance of covered bonds and securitisations, the assets given under bond lending transactions and collateral posted under the "Credit Support Annex" (CSA) or "Credit Support Deed" (CSD).

EBA disclosure requirements fit with IFRS 7 accounting standards disclosure requirements as it requests to report encumbered (and unencumbered) amounts of "own" assets both in carrying amount and in fair value, and encumbered (and unencumbered) amounts of received collateral in fair value.

Total collateral received amounts to EUR 3.2 billion end 2018. The Bank has the right to repledge this collateral that is fully available for encumbrance.

End 2018, an amount of EUR 12.4 billion of collateral is pledged for derivatives (cash + securities). Securities pledged amount to EUR 1.3 billion and are measured at amortised cost. Bonds given under CSA agreements can be re-used by counterparties and represent EUR 0.9 billion. Bonds posted under CSD cannot be re-used.

Belfius is active in the covered bond market since 2012. End 2018, the total notional amount issued was EUR 8.7 billion which represents an increase of EUR 1,5 billion in 2018 compared to 2017. End 2018, the assets encumbered for this funding source consist of commercial loans (public sector and mortgage loans) and amount to EUR 10.7 billion (increase of EUR 1,5 billion compared to end 2017). Assets segregated in cover pools cannot be re-used by investors.

Since 2017, Belfius is also active in bond lending transactions under the agreed Global Master Securities Lending Agreements (GMSLA) to manage its liquidity buffer. This activity generates EUR 1.0 billion of encumbered assets.

The collateral pledged to the European Central Bank amounts to EUR 7.3 billion at the end of 2018. EUR 4.6 billion of the pledged collateral is encumbered for TLTRO II funding of EUR 4.0 billion and EUR 2.6 billion is available. The assets pledged to collateralise the TLTRO funding are composed of EUR 4.1 billion public, SME and mortgage loans (through securitisation vehicles Penates and Mercurius) and EUR 0.5 billion of bonds. Credit claims pledged for ECB funding cannot be re-used by the ECB.

3. Encumbered assets/collateral received and associated liabilities

	As at 31 December 2017		As at 31 December 2018	
(In thousands of EUR)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	25,693,963	29,068,180	25,460,045	29,418,780

4. Transfer of financial assets that do not qualify for derecognition in the consolidated balance sheet

	31/12/17				
	Carrying amount of transferred assets	Carrying amount of associated liabilities	For those liabilities that recourse only to the transferred assets		
(In thousands of EUR)			Fair value of transferred assets	Fair Value of associated liabilities	Net position
Loans and advances due from banks	0	0	0	0	0
Loans and advances to customers	461,106	461,106	496,984	463,162	33,822
Financial assets held for trading	87	84	0	0	0
Financial assets available for sale(1)	1,048	1,015	0	0	0
Financial assets designated at fair value	0	0	0	0	0
TOTAL(1)	**462,241**	**462,205**	**496,984**	**463,162**	**33,822**

(1) Please note that the figures of 2017 have been restated.

	31/12/18				
	Carrying amount of transferred assets	Carrying amount of associated liabilities	For those liabilities that recourse only to the transferred assets		
(In thousands of EUR)			Fair value of transferred assets	Fair Value of associated liabilities	Net position
Loans and advances due from credit institutions	0	0	0	0	0
Loans and advances	361,494	361,494	384,825	361,926	22,899
Debt securities(1)	747,868	730,093	0	0	0
Equity instruments	0	0	0	0	0
Derivatives	0	0	0	0	0
TOTAL	**1,109,362**	**1,091,587**	**384,825**	**361,926**	**22,899**

(1) There is a significant increase in the carrying amount of transferred assets and the associated liabilities following the increase of funding through repurchase agreements.

A. Repurchase agreements

Belfius uses repurchase agreements as financing transactions where securities are sold to a market counterparty in exchange for cash and where the transferred securities are repurchased at maturity date of the contract.

The repurchase agreements are conducted under the terms of the Global Master Repurchase Agreements. The market counterparties are subject to the credit risk process as described in the management report.

Since all significant risks and rewards associated with ownership of the transferred securities are retained, the securities remain on the balance sheet of Belfius. The cash obtained under this transaction is recognised as a liability.

Since the counterparty, in case of default, has not only a right on the transferred assets, but on the entire debt, the columns "for those liabilities that resort only to the transferred assets" are not applicable on this.

B. Securitisation of credits

Belfius has different securitisation vehicles that are consolidated as most of the risks and rewards remain for Belfius. The underlying financial assets continue to be recognized on the balance sheet and the liquid assets obtained through securitisation are represented by a debt instrument. We refer to note 12."Securitisation" for further details.

The securitized loans Penates 5 are included in this overview as investors have a contractual right on the cash flows of the underlying loans. Since the investors only have a contractual right on the underlying credits and not on the entire debt, the column "for those liabilities that recourse only to the transferred assets" is applicable here.

The related received cash transfer is recognised as a liability.

5. Collateral and other credit enhancements obtained by taking possession of collateral

Amounts involved are immaterial.

6. Offsetting

A. Financial assets subject to offsetting

As at 31 December 2017 (In thousands of EUR)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off	Net amounts of financial assets presented in the balance sheet	Amounts not set off in the balance		Net amount
				Financial instrument	Securities + cash collateral received	
Derivatives with London Clearing House	8,697,635	8,654,745	42,890	0	0	42,890
Derivatives with master netting agreements	15,626,256	0	15,626,256	8,568,136	5,086,856	1,971,264
Reverse repurchase agreements with London Clearing House	195,811	195,811	0	0	0	0
Reverse repurchase agreements with master netting agreements	2,196,311	0	2,196,311	0	2,195,300	1,011
TOTAL	26,716,013	8,850,556	17,865,457	8,568,136	7,282,156	2,015,165

As at 31 December 2018 (In thousands of EUR)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off	Net amounts of financial assets presented in the balance sheet	Amounts not set off in the balance		Net amount
				Financial instrument	Securities + cash collateral received	
Derivatives with London Clearing House	6,621,526	6,597,047	24,479	0	0	24,479
Derivatives with master netting agreements	12,455,975	0	12,455,975	6,189,562	4,091,999	2,174,414
Reverse repurchase agreements with master netting agreements	3,400,880	729,739	2,671,140	0	2,669,866	1,274
TOTAL	22,478,380	7,326,787	15,151,594	6,189,562	6,761,865	2,200,167

B. Financial liabilities subject to offsetting

As at 31 December 2017 (In thousands of EUR)	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off	Net amounts of financial liabilities presented in the balance sheet	Amounts not set off in the balance		Net amount
				Financial instrument	Securities + cash collateral pledged	
Derivatives with London Clearing House	8,675,037	8,654,745	20,292	0	0	20,292
Derivatives with master netting agreements	20,754,302	0	20,754,302	8,568,136	11,951,394	234,772
Repurchase agreements with London Clearing House	195,811	195,811	0	0	0	0
Repurchase agreements with master netting agreements	12,227	0	12,227	0	11,986	241
TOTAL	29,637,377	8,850,556	20,786,821	8,568,136	11,963,380	255,305

As at 31 December 2018 (In thousands of EUR)	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off	Net amounts of financial liabilities presented in the balance sheet	Amounts not set off in the balance		Net amount
				Financial instrument	Securities + cash collateral pledged	
Derivatives with London Clearing House	6,615,633	6,597,047	18,586	0	0	18,586
Derivatives with master netting agreements	17,400,107	0	17,400,107	5,257,716	11,060,493	1,081,899
Repurchase agreements with London Clearing House	0	0	0	0	0	0
Repurchase agreements with master netting agreements	729,739	729,739	0	0	0	0
TOTAL	24,745,480	7,326,787	17,418,693	5,257,716	11,060,493	1,100,485

9.4. INTEREST-RATE REPRICING RISK: BREAKDOWN BY REMAINING MATURITY UNTIL NEXT REFIXING INTEREST RATE

Refers to table 9.4. of the annual report 2017

Sight accounts and saving deposits are presented in the column "At sight and on demand" as the information presented below takes into account the residual maturity until the next interest-rate refixing date on the legal repayment date, rather than on the observed behavioral customer data. However, for the determination of the interest rate sensitivity of the net asset value or earnings, the observed behaviour of customers on these liabilities is taken into account (see note 9.5 "Market risk and ALM").

1. 2017

A. Assets

(In thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity	Acrrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
Cash and balances with central banks	10,236,964	0	0	0	0	0	(,295)	0	0	10,236,669
Loans and advances due from banks	12,002,697	1,767,385	236,636	10,337	73,706	1,129	(16,732)	51,105	(4,838)	14,121,427
Loans and advances to customers	2,073,582	19,197,769	12,239,965	22,782,136	33,091,004	1,684,683	426,858	23,459	(1,462,529)	90,056,926
Investments held to maturity	0	235,744	0	2,033,203	3,112,345	0	60,707	0	0	5,441,999
Financial assets available for sale	0	324,000	303,483	4,010,800	7,681,623	2,632,387	262,681	2,834,470	(66,848)	17,982,597
Financial assets measured at fair value through profit or loss	0	394,423	26,552	17,660	28,458	2,634,170	2,203	136,832	0	3,240,298
Derivatives							454,956	19,848,078		20,303,034
Gain/loss on the hedged item in portfolio hedge of interest rate risk								3,720,764		3,720,764
Investments in equity method companies						31,481				31,481
Tangible fixed assets						1,059,212				1,059,212
Intangible assets						162,074				162,074
Goodwill						103,966				103,966
Current tax assets						20,343				20,343
Deferred tax assets						235,399				235,399
Other assets	32,692	169,277	67,738	120,177	129,939	694,592	0	12,328	(2,515)	1,224,230
Non current assets (disposal group) held for sale and discontinued operations	0	0	0	0	0	20,426	0	0	(1,644)	18,782
TOTAL ASSETS	24,345,935	22,088,599	12,874,375	28,974,311	44,117,077	9,279,864	1,190,379	26,627,036	(1,538,375)	167,959,201
Regular way trade	0	2,295,565	0	3,109	0	4,299	0	0	0	2,302,973
Derivatives	0	23,311,731	48,183,574	136,941,140	207,099,304	674,278	0	0	0	416,210,027
OFF BALANCE SHEET	0	25,607,297	48,183,574	136,944,249	207,099,304	678,576	0	0	0	418,513,000
TOTAL FOR INTEREST RATE REPRICING RISK	24,345,935	47,695,895	61,057,949	165,918,560	251,216,381	9,958,440	1,190,379	26,627,036	(1,538,375)	586,472,201

B. Liabilities

(In thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity	Acrrued interest	Changes in fair value and fair value of derivatives	Total
Due to banks	5,734,800	1,301,820	24,857	4,009,505	29,642	32,384	(23,114)	0	11,109,893
Customer borrowings and deposits	60,239,019	14,419,891	94,892	622,483	844,968	215	53,015	0	76,274,483
Debt securities	0	6,045,919	5,029,607	6,240,329	4,558,536	0	152,671	0	22,027,063
Financial liabilities measured at fair value through profit or loss	0	1,981,190	1,705,791	1,641,688	790,167	2,597,572	86,145	90,157	8,892,710
Technical provisions of insurance companies						15,149,692			15,149,692
Derivatives							1,145,268	20,118,764	21,264,032
Gain/loss on the hedged item in portfolio hedge of interest rate risk								105,017	105,017
Provisions and contingent liabilities						425,300			425,300
Subordinated debts	0	0	0	140,921	694,337	347,919	15,790	0	1,198,968
Current tax liabilities						51,351			51,351
Deferred tax liabilities						176,964			176,964
Other liabilities	140,788	883,228	83,576	67,913	6,762	579,834	219	0	1,762,321
Liabilities included in disposal group and discontinued operations	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	**66,114,607**	**24,632,047**	**6,938,723**	**12,722,840**	**6,924,413**	**19,361,231**	**1,429,995**	**20,313,937**	**158,437,793**
Regular way trade	0	7,959,537	0	3,043	0	13,838	0	0	7,976,417
Derivatives	0	20,187,019	48,178,601	139,476,480	211,596,853	729,569	0	0	420,168,521
OFF BALANCE SHEET	**0**	**28,146,555**	**48,178,601**	**139,479,522**	**211,596,853**	**743,407**	**0**	**0**	**428,144,938**
TOTAL FOR INTEREST RATE REPRICING RISK	**66,114,607**	**52,778,603**	**55,117,324**	**152,202,362**	**218,521,265**	**20,104,638**	**1,429,995**	**20,313,937**	**586,582,731**

C. Net position

(In thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity
On-balance-sheet sensitivity gap	(41,768,672)	(5,082,707)	5,940,625	13,716,198	32,695,116	(10,146,198)

The actual interest rate risk of Belfius is managed based on more advanced assumptions. (See note 9.5 Market risk and ALM).

2. 2018

A. Assets

(In thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity	Acrrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
Cash and balances with central banks	8,314,379	0	0	0	0	0	(,76)	0	0	8,314,303
Loans and advances due from credit institutions	10,885,323	2,085,045	72,676	68,590	5,750	424	(10,771)	0	(,191)	13,106,846
Loans and advances	2,069,166	16,773,206	14,258,263	24,273,574	32,756,687	1,799,120	360,056	316,216	(1,483,775)	91,122,512
Debt securities & equity instruments	0	4,939,114	2,054,595	5,789,031	12,327,911	2,080,596	351,995	1,221,858	(196,333)	28,568,766
Derivatives							596,727	12,170,858	0	12,767,585
Unit linked products insurance activities						2,837,971				2,837,971
Gain/loss on the hedged item in portfolio hedge of interest rate risk								4,590,806		4,590,806
Investments in equity method companies						47,949				47,949
Tangible fixed assets						1,065,607				1,065,607
Intangible assets						191,497				191,497
Goodwill						103,966				103,966
Current tax assets						77,683				77,683
Deferred tax assets						300,508				300,508
Other assets	41,977	115,546	32,930	52,843	44,218	766,223	0	0	(3,633)	1,050,104
Non current assets (disposal group) held for sale and discontinued operations						21,059		0	(2,012)	19,047
TOTAL ASSETS	**21,310,845**	**23,912,910**	**16,418,464**	**30,184,038**	**45,134,566**	**9,292,604**	**1,297,932**	**18,299,738**	**(1,685,945)**	**164,165,152**
Regular way trade	0	1,053,872	193	99	0	430,651	0	0	0	1,484,815
Derivatives	0	116,881,774	60,987,360	41,687,887	64,779,113	1,975,324	0	0	0	286,311,458
OFF BALANCE SHEET	**0**	**117,935,646**	**60,987,553**	**41,687,986**	**64,779,113**	**2,405,975**	**0**	**0**	**0**	**287,796,274**
TOTAL FOR INTEREST RATE REPRICING RISK	**21,310,845**	**141,848,556**	**77,406,017**	**71,872,024**	**109,913,680**	**11,698,578**	**1,297,932**	**18,299,738**	**(1,685,945)**	**451,961,425**

B. Liabilities

(In thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity	Acrrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
Cash and balances from central banks	4,000,000	0	0	0	0	0	(37,678)	0		3,962,322
Credit institutions borrowings and deposits	4,493,622	1,227,511	48,785	10,550	62,797	24,317	(772)	0		5,866,810
Borrowings and deposits	64,128,516	13,046,017	148,439	740,540	726,824	813,121	54,756	3,095		79,661,310
Debt securities issued and other financial liabilities	0	6,492,281	5,906,374	8,497,009	5,532,530	0	253,068	5,609		26,686,872
Unit linked products insurance activities						2,837,971				2,837,971
Derivatives							1,274,221	16,466,059		17,740,280
Gain/loss on the hedged item in portfolio hedge of interest rate risk								165,078		165,078
Provisions for insurance activities						13,907,770				13,907,770
Provisions and contingent liabilities						487,157			139,595	626,752
Subordinated debts	0	227,732	310,128	44,962	546,606	72,000	18,041	0		1,219,469
Current tax liabilities						22,301				22,301
Deferred tax liabilities						8,524				8,524
Other liabilities	133,447	596,589	3,936	10,447	8,418	746,679	553	0		1,500,070
Liabilities included in disposal group and discontinued operations	0	0	0	0	0	0	0	0		0
TOTAL LIABILITIES	72,755,585	21,590,131	6,417,663	9,303,508	6,877,176	18,919,840	1,562,190	16,639,841	139,595	154,205,529
Regular way trade	0	5,678,247	85	8,328	813	1,310,867	0	0		6,998,340
Derivatives	0	117,618,483	77,652,450	32,095,291	64,661,886	827,982	0	0		292,856,091
OFF BALANCE SHEET	0	123,296,730	77,652,535	32,103,619	64,662,699	2,138,850	0	0		299,854,432
TOTAL FOR INTEREST RATE REPRICING RISK	72,755,585	144,886,861	84,070,197	41,407,127	71,539,874	21,058,690	1,562,190	16,639,841	139,595	454,059,961

C. Net position

(In thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity
On-balance-sheet sensitivity gap	(51,444,740)	(3,038,305)	(6,664,180)	30,464,898	38,373,805	(9,360,111)

The actual interest rate risk of Belfius is managed based on more advanced assumptions. (See note 9.5 Market risk and ALM).

9.5. MARKET RISK AND ALM

Refers to table 9.5. of the annual report 2017

We also refer to the chapter "Risk Management" of the Management report for further information, section Market Risk.

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's risk policies. As a result, the various market risks are kept within that framework, a.o. by hedging transactions. The VaR figures stated below reflect these residual positions.

The risks on client flow management activities include general interest rate, foreign exchange, equity prices, credit spread and other risks (inflation, CO2). These risks are managed within Value at Risk limits and other appropriate risk limits.

Cash and Liquidity Management (CLM) is monitored by means of Value at Risk limits (VaR) and interest rate sensitivity limits.

The spread risk of 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)	31/12/17				31/12/18			
	IR(2) & FX(3)	Equity	Spread	Other risks(4)	IR(2) & FX(3)	Equity	Spread	Other risks(4)
By activity								
Average	8,120	4,294	3,770	1,487	8,973	5,601	2,499	1,006
EOY	8,860	5,758	2,727	1,061	9,213	6,836	482	756
Maximum	13,044	6,320	7,058	2,056	15,504	7,587	6,147	2,190
Minimum	4,433	2,276	2,117	1,061	4,232	4,374	238	389
Global								
Average	17,671				18,078			
EOY	18,406				17,287			
Maximum	24,107				29,537			
Minimum	13,206				10,909			
Limit	32,000				26,500			

(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

Value adjustments related to Belfius' derivative exposures are sensitive to market risk as well. While sensitivities of the value adjustments to interest rate and currency are almost completely hedged, some sensitivity to credit spreads remains unhedged. This is also the case for some basis risk caused by hedge inefficiencies (different discount curve for bond and its hedge).

Basis Point Sensitivity	31/12/17					31/12/18				
(In thousands of EUR)	IR	FX(1)	Spread(2)	Tenor Basis	Other risks(3)	IR	FX(1)	Spread(2)	Tenor Basis	Other risks(3)
By activity										
EOY	37	(6,000)	(1,952)	(3,231)	(429)	(9)	0	(1,399)	(461)	113

(1) Foreign exchange risk is expressed as the net outstanding amount per currency (sum for the three main currencies: GBP, USD and JPY).
(2) Impact of a 1bp increase in spread (either credit spread, or bond-cds basis spread).
(3) Other risks: mainly GBP Inflation.

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.

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 effect. A 50 bps increase of interest rates has an estimated positive impact on net interest income (before tax) of EUR +60 million of the next book year and an estimated cumulative effect of EUR +175 million over a three year period, whereas a 35 bps decrease would lead to an estimated negative impact of EUR -44 million of the next book year and an estimated cumulative effect of EUR -189 million over a three year period.

(In thousands of EUR)	31/12/17	31/12/18
Bank		
Economic value (+10 bps)	(34,179)	(15,441)
Earnings at risk (+50 bps)	37,436	59,864
Insurance		
Economic value (+10 bps)	16,614	10,874
Earnings at risk (+50 bps)	2,743	2,347

B. Listed equity & real estate

(In thousands of EUR)	31/12/17	31/12/18
Insurance		
Market value - quoted shares & assimilated	583,819	492,831
Market value - quoted real estate	501,502	318,592
Shock 30% (negative)	(325,596)	(243,427)
VaR (99%, 10 days)	35,720	53,400

C. Real estate - direct property

(In thousands of EUR)	31/12/17	31/12/18
Insurance		
Market value	592,835	645,291
Shock 12.5% (negative)	(74,104)	(96,794)

4. Bond portfolio

A. Outstanding nominal amounts

(In thousands of EUR)	31/12/17	31/12/18
Bank	11,582,364	11,288,735
Insurance	9,632,617	9,401,251

B. Interest-rate sensitivity

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 -7.1 million at the end of 2018, part of the global ALM management of the insurance companies.

C. Credit-spread sensitivity

This calculation estimates the sensitivity of the bond portfolio after one basis point spread widening.

(In thousands of EUR)	31/12/17	31/12/18
Bank	(18,148)	(16,369)
Insurance	(8,220)	(8,105)

9.6. LIQUIDITY RISK

Refers to table 9.6. of the annual report 2017.

Liquidity is managed with a view to comply with our Liquidity Risk Management guidelines and framework. We also refer to the management report for a detailed description.

We refer to the management report for more information on the Liquidity Coverage Ratio. The Liquidity Coverage Ratio forces financial institutions to maintain a sufficient stock of quality liquid assets to withstand a crisis that puts their cash flows under pressure. The liquid assets to hold must be equal to or greater than their net cash outflow over a 30-day period under stress (as such, having at least 100% coverage). The parameters of the stress scenario are defined under Basel III.

Belfius Insurance holds a significant amount of unencumbered assets that are eligible at the ECB. More specific, the company invests at least 40% of its bond portfolio in government bonds eligible for repos in the context of its liquidity management.

Breakdown residual maturity

We do not disclose amounts on the expected prepayment dates as such we have used the contractual maturity date for this table. Current accounts and saving deposits are included in the column "At sight and on demand" even if they have no fixed repayment date."

All other assets and liabilities are split over the different periods according to the contractual cashflows caracteristics.

1. 2017

A. Assets

(In thousands of EUR)	Breakdown of gross amount and premium/discount						Accrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity				
Cash and balances with central banks	10,236,964	0	0	0	0	0	(,295)	0	0	10,236,669
Loans and advances due from banks	12,002,697	1,628,807	180,121	156,684	105,113	18,470	(16,732)	51,105	(4,838)	14,121,427
Loans and advances to customers	2,072,925	10,833,334	7,813,326	24,490,718	44,174,153	1,684,683	426,858	23,459	(1,462,529)	90,056,926
Investments held to maturity	0	0	0	2,044,316	3,312,164	24,812	60,707	0	0	5,441,999
Financial assets available for sale	0	262,618	167,046	4,048,696	7,832,607	2,641,327	262,681	2,834,470	(66,848)	17,982,597
Financial assets measured at fair value through profit or loss	0	172,598	26,552	17,660	250,283	2,634,170	2,203	136,832	0	3,240,298
Derivatives	0	0	0	0	0	0	454,956	19,848,078	0	20,303,034
Gain/loss on the hedged item in portfolio hedge of interest rate risk	0	0	0	0	0	0	0	3,720,764	0	3,720,764
Investments in equity method companies	0	0	0	0	0	31,481	0	0	0	31,481
Tangible fixed assets	0	0	0	0	0	1,059,212	0	0	0	1,059,212
Intangible assets	0	0	0	0	0	162,074	0	0	0	162,074
Goodwill	0	0	0	0	0	103,966	0	0	0	103,966
Current tax assets	0	0	0	0	0	20,343	0	0	0	20,343
Deferred tax assets	0	0	0	0	0	235,399	0	0	0	235,399
Other assets	32,692	172,651	67,738	120,177	129,939	691,219	0	12,328	(2,515)	1,224,230
Non current assets (disposal group) held for sale and discontinued operations	0	0	0	0	0	20,426	0	0	(1,644)	18,782
TOTAL ASSETS	24,345,278	13,070,007	8,254,784	30,878,251	55,804,261	9,327,582	1,190,379	26,627,036	(1,538,375)	167,959,201
Regular way trade	0	2,295,565	0	3,109	0	4,299	0	0	0	2,302,973
Foreign exchange derivatives	0	7,153,155	2,164,326	3,095,804	12,702,983	0	0	0	0	25,116,269
CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE	**0**	**9,448,721**	**2,164,326**	**3,098,914**	**12,702,983**	**4,299**	**0**	**0**	**0**	**27,419,242**
TOTAL	24,345,278	22,518,728	10,419,110	33,977,164	68,507,244	9,331,880	1,190,379	26,627,036	(1,538,375)	195,378,443

B. Liabilities

(In thousands of EUR)	Breakdown of gross amount and premium/discount At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undeter-mined maturity	Accrued interest	Changes in fair value and fair value of derivatives	Total
Due to banks	5,734,800	1,301,820	20,948	4,010,765	32,290	32,384	(23,114)	0	11,109,893
Customer borrowings and deposits	60,239,019	14,418,791	95,992	622,483	844,968	215	53,015	0	76,274,483
Debt securities	0	3,477,474	4,607,852	8,686,000	5,103,067	0	152,671	0	22,027,063
Financial liabilities measured at fair value through profit or loss	0	99,889	596,624	3,392,374	2,029,949	2,597,572	86,145	90,157	8,892,710
Technical provisions of insurance companies	0	203,074	604,498	6,733,697	7,612,138	(3,715)	0	0	15,149,692
Derivatives	0	0	0	0	0	0	1,145,268	20,118,764	21,264,032
Gain/loss on the hedged item in portfolio hedge of interest rate risk	0	0	0	0	0	0	0	105,017	105,017
Provisions and contingent liabilities	0	0	0	0	0	425,300	0	0	425,300
Subordinated debts	0	0	0	140,921	694,337	347,919	15,790	0	1,198,968
Current tax liabilities	0	0	0	0	0	51,351	0	0	51,351
Deferred tax liabilities	0	0	0	0	0	176,964	0	0	176,964
Other liabilities	140,788	884,454	83,570	67,919	6,762	578,607	219	0	1,762,321
Liabilities included in disposal group and discontinued operations	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	66,114,607	20,385,501	6,009,484	23,654,159	16,323,512	4,206,597	1,429,995	20,313,937	158,437,793
Shareholders' core equity	0	0	0	0	0	9,084,337	0	0	9,084,337
Gains and losses not recognised in the statement of income	0	0	0	0	0	0	0	436,901	436,901
TOTAL SHAREHOLDERS' EQUITY	0	0	0	0	0	9,084,337	0	436,901	9,521,237
Non-controlling interests	0	0	0	0	0	171	0	0	171
TOTAL EQUITY	0	0	0	0	0	9,084,507	0	436,901	9,521,408
TOTAL LIABILITIES AND EQUITY	66,114,607	20,385,501	6,009,484	23,654,159	16,323,512	13,291,104	1,429,995	20,750,838	167,959,201
Regular way trade	0	7,959,537	0	3,043	0	13,838	0	0	7,976,417
Foreign exchange derivatives	0	7,167,269	2,156,644	3,122,299	12,418,030	0	0	0	24,864,242
Fx forward rate agreements	0	0	0	0	0	0	0	0	0
CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE	0	15,126,805	2,156,644	3,125,341	12,418,030	13,838	0	0	32,840,659
TOTAL	66,114,607	35,512,306	8,166,128	26,779,501	28,741,543	13,304,942	1,429,995	20,750,838	200,799,860

C. Total liquidity gap

(In thousands of EUR)	Breakdown of gross amount and premium/discount At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity
Total liquidity gap	(41,769,329)	(12,993,579)	2,252,981	7,197,664	39,765,701	(3,973,062)

2. 2018

A. Assets

(In thousands of EUR)	Breakdown of gross amount and premium/discount						Accrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity				
Cash and balances with central banks	8,314,379	0	0	0	0	0	(76)	0	0	8,314,303
Loans and advances due from credit institutions	10,885,323	2,085,045	72,676	68,590	5,750	424	(10,771)	0	(191)	13,106,846
Loans and advances	2,069,166	12,364,053	8,150,243	25,774,422	41,773,014	1,799,120	360,056	316,216	(1,483,775)	91,122,512
Debt securities & equity instruments	0	1,226,939	735,544	5,905,524	17,206,337	2,116,902	351,995	1,221,858	(196,333)	28,568,766
Unit linked products insurance activities	0	0	0	0	0	2,837,971	0	0	0	2,837,971
Derivatives	0	0	0	0	0	0	596,727	12,170,858	0	12,767,585
Gain/loss on the hedged item in portfolio hedge of interest rate risk	0	0	0	0	0	0	0	4,590,806	0	4,590,806
Investments in equity method companies	0	0	0	0	0	47,949	0	0	0	47,949
Tangible fixed assets	0	0	0	0	0	1,065,607	0	0	0	1,065,607
Intangible assets	0	0	0	0	0	191,497	0	0	0	191,497
Goodwill	0	0	0	0	0	103,966	0	0	0	103,966
Current tax assets	0	0	0	0	0	77,683	0	0	0	77,683
Deferred tax assets	0	0	0	0	0	300,508	0	0	0	300,508
Other assets	41,977	116,151	32,930	52,843	43,798	766,038	0	0	(3,633)	1,050,104
Non current assets (disposal group) held for sale and discontinued operations	0	0	0	0	0	21,059	0	0	(2,012)	19,047
TOTAL ASSETS	21,310,845	15,792,188	8,991,392	31,801,378	59,028,899	9,328,725	1,297,932	18,299,738	(1,685,945)	164,165,152
Regular way trade	0	1,484,763	0	0	0	53	0	0	0	1,484,815
Foreign exchange derivatives	0	3,087,170	3,344,257	3,377,124	14,642,320	0	0	0	0	24,450,871
CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE	0	4,571,933	3,344,257	3,377,124	14,642,320	53	0	0	0	25,935,686
TOTAL	21,310,845	20,364,121	12,335,650	35,178,502	73,671,219	9,328,778	1,297,932	18,299,738	(1,685,945)	190,100,838

B. Liabilities

(In thousands of EUR)	Breakdown of gross amount and premium/discount						Accrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity				
Cash and balances from central banks	4,000,000	0	0	0	0	0	(37,678)	0		3,962,322
Credit institutions borrowings and deposits	4,493,622	1,227,511	48,785	10,550	62,797	24,317	(772)	0		5,866,810
Borrowings and deposits	64,128,516	13,046,017	148,439	740,540	726,824	813,121	54,756	3,095		79,661,310
Debt securities issued and other financial liabilities	0	2,984,534	3,632,232	12,137,548	7,673,880	0	253,068	5,609		26,686,872
Unit linked products insurance activities	0	0	0	0	0	2,837,971	0	0		2,837,971
Derivatives	0	0	0	0	0	0	1,274,221	16,466,059		17,740,280
Gain/loss on the hedged item in portfolio hedge of interest rate risk	0	0	0	0	0	0	0	165,078		165,078
Provisions and contingent liabilities	0	0	0	0	0	487,157	0	0	139,595	626,752
Provisions for insurance activities	0	189,057	558,764	5,815,548	7,344,400	0	0	0		13,907,770
Subordinated debts	0	0	66,000	74,935	903,493	157,000	18,041	0		1,219,469
Current tax liabilities	0	0	0	0	0	22,301	0	0		22,301
Deferred tax liabilities	0	0	0	0	0	8,524	0	0		8,524
Other liabilities	133,447	599,127	3,936	10,447	8,418	744,142	553	0		1,500,070
Liabilities included in disposal group and discontinued operations	0	0	0	0	0	0	0	0		0
TOTAL LIABILITIES	72,755,585	18,046,247	4,458,156	18,789,569	16,719,813	5,094,533	1,562,190	16,639,841	139,595	154,205,529
Shareholders' core equity	0	0	0	0	0	9,054,891	0	0		9,054,891
Gains and losses not recognised in the statement of income	0	0	0	0	0	391,530	0	0		391,530
TOTAL SHAREHOLDERS' EQUITY	0	0	0	0	0	9,446,422	0	0		9,446,422
Additional Tier 1 instruments included in equity						497,083				497,083
Non-controlling interests	0	0	0	0	0	16,118	0	0		16,118
TOTAL EQUITY	0	0	0	0	0	9,959,623	0	0		9,959,623
TOTAL LIABILITIES AND EQUITY	72,755,585	18,046,247	4,458,156	18,789,569	16,719,813	15,054,156	1,562,190	16,639,841	139,595	164,165,152
Regular way trade	0	6,102,858	0	0	0	895,482	0	0		6,998,340
Foreign exchange derivatives	0	3,084,209	3,364,461	3,367,806	14,513,859	0	0	0		24,330,335
CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE	0	9,187,068	3,364,461	3,367,806	14,513,859	895,482	0	0		31,328,676
TOTAL	72,755,585	27,233,314	7,822,617	22,157,375	31,233,672	15,949,638	1,562,190	16,639,841	139,595	195,493,827

C. Total liquidity gap

(In thousands of EUR)	Breakdown of gross amount and premium/discount					
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity
Total liquidity gap	(51,444,740)	(6,869,194)	4,513,033	13,021,127	42,437,546	(6,620,860)

9.7. CURRENCY RISK AND FOREIGN EXCHANGE

Refers to table 9.7. of the annual report 2017.

1. Currency risk

(In thousands of EUR)	31/12/17 GBP	USD	Other	EUR	Total
Total assets	9,217,232	3,276,002	2,452,472	153,013,495	167,959,201
Total liabilities	4,555,687	3,817,531	3,009,534	147,055,041	158,437,793
Total equity	(677,296)	(7,027)	(119,036)	10,324,767	9,521,408
Of which gains and losses not recognised in the statement of income	*(677,296)*	*(7,027)*	*(119,036)*	*1,240,260*	*436,901*
Of which other equity	*0*	*0*	*0*	*9,084,507*	*9,084,507*
NET ON BALANCE POSITION	5,338,841	(534,502)	(438,026)	(4,366,313)	0
Off balance sheet – to receive	341,206	12,022,041	3,512,236	11,161,922	27,037,406
Off balance sheet – to deliver	5,683,031	11,522,819	2,879,963	6,842,895	26,928,708
OFF BALANCE SHEET – NET POSITION	(5,341,825)	499,223	632,273	4,319,027	108,698
NET POSITION	(2,984)	(35,279)	194,248	(47,286)	

(In thousands of EUR)	31/12/18 GBP	USD	Other	EUR	Total
Total assets	9,530,991	2,697,496	1,948,779	149,987,887	164,165,152
Total liabilities	4,033,893	3,062,172	2,607,511	144,501,952	154,205,529
Total equity	18,368	86,048	(36,380)	9,891,586	9,959,623
Of which gains and losses not recognised in the statement of income	*18,368*	*86,048*	*(36,380)*	*323,281*	*391,318*
Of which other equity	*0*	*0*	*0*	*9,568,305*	*9,568,305*
NET ON BALANCE POSITION	5,478,729	(450,725)	(622,353)	(4,405,652)	0
Off balance sheet – to receive	566,265	11,402,122	3,445,936	9,910,279	25,324,602
Off balance sheet – to deliver	6,172,176	10,887,063	2,662,651	5,482,140	25,204,029
OFF BALANCE SHEET – NET POSITION	(5,605,912)	515,059	783,285	4,428,140	120,572
NET POSITION	(127,183)	64,334	160,933	22,488	

Depending on the measurement of the asset, foreign exchange gains and losses are recognised in profit or loss "Net income from financial instruments at fair value through profit or loss" or in other comprehensive income. We refer to the accounting policies for more information.

2. Foreign exchange

		31/12/17		31/12/18	
		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.4618	1.4854	1.6235	1.5829
Canadian dollar	CAD	1.4198	1.4585	1.5618	1.5323
Swiss franc	CHF	1.0734	1.0900	1.1282	1.1504
Koruna (Czech republic)	CZK	27.0205	27.0377	25.7675	25.6817
Danish krone	DKK	7.4343	7.4447	7.4678	7.4533
Euro	EUR	1.0000	1.0000	1.0000	1.0000
Pound sterling	GBP	0.8548	0.8230	0.8944	0.8854
Hong Kong dollar	HKD	8.2008	8.5665	8.9548	9.2362
Forint	HUF	308.8800	311.5755	320.9500	319.9317
Shekel	ILS	4.0688	4.2255	4.2826	4.2489
Yen	JPY	123.3750	120.4433	125.6850	129.9221
Mexican peso	MXN	21.8330	20.6289	22.4851	22.6587
Norwegian Krone	NOK	9.0886	9.2559	9.9289	9.6251
New Zealand dollar	NZD	1.5175	1.5827	1.7078	1.7085
Swedish krona	SEK	9.5563	9.4749	10.2125	10.3031
Singapore dollar	SGD	1.5269	1.5245	1.5588	1.5893
Turkish lira	TRY	3.7203	3.3418	6.0553	5.7084
US dollar	USD	1.0576	1.1037	1.1436	1.1782

9.8. INSURANCE RISK

Refers to table 9.8. of the annual report 2017.

Belfius Insurance, as a part of Belfius, takes up risk through the insurance contracts that it underwrites. The risks within the underwriting risk category are associated with both the exposure covered by the specific line of insurance (Life or Non-Life) and the specific processes associated with insurance business (claims processing, premium collection, pricing, selection, etc.).

The risks that apply to all lines of the insurance business can be globally categorised as follows:

→ Life underwriting risk: is the risk arising from the underwriting of life insurance contracts. It is split up into:
- Mortality risk, which is the risk that mortality occurs when increases. It applies to all undertakings for which the pay-outs are expected to be paid out increase when there is a rise in mortality.
- Longevity risk is the opposite of the mortality risk. It applies to policies for which a fall in mortality would result in an increase in the expected payouts (e.g. pension policies). Improvements in medical treatments that prolong life without restoring the ability to work could cause these risks to materialise at a greater frequency than currently observed.
- Morbidity or disability risk relates to the risk of loss or disadvantageous movement in expected benefits caused by changes in the level, nature, trend or volatility of the degree of disability.
- Lapse risk for Life is described as the risk of loss or increase in pay-out caused to a difference between the effective exercise rate of the contractual options by the policyholder and the expected exercise rate. The term "options" should be viewed in the broad sense of the word: this submodule contains options in relation to redemption, cancellation or premium reduction, as well as the expansion of the guarantees. For some policies, exercise may be at the benefit of the insurance company, while for others it may result in a loss. As a result, this submodule features two scenarios: one in which the options are exercised more frequently than expected and another where they are exercised less frequently.
- The risk relating to management costs corresponds with the risk that those management costs are higher than expected or that they subdue to higher inflation than expected.
- Revision risk only applies for the annuities whose amounts may be valued negatively for the insurer as the result of a change in the statutory environment or in the policyholder's health situation.
- Catastrophe risk is restricted to policies where an immediate and dramatic rise in mortality would result in an increase in benefits.

→ Non-Life underwriting risk: is the specific insurance risk arising from Non-Life insurance contracts. This uncertainty about the results of the insurer's underwriting could be defined as:
- Premium risk which is the risk where the amount of premiums received is not sufficient to pay claims that occur during the coverage period to which the premiums relate to.
- Reserve risk is the risk of loss or unfavourable change in the value of the insurance undertakings arising from changes in the frequency and severity of the insured events, as well as in the date and amount of the claims to be paid.
- Catastrophe risk is the risk arising from unpredictable events including, but not limited to, windstorms, coastal inundation, floods, severe winter weather, and other weather-related

events, pandemics, large-scale fires, industrial explosions, earthquakes and other man-made disasters such as civil unrest and terrorist attacks, that is not covered by the premiums or reserves.

2. Managing the insurance risk

Risk Management within Belfius Insurance is aligned with Belfius' best practices and guidelines, subject to specific insurance governance for underwriting, reserving and reinsurance. The risk appetite of the company is integrated into the global Belfius approach, and Belfius Bank is represented in the main risk committees. The methodology and governance for using risk concepts in management decisions are approved by the company's Management Board.

The Risk & Underwriting Committee gives recommendations about strategy in the area of underwriting and reserves for the insurance companies within Belfius Insurance and the resulting policy, in particular with regard to the following points:

- types and characteristics of the insurance business that Belfius Insurance is willing to manage;
- selection criteria for the risks that match the risk appetite;
- the way in which the actual underwriting is monitored;
- the managing between, on the one hand, the insurance premiums collected and, on the other, the claims to be paid out when costs are borne;
- identification of the risks arising from the undertakings of Belfius Insurance, including the implicit options and the capital that is guaranteed by the insurance products;
- making provisions for claims.

The overall strategy is developed by each concerned entity and is follow-up by the local persons in charge.

Reinsurance is one of the methods used to limit the insurance risk. The main objective of reinsurance is to reduce volatility in capital requirements and profits, and to diminish the uncertainty associated with the risk in the insurer's valuation.

The drivers of reinsurance are:

- capacity: reinsurance gives insurers greater flexibility in terms of scope, type of risk and business volume that they can safely accept. This enables insurers to embark on new business or to expand their activities for a short period.
- stability: structured reinsurance programmes enable insurers to stabilise their operating income.
- protection: reinsurance provides protection against cumulative financial losses caused by a succession of events (such as poor weather) or against significant financial losses arising from a single event.
- funding: reinsurance can be an alternative to a capital increase.
- expertise: reinsurers assist insurers in their area of expertise. The qualified staff of reinsurance companies offer their services, for instance in establishing a new business.

3. Sensitivities

Belfius Insurance evaluates the effect of sensitivities on available financial resources. The technical reserves are expressed in fair value.

Given the low market rates, the value of the technical reserves is higher than the redemption value, which results in a negative impact on capital in the event of a reduction in the lapse rate. The sensitivity to the lapse rate has slightly increased in 2018

The review of cost assumption has a negative impact on the available financial resources and its sensitivity.

The insured capital on death is higher than the fair value of technical reserves, which results in a positive impact on available financial resources if there is a decrease in mortality rates.

In non-life, lower administrative costs lead to a higher result, while an increase of claims leads to a lower result.

Underwriting risk Life: scenario that corresponds to[1]

	Impact on available financial resources before taxes	
(In millions of EUR)	31/12/17	31/12/18
An increase of 15% in mortality	(35)	(34)
An increase of 10% in costs + 1% inflation	(126)	(158)
A decrease of 10% in the redemption rate	(21)	(23)

(1) Impact for Belfius Insurance SA (= Belins solo), Branch 23 included.

Underwriting risk Non-Life: scenario that corresponds to [1]

	Impact on income before taxes	
(In millions of EUR)	31/12/17	31/12/18
A increase of 10% in administrative costs	(9)	(8)
An increase of 5% in claims made	(18)	(19)

(1) Impact for Belfius Insurance SA and Corona SA (= Belins conso).

4. Development of claims

The claims triangle is the usual method for expressing the settlement of claims stretched out over a number of years. Inter alia it enables actuaries to assess the appropriateness of the technical provisions. In Non-Life insurance, between the event and closing date of a claim, the insurer can in general not determine the exact amount on total cost of the claim. During this period, the insurer establishes a reserve that equals to the estimated amount of future payments for the claim.

Given the reserve is only an estimate, there is a risk that the amount effectively paid is higher. To assess that risk, it is necessary to study the variation of two amounts:

- the total of payments made prior to that date;
- the reserve established on that date for future payments.

The sum of these two components is called the total incurred claims cost.

The table below shows the evolution for Belfius Insurance SA and Corona SA since 2007 of the sum at the end of each year, of the total incurred claims cost per year of occurrence.

Claims development (excluding reinsurance and internal costs)

(In thousands of EUR)	Year of occurrence										
Year of settlement	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Estimation at the end of the year of occurrence	284,441	331,831	376,927	368,410	366,403	365,798	415,445	389,632	427,822	417,069	441,459
1 year later	286,182	315,094	377,982	365,547	350,517	324,524	392,976	361,479	402,910	396,145	
2 years later	276,197	302,958	376,143	355,306	334,313	312,883	381,044	353,512	385,904		
3 years later	266,868	302,314	370,819	350,249	329,882	306,454	374,836	351,551			
4 years later	267,226	300,159	370,924	352,804	328,046	303,051	371,983				
5 years later	266,805	299,236	363,378	350,780	323,899	301,179					
6 years later	267,520	296,773	360,537	351,335	319,633						
7 years later	267,249	293,969	357,875	344,245							
8 years later	264,048	293,741	354,384								
9 years later	264,340	292,906									
10 years later	262,520										

(In thousands of EUR)											
Actual estimation	262,520	292,906	354,384	344,245	319,633	301,179	371,983	351,551	385,904	396,145	441,459
Cumulative payments	(228,718)	(268,076)	(302,729)	(300,328)	(272,831)	(251,659)	(311,647)	(265,894)	(278,323)	(247,810)	(197,009)
Actual provisions	33,802	24,830	51,655	43,918	46,802	49,520	60,336	85,657	107,581	148,335	244,450

(In thousands of EUR)	
Provisions (after 2008)	896,885
Provisions (before 2008)	129,820
Internal costs	47,256
Accepted deals	25,795
TOTAL(1)	**1,099,756**

(1) Claims reserves 31 December 2017 - note 6.5.2.

X. NOTES ON THE SIGNIFICANT CHANGES IN SCOPE OF CONSOLIDATION AND LIST OF SUBSIDIARIES AND AFFILIATED ENTERPRISES OF BELFIUS

10.1. SIGNIFICANT CHANGES IN SCOPE OF CONSOLIDATION

(Only those changes that have a material impact (i.e. an impact of more than 1% of balance sheet total and/or P&L) have been reported).

1. As at 31 December 2017

Belfius Insurance sold its investment in "Aviabel", an associate evaluated through the equity method, in the first half of 2017, classified in "Non current assets (disposal group) held for sale and discontinued operations" per year-end 2016, to the American insurance company Axis Capital, realizing EUR 8.9 million on the sale, recorded in "Net income on investments and liabilities".

While Belfius Insurance has a long term vision on managing its real estate portfolio, it responds whenever possible on market opportunities. Such an opportunity arose on "Pole Star" and "North Light" whereby Belfius Insurance sold its 60% stake in both companies in the second half of 2017 to South Korean investors, realizing EUR 58 million on the sales, recorded in "Net income on investments and liabilities". Both companies were joint ventures evaluated through the equity method.

Finally, Belfius Insurance liquidated its investments in the fully-consolidated funds: "Belfius European Loans Fund", "Belins High Yield" and "Belins US Corporate Bonds" in the course of the second half of 2017. The decision was taken after a re-assessment of the investment framework, and it was determined that the volatility of these funds did not comply anymore with Belfius Insurance's new investment framework.

The real estate company ImmoActivity was purchased end 2016 and is fully consolidated since January 2017.

2. As at 31 December 2018

A. Full Consolidation of Auxipar

At the end of 2016, an agreement was concluded between Belfius and the liquidators of the Arco companies under liquidation (Arcopar, Arcofin, Arcoplus and Arcosyn) with the objective to advance towards finalisation of the liquidation, in the interest of all stakeholders. This agreement listed a combination of actions to finalise towards end of liquidation, including the takeover of the Auxipar shares held by the Arco companies by Belfius.

As a result of these actions moving forward, Belfius has increased, on 29 March, its stake in Auxipar from 39.7% to 74.99% for a price of EUR 29.4 million. The transaction qualifies as a business combination achieved in stages. IFRS 3 is applied whereby any previously held interest is adjusted to its fair value as of the acquisition date with any resulting gain reported in the consolidated income statement. Belfius has estimated the fair value of Auxipar at EUR 82.8 million at acquisition date, in line with the acquisition price for 100% of the shares (EUR 83.3 million). The revaluation following the application of IFRS 3 of the previously held interest (recognised end March 2018 at EUR 33 million) resulted in a capital gain of EUR 23 million, recorded in "Net income on investments and liabilities". The difference between the restatement of the balance sheet and the consideration paid, resulted in a goodwill of EUR 0.1 million.

One of the investments made by Auxipar is a 82.7% stake in EPC, a pharmaceutical group. While Auxipar as such owns the majority of the shares in EPC, it does not have control over the investment as

- → there is a limitation of the voting rights; and
- → no shareholder/control agreements exist. As a result, Belfius will consolidate EPC through the equity method. The value of EUR 20.7 million resulting from the equity method is considered as the fair value of EPC estimated at the date of acquisition of Auxipar and includes EUR 1.4 million of goodwill.

B. Other changes in the scope of consolidation

Belfius sold its investments in "NEB Participation" to Nethys. It concerned an associate previously accounted for through the equity method. Belfius realised a capital gain of EUR 23.6 million on this sale, recorded in "Net income on investments and liabilities".

Belfius started consolidating the new entity Bancontact Payconiq Company in 2018, of which it owns 22.5% of the shares, through equity method, following the merger between Payconiq and Bancontact on 29 June 2018.

Caring People, a 100% subsidiary of Corona performing contact center activities for Corona, is fully consolidated as from 2018.

The companies Jaimy and Charlin are fully consolidated as from date of establishment in 2018. Jaimy aims to provide a platform where users can request small home repairs. Charlin aims to offer a solution for the elderly whereby they'll be able to stay longer in their own homes without special assistance.

The digital innovation companies The Studio, Spencr, Brightknight and Smart Belgium Services are fully consolidated as from 2018. The Studio and Spencr develop and promote digital banking solutions such as Pengo and blockchain related applications. Brightknight offers services around robotisation and artificial intelligence to the Public and Corporate segment. Smart Belgium Services facilitates the dialogue between the local authorities and the entrepreneurial world.

The real estate company Offico Immo is fully consolidated as from December 2018. The investment in the holiday park De Haan and investment company M80 Capital are consolidated through the equity method as from 2018 in accordance with the shares held by Belfius Insurance in these companies. The acquisition of these latter participations fits in the long-term diversified investment strategy of Belfius Insurance.

C. Simplification of the group structure

The Board of Directors of Belfius Bank approved the closure of the Dublin branch on 26 April 2018, thereby centralising the Irish portfolio in Belfius Ireland (BIRL), a subsidiary of Belfius Bank, and simplifying the group structure of Belfius. At the end of 2018, all bonds and their corresponding hedge derivatives were transferred at market price from Dublin branch to Belfius Ireland. The final legal closing occurred on 28 January 2019. This closure had a positive impact on the current tax position of Belfius Bank of EUR 30 million.

10.2. ACQUISITIONS AND DISPOSALS OF CONSOLIDATED COMPANIES

1. Main acquisitions

A. Year 2017

The real estate company ImmoActivity was purchased at the end of 2016 and is fully consolidated from the beginning of 2017.

The assets and liabilities acquired were as follows:

	2017
(In thousands of EUR)	ImmoActivity
Loans and advances due from banks	2,229
Tangible fixed assets	11,738
Borrowings and deposits	(8,714)
Other liabilities	(18)
NET ASSETS	**5,235**
Group share	5,235
Already in possession of the Group	
Purchase price (in cash)	5,235
Less: cost of the transaction	0
Less: cash and cash equivalents in the subsidiary acquired	0
NET CASH OUTFLOW THROUGH ACQUISITION	**5,235**

B. Year 2018

On 29 March, Belfius acquired 35.3% of the shares of Auxipar for a price of EUR 29.4 million, increasing its stake in Auxipar from 39.7% to 74.99%. Auxipar and its investment "Interfinance" are fully consolidated as from 2018. Its investment in EPC is consolidated through the equity method even though Auxipar owns the majority of the shares in EPC; it does not have control over the investment as

- there is a limitation of the voting rights; and
- no shareholder/control agreements exist.

Caring People, a 100% subsidiary of Corona performing contact center activities for Corona, is fully consolidated as from 2018.

Since the merger of Payconiq with Bancontact in June 2018, Belfius consolidates the new entity Bancontact Payconiq Company using the equity method.

The companies Jaimy and Charlin are fully consolidated as from date of establishment in 2018.

The digital innovation companies The Studio, Spencr, Brightknight and Smart Belgium Services are fully consolidated as from 2018.

The real estate company Offico Immo is fully consolidated as from the date of acquisition in 2018. The investment in the holiday park De Haan and investment company M80 Capital are consolidated using the equity method as from 2018.

The assets and liabilities acquired were as follows:

(In thousands of EUR)	2018		
	Group Auxipar	Caring People	Equity method companies
Loans and advances due from credit institutions	2,130	1,662	0
Debt securities & equity instruments	84,684	0	0
Investments in equity method companies	27,707	0	18,605
Tax assets	647	0	0
Other assets	504	194	0
Provisions and contingent liabilities	(32,351)	0	0
Tax liabilities	0	(10)	0
Other liabilities	(63)	(633)	0
NET ASSETS	83,257	1,212	18,605
Group share	62,431	1,212	18,605
Already in possession of the Group	33,051	1,212	7,587
Purchase price (in cash)	29,379	0	11,018
Less: cost of the transaction	0	0	0
Less: cash and cash equivalents in the subsidiary acquired	0	0	0
NET CASH OUTFLOW THROUGH ACQUISITION	29,379	0	11,018

(In thousands of EUR)	2018		
	Jaimy and Charlin	Digital Inovation companies	Offico Immo
Loans and advances due from credit institutions	124	2,306	403
Debt securities & equity instruments	0	1,998	0
Investments in equity method companies	0	0	0
Tangible fixed assets	0	352	30,371
Tax assets	0	203	282
Other assets	0	1,956	562
Borrowings and deposits	0	0	(21,224)
Tax liabilities	(1)	(24)	
Other liabilities	0	(1,805)	(386)
NET ASSETS	124	4,985	10,008
Group share	124	4,985	10,008
Already in possession of the Group	124	4,985	0
Purchase price (in cash)	0	0	10,008
Less: cost of the transaction	0	0	0
Less: cash and cash equivalents in the subsidiary acquired	0	0	(51)
NET CASH OUTFLOW THROUGH ACQUISITION	0	0	9,957

2. Main disposals

A. Year 2017

Belfius Insurance sold its investments in "Aviabel", an associate evaluated through the equity method, in the first half of 2017.

Belfius Insurance sold its investments in "Pole Star" and "North Light" in the second half of 2017. Both companies were joint ventures evaluated through the equity method.

The assets and liabilities acquired were as follows:

	2017	
(In thousands of EUR)	Aviabel	Pole Star and North Light
Investments in equity method companies	8,057	67,926
NET ASSETS	8,057	67,926
Proceeds from sale (in cash)	17,001	126,006
Less: cost of the transaction	0	0
Less: Cash and cash equivalents in the subsidiary sold	0	0
NET CASH INFLOW ON SALE	17,001	126,006

A. Year 2018

Belfius sold its investments in "NEB Participation" to Nethys. It concerned an associate previously accounted for through the equity method. Belfius realised a capital gain of EUR 23.6 million on this sale, recorded in "Net income on investments and liabilities".

The assets and liabilities disposed were as follows:

	2018
(In thousands of EUR)	NEB Participations
Investments in equity method companies	13,900
NET ASSETS	13,900
Proceeds from sale (in cash)	37,500
Less: cost of the transaction	0
Less: Cash and cash equivalents in the subsidiary sold	0
NET CASH INFLOW ON SALE	37,500

3. Assets and liabilities included in disposal groups held for sale and discontinued operations

A. Year 2017

As at 31 December 2017 no subsidiaries were recorded as "Non current assets (disposal group) held for sale and discontinued operations".

B. Year 2018

As at 31 December 2018 no subsidiaries were recorded as "Non current assets (disposal group) held for sale and discontinued operations".

10.3. SUBSIDIARIES, EQUITY-ACCOUNTED ENTERPRISES, AFFILIATED ENTERPRISES AND ENTERPRISES IN WHICH THE GROUP HOLDS RIGHTS REPRESENTING AT LEAST 20% OF THE ISSUED CAPITAL

1. Fully-consolidated subsidiaries

Name	Head office	% of capital held(1)	Business code
Auxiliaire de participations SA	Place Charles Rogier 11 B-1210 Bruxelles	74,99	10
Belfius Asset Finance Holding SA	Boulevard Pacheco 44 B-1000 Bruxelles	100	10
Belfius Auto Lease SA	Place Charles Rogier 11 B-1210 Bruxelles	100	5
Belfius Commercial Finance SA	Place Charles Rogier 11 B-1210 Bruxelles	100	15
Belfius Financing Company SA	rue de l'Industrie 20 L-8399 Windhof	100	49
Belfius Immo SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Belfius Insurance SA	Place Charles Rogier 11 B-1210 Bruxelles	100	28
Belfius Insurance Invest SA	Place Charles Rogier 11 B-1210 Bruxelles	100	21
Belfius Insurance Services Finance SA	rue de l'Industrie 20 L-8399 Windhof	100	21
Belfius Investment Partners NV	Place Charles Rogier 11 B-1210 Bruxelles	100	19
Belfius Ireland Unltd	23 Shelbourne Road Ballsbridge Dublin 4 IE 4886676 P	100	49
Belfius Lease SA	Place Charles Rogier 11 B-1210 Bruxelles	100	5
Belfius Lease Services SA	Place Charles Rogier 11 B-1210 Bruxelles	100	5
BI New Co NV (Jaimy NV as from 5 March)	Place Charles Rogier 11 B-1210 Bruxelles	100	47
Brightknight NV	Place Charles Rogier 11 B-1210 Bruxelles	100	34
Caring people SA	Avenue de la Métrologie 4 B-1130 Bruxelles	100	30
Charlin SA	Place Charles Rogier 11 B-1210 Bruxelles	100	47
Coquelets SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Corona SA	Avenue de la Métrologie 2 B-1130 Bruxelles	100	28
Crefius SA	Place Charles Rogier 11 B-1210 Bruxelles	100	6
Dexia Secured Funding Belgium SA	Place Charles Rogier 11 B-1210 Bruxelles	10	49
Elantis SA	Rue des Clarisses 38 B-4000 Liège	100	6
ImmoActivity NV	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Immo Malvoz SPRL	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Immo Zeedrift SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Interfinance CVBA	Place Charles Rogier 11 B-1210 Bruxelles	74,99	10
Legros-Renier Les Amarentes Seigneurie de Loverval SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
LFB SA	Avenue Galilée 5 B-1210 Bruxelles	100	31

(1) Percentage of capital held by holding company

Name	Head office	% of capital held(1)	Business code
Mercurius Funding SA	Place Charles Rogier 11 B-1210 Bruxelles	5	49
Offico Immo NV	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Penates Funding SA	Rue Royale 97 b4 B-1000 Bruxelles	10	49
Smart Belgium Services SA	Place Charles Rogier 11 B-1210 Bruxelles	100	34
Spencr SA	Place Charles Rogier 11 B-1210 Bruxelles	100	34
The Studio SA	Place Charles Rogier 11 B-1210 Bruxelles	100	34

There are no significant restrictions on the subsidiaries, on their ability to access or use assets, and settle liabilities, of the group.

2. Non-consolidated subsidiaries

Name	Head office	% of capital held(1)	Reason for exclusion	Business code
Belfius Fiduciaire SA	Boulevard Pacheco 44 B-1000 Bruxelles	100	non-significant	23
Belfius Part SA	Place Charles Rogier 11 B-1210 Bruxelles	100	non-significant	10
Belsur BVBA (ex Zakenkantoor Frans Verfaillie)	Boulevard du Botanique 44 B-1000 Bruxelles	100	non-significant	30
Bureau Laveaux & Martin BVBA	Brusselsesteenweg 346C B-9090 Melle	100	non-significant	30
Canius I CVA	Plankstraat 13 B-3800 Sint-Truiden	99,95	non-significant	16
Finimmo SA	Boulevard Pacheco 44 B-1000 Bruxelles	100	in liquidation	16
Fynergie SA	Place Charles Rogier 11 B-1210 Bruxelles	100	non-significant	32
Global Cleantech Capital II Feeder BV	Herengracht 338 NL-1016 CG Amsterdam	100	non-significant	41
Immorente SA	Place Charles Rogier 11 B-1210 Bruxelles	100	non-significant	31
Immo Rhododendrons SPRL	Place Charles Rogier 11 B-1210 Bruxelles	100	non-significant	31
Immo Tumulis SPRL	Place Charles Rogier 11 B-1210 Bruxelles	100	non-significant	31
Qualitass NV	Vilvoordsesteenweg 166 B-1850 Grimbergen	100	non-significant	30
Service Communal de Belgique SCI	Avenue Louise 106 B-1050 Ixelles	63,59	in liquidation	47
Shop Equipments SA	Place Charles Rogier 11 B-1210 Bruxelles	100	non-significant	31
VDL - Interass NV	Brusselsesteenweg 346C B-9090 Melle	100	non-significant	30

(1) Percentage of capital held by holding company

3. Affiliated companies accounted for by the equity method

Name	Head office	% of capital held(1)	Business code
Bancontact Payconiq Company NV	Kempische Steenweg 303 b53 B-3500 Hasselt	22.5	48
De Haan Vakantiehuizen NV	Woluwelaan 46 B-1200 Sint-Lambrechts-Woluwe	25	31
EPC CVBA (Economie Populaire de Ciney)	rue E Dinot 30 B-5590 Ciney	61.37	33
Erasmus Gardens SA	Avenue Hermann-Debroux 42 B-1160 Bruxelles	50	31
Isabel SA	Boulevard de l'Impératrice 13-15 B-1000 Bruxelles	24	39
M80 Capital Comm.V	rue de la Victoire 1 B-1060 Bruxelles	22.91	10

4. Affiliated companies not accounted for by the equity method

Name	Head office	% of capital held(1)	Reason for exclusion	Business code
Arcosyn NV	Av. Britsiers 5 B-1030 Schaarbeek	20.46	in liquidation	10
Arkafund NV	Alfons Gossetlaan 30 B-1702 Groot-Bijgaarden	25	in liquidation	21
Arlinvest NV	Hamiltonpark 24-26 B-8000 Brugge	49	non-significant	16
Assurcard NV	Fonteinstraat 1A Bus 0301 B-3000 Leuven	20	non-significant	34
Banking Funding Company SA	Rue d'Arlon 82 B-1040 Bruxelles	21.62	non-significant	48
Bedrijvencentrum Regio Mechelen NV	De Regenboog 11 B-2800 Mechelen	24.33	non-significant	41
Belwing SA	Avenue Maurice-Destenay 13 B-4000 Liège	20	non-significant	10
BF3 Belgium SAS	rue de Balzac 23 F-75008 Paris	33.33	non-significant	10
Bizimmo NV	Vorstlaan 68 b9 B-1170 Watermaal-Bosvoorde	50	non-significant	31
Buildingnest NV	Vorstlaan 68 b9 B-1170 Watermaal-Bosvoorde	50	non-significant	31
Corfius Immo NV	Industrielaan 18 B-3730 Hoeselt	50	non-significant	31
DG INFRA + Bis SCS	Karel Oomsstraat 37 B-2018 Antwerpen	28.53	non-significant	10
DG INFRA + Ter SCS	Karel Oomsstraat 37 B-2018 Antwerpen	37.50	non-significant	10
Groene Poort Dreef NV	Westlaan 120 B-8800 Roeselare	50	non-significant	31
IDE Lux Finances SCRL	Drève de l'Arc-en-Ciel 98 B-6700 Arlon	36.87	non-significant	16
Imsol NV	Molenbergstraat 2 B-2000 Antwerpen	39.98	non-significant	31
Inforum G.I.E.	Rue D' Arlon 53 bte 4 B-1040 Bruxelles	50	non-significant	41
Justinvest NV	Heistraat 129 B-2610 Antwerpen	33.33	non-significant	32
Kuborn Real Estate NV	Avenue Maurice 8 B-1050 Bruxelles	20	non-significant	32
Les News 24 NV	Genèvestraat 175 B-1140 Evere	33.22	non-significant	45
Leskoo SA	Avenue des Communautés 100 B-1200 Sint-Lambrechts-Woluwe	50	non-significant	31

(1) Percentage of capital held by holding company

Name	Head office	% of capital held(1)	Reason for exclusion	Business code
Letsgo City SA	Boulevard Piercot 44 B-4000 Liège	27.27	non-significant	34
NEB Foncière SA	Rue Louvrex 95 B-4000 Liège	20.49	non-significant	31
(Partners Through Innovation)[2] SA	Place Charles Rogier 11 B-1210 Bruxelles	25.02	non-significant	34
Rabot Invest NV	Heistraat 129 B-2610 Antwerpen	25	non-significant	32
R.E.D. Laboratories NV	Z1. Researchpark 100 B-1731 Zellik	22.20	non-significant	33
Re-Vive Brownfield Fund I CVBA	Nieuwewandeling 62 B-9000 Gent	24.97	non-significant	31
Société Mixte de Développement Immobilier SA	Avenue Maurice Destenay 13 B-4000 Liège	25.04	non-significant	32
Syneco Agence Conseil ASBL	Place l'Ilon 13 B-5000 Namur	20	non-significant	47
TDP SA	Karel Oomsstraat 37 B-2018 Antwerpen	50	non-significant	47
Wandelaar Invest SA	Rue du Vieux Marché aux Grains 63 B-1000 Bruxelles	25	non-significant	5

5. Belfius Bank Branches (not consolidated)

Name	Head office	% of capital held(1)	Business code
Belfius Antwerpen Berchem CVBA	Grote Steenweg 456 B-2600 Berchem	26	4
Belfius Antwerpen Zuidrand CVBA	Kioskplaats 49 B-2660 Hoboken	26	4
Belfius Ardenne - Spa - Pays de Herve SCRL	Place du Marché 22 B-4651 Battice	26	4
Belfius Ardenne et Famenne SCRL	Avenue de Bouillon 16 B-6800 Libramont-Chevigny	24.69	4
Belfius Auderghem-Boisfort SCRL	Boulevard du Souverain 282 B-1160 Bruxelles	25.16	4
Belfius Binche-Mariemont SCRL	Route de Mons 333 B-7130 Binche	26	4
Belfius Borinage SCRL	Rue J. Dufrane 3-5 B-7080 Frameries	26	4
Belfius Brugs Ommeland-Oudenburg CVBA	Dorpsstraat 8 B-8200 Brugge Sint-Michiels	26	4
Belfius Brussels City Center SCRL	Place Stéphanie 8 B-1050 Bruxelles	26	4
Belfius Brussels East SCRL	Rue des Champs 6 B-1040 Bruxelles	22.94	4
Belfius Brussels North SCRL	Boulevard de Smet de Nayer 2a B-1090 Bruxelles	26	4
Belfius Centrum - West CVBA	Hendrik Consciencestraat 23 bus 6 B-8800 Roeselare	26	4
Belfius Charleroi Pont-à-Nôle SCRL	Avenue Paul Pastur 114 B-6032 Mont-sur-Marchienne	26	4
Belfius Charleroi-Sud SCRL	Boulevard Joseph Tirou 76-82 B-6000 Charleroi	26	4
Belfius Condroz-Famenne SCRL	Rue Saint-Eloi 1 B-5590 Ciney	25.83	4
Belfius Druivenstreek CVBA (in liquidation)	Stationsplein 17 B-3090 Overijse	26	4
Belfius Durmevallei CVBA	Marktplein 3 B-9220 Hamme (O.-VL.)	26	4
Belfius Eeklo Gent-Oost CVBA	Grondwetlaan 9 B-9040 Sint-Amandsberg	25.66	4

(1) Percentage of capital held by holding company

Name	Head office	% of capital held(1)	Business code
Belfius Entre Sambre & Meuse SCRL	rue de France 50-52 B-5600 Philippeville	25.74	4
Belfius Fléron - Visé SCRL	Rue Saint Hadelin 1 B-4600 Visé	26	4
Belfius Gent-Centrum & Noord-west CVBA	Zonnestraat 23-25 B-9000 Gent	26	4
Belfius Geraardsbergen-Ninove CVBA	Oudenaardsestraat 4-6 B-9500 Geraardsbergen	26	4
Belfius Hageland Noord CVBA	Bogaardenstraat 26 B-3200 Aarschot	26	4
Belfius Hainaut Centre & Senne SCRL	Rue Albert 1er 23 B-7100 La Louvière	26	4
Belfius Hesbaye SCRL	Grand'Place 5 B-4280 Hannut	26	4
Belfius Kempen Noord CVBA	Gemeenteplaats 6 B-2960 Brecht	25.16	4
Belfius Kempen Oost CVBA	Markt 27 B-2400 Mol	26.02	4
Belfius Klein Brabant CVBA	Nieuwstraat 21 B-2830 Willebroek	26	4
Belfius Kortrijk - Menen - Ieper CVBA	Wijngaardstraat 52 B-8500 Kortrijk	26	4
Belfius Leuven CVBA	Brusselsestraat 2 B-3000 Leuven	26	4
Belfius Liège Centre & Sud SCRL	Rue des Mineurs 12 B-4000 Liège	26	4
Belfius Liège Nord & Est SCRL	Chaussée de Tongres 391 B-4000 Liège	26	4
Belfius Mandel-Leie CVBA	Holdestraat 19 B-8760 Meulebeke	26	4
Belfius Meuse-Ourthe-Amblève SCRL	Place Joseph Thiry 47 B-4920 Aywaille	26	4
Belfius Midden Limburg CVBA	Dorpsstraat 1A B-3530 Houthalen-Helchteren	26	4
Belfius Namur - Eghezée SCRL	Chaussée de Louvain 440 B-5004 Namur	26	4
Belfius Namur - Gembloux SCRL	Avenue Faculté d'Agronomie 12 B-5030 Gembloux	25.30	4
Belfius Namur Haute-Meuse SCRL	Rue de Marchovelette 1 B-5000 Namur	25.32	4
Belfius Netevallei CVBA	Grote Markt 13 B-2500 Lier	26	4
Belfius Nivelles-Tubize SCRL	Rue de Nivelles 30 B-1480 Tubize	26	4
Belfius Noord-Brabant CVBA	Kattestraat 2 B-1730 Asse	26	4
Belfius Noord-Limburg CVBA	Hertog Janplein 45 B-3920 Lommel	25.59	4
Belfius Nord Picardie SCRL	Rue de la Station 39 Boîte 41 B-7700 Mouscron	26	4
Belfius Pays de Mons SCRL	Avenue Jean d'Avesnes 9 B-7000 Mons	26	4
Belfius Regio Aalst CVBA	Stationsstraat 4 B-9300 Aalst	25.66	4
Belfius Regio Antwerpen Oost CVBA	André Hermanslaan 1 B-2100 Deurne	26	4
Belfius Regio Dendermonde-Buggenhout CVBA	Kerkstraat 64-66 B-9200 Dendermonde	26	4
Belfius Regio Erpe-Mere CVBA	Marktplein 36 B-9520 Sint-Lievens-Houtem	26	4
Belfius Regio Genk-Maaseik CVBA	Fruitmarkt 7 B-3600 Genk	26	4

(1) Percentage of capital held by holding company

Name	Head office	% of capital held[1]	Business code
Belfius Regio Hasselt CVBA	Havermarkt 36-38 B-3500 Hasselt	26	4
Belfius Regio Leie-Schipdonk CVBA	Volhardingslaan 72 (bus 1) B-9800 Deinze	26	4
Belfius Regio Mechelen CVBA	Grote Markt 31 B-2800 Mechelen	26	4
Belfius Regio Menen-Wevelgem CVBA (in liquidation)	Kerkomtrek 16 B-8930 Menen	26	4
Belfius Regio Mortsel Kontich CVBA	Mechelsesteenweg 56 B-2640 Mortsel	26	4
Belfius Région Charleroi Airport SCRL	Place des Martyrs 2 B-6041 Gosselies	26	4
Belfius Région Huy-Andenne SCRL	Avenue du Bosquet 41 boîte 11 B-4500 Huy	26	4
Belfius Region Liège-Airport SCRL	Chaussée du Roi Albert 50 B-4431 Ans	26	4
Belfius Regio Noord-Antwerpen CVBA	Antwerpsesteenweg 49 B-2950 Kapellen	26	4
Belfius Regio Oostende-Knokke CVBA	Lippenslaan 74 B-8300 Knokke-Heist	26	4
Belfius Regio Sint-Niklaas CVBA	Hendrik Heymanplein 9 B-9100 Sint-Niklaas	26	4
Belfius Regio Turnhout-Hoogstraten CVBA	Vrijheid 109 B-2320 Hoogstraten	26	4
Belfius Regio Waregem-Kruishoutem CVBA	Markt 12 B-8790 Waregem	25.83	4
Belfius Regio Westhoek CVBA (in liquidation)	Grote Markt 31 B-8600 Diksmuide	29.48	4
Belfius Scheldeland CVBA	Kalkendorp 21 B-9270 Laarne	25.74	4
Belfius Sille & Dendre SCRL	Grand Place 72 B-7850 Enghien	26	4
Belfius Sud - Luxembourg SCRL	Rue d'Alba 1 B-6700 Arlon	26	4
Belfius Tienen - Sint-Truiden CVBA	Clockemstraat 38 B-3800 Sint-Truiden	26	4
Belfius Tournai-Val de Verne SCRL	Rue Royale 105/107/109 B-7500 Tournai	26	4
Belfius Val de Sambre SCRL	Rue de Falisolle 401 B-5060 Sambreville	24.37	4
Belfius Val d'Haine et Haut-Pays SCRL	Rue Grande 49 B-7380 Quièvrain	26	4
Belfius Vallée de la Dyle SCRL	Place Alphonse Bosch 15 B-1300 Wavre	25.41	4
Belfius Vilvoorde-Tervuren CVBA	Portaelsplein 68 B-1800 Vilvoorde	26	4
Belfius Vlaamse Ardennen CVBA	Nederstraat 17 B-9700 Oudenaarde	26	4
Belfius Waterloo SCRL	Chaussée de Bruxelles 306 B-1410 Waterloo	25.33	4
Belfius West - Brabant SCRL	Chaussée d'Alsemberg 1410 B-1620 Drogenbos	26	4
Belfius Westkust CVBA	Kerkstraat 58 B-8430 Middelkerke	26	4
Belfius Zennevallei CVBA	Basiliekstraat 13 B-1500 Halle	26	4
Belfius Zoniënwoud CVBA	Avenue Brugmann 247 B-1180 Bruxelles	24.37	4
Belfius Zottegem-Zuidrand Gent CVBA	Heldenlaan 22 B-9620 Zottegem	26	4
Belfius Zuid-Oost-Limburg CVBA	Visésteenweg 204 (Bus 1) B-3770 Riemst	26	4

(1) Percentage of capital held by holding company

Business code	
1. Bank, credit institution	27. Captive reinsurance
2. Private savings bank	28. General insurance
3. Government credit institution	29. Financial product agency and broking
4. Banking agency	30. Insurance agency and broking
5. Leasing	31. Real estate (proprietary portfolio)
6. Home loans	32. Real estate agency (third party)
7. Development capital	33. Health and welfare
8. Consumer credits	34. Computer business / Information Technology
9. Other lending activities	35. Banking associations
10. Investment company	36. Other associations
11. Stock broking	37. Sewage, road cleaning and maintenance and waste management
12. Variable capital investment company	38. Recreation
13. Mutual funds	39. Telecommunications
14. Fund manager	40. Transportation
15. Factoring	41. Other services
16. Infrastructure and construction financing	42. Energy
17. Other specific financing	43. Economic development
18. Financial market administration	44. Water
19. Asset and portfolio management, financial advisory services	45. Book publishing and multimedia
20. Financial engineering, consultancy, financial research	46. Research and development
21. Other professional services in financial sector	47. Other service activities
22. Guarantee company	48. Production, management, distribution of computerized payment media
23. Trust company	49. Financing
24. Foreign currency exchange	50. Merchant banking
25. Life insurance	
26. Non-life insurance	

10.4. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

1. The nature, purpose, and activities of a structured entity

Belfius' involvement with unconsolidated structured entities is mainly from an investor's perspective. The purpose is to generate a stable interest margin from these investments.

Belfius has the following types of exposures to unconsolidated structured entities in its portfolio (mainly stemming from the former Side portfolio):

- Mortgage backed securities (MBS): these structured entities invest in residential and/or commercial mortgage loans which are financed through the issue of notes. Belfius has invested in the most senior tranches.
- Asset Backed Securities (ABS): these entities invest in loans, debt securities, leases and/or receivables which are financed through the issue of notes. Belfius has invested in the most senior tranches.
- Multi issuer covered bonds: these structured entities are set up by several banks, each participating for a certain percentage in the covered pool.
- Derivatives: Belfius has some derivatives with unconsolidated structured entities such as Credit Default Swaps, Total Return Swaps and Interest Rate Swaps.

Refer to note 12 "Securitisation".

2. Amounts concerned

(In thousands of EUR)	2017 IAS 39	
	Carrying amount	Maximum credit risk exposure
FINANCIAL ASSETS	**1,243,905**	**1,244,427**
Financial assets held for trading	253,895	274,775
Financial assets measured at fair value through profit or loss	0	0
Financial assets available for sale	0	0
Derivatives hedge accounting	0	0
Loans and Receivables	754,267	733,909
Investments held to maturity	235,743	235,743
FINANCIAL LIABILITIES	**30,596**	**0**
Financial liabilities held for trading	30,596	0
Derivatives hedge accounting	0	
Financial liabilities at amortised cost	0	0
OFF-BALANCE SHEET ITEMS – GIVEN	**0**	**0**
Loan commitments – given	0	0
Financial guarantees – given	0	0

(In thousands of EUR)	2018 IFRS 9	
	Carrying amount	Maximum credit risk exposure
FINANCIAL ASSETS	**1,017,162**	**976,056**
Financial assets held for trading	194,852	166,450
Non-trading financial assets mandatorily at fair value through profit or loss	57,366	57,494
Financial assets designated at fair value through profit or loss	0	0
Financial assets at fair value through other comprehensive income	27,070	27,070
Financial assets at amortised cost	737,874	725,043
Derivatives – Hedge accounting		
FINANCIAL LIABILITIES	**57,157**	**0**
Financial liabilities held for trading	57,157	0
Financial liabilities measured at fair value through profit or loss	0	0
Financial liabilities at amortised cost	0	0
Derivatives hedge accounting	0	0
OFF-BALANCE SHEET ITEMS – GIVEN	**0**	**0**
Loan commitments – given	0	0
Financial guarantees – given	0	0

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 related entities are not included in the table "Related parties transactions". The exposure of Belfius on for instance Belgian Government bonds can be found in the chapter "Risk Management" of the management report.

1. Related parties transactions

	Directors and key management personnel[1]		Subsidiaries[2]	
(In thousands of EUR)	31/12/17 IAS 39	31/12/18 IFRS 9	31/12/17 IAS 39	31/12/18 IFRS 9
Loans[3]	1,757	2,786	2,759	6,381
of which impaired loans stage 3	0	0	0	0
Interest income	30	53	11	143
Deposits and debt securities[3]	9,810	11,737	5,149	8,750
Interest expense	(5)	(5)	0	0
Net commission	0	0	(9)	(9)
Guarantees issued and commitments provided by the Group[4]	0	0	10	1,973
Guarantees and commitments received by the Group	4,265	5,199	0	0

	Associates		Joint ventures in which the entity is a venturer	
(In thousands of EUR)	31/12/17 IAS 39	31/12/18 IFRS 9	31/12/17 IAS 39	31/12/18 IFRS 9
Loans[3]	253,483	249,469	12,718	5,425
of which impaired loans stage 3	0	0	0	0
Interest income	6,596	6,105	155	145
Deposits and debt securities[3]	84,175	70,100	1,474	1,806
Interest expense	(41)	(37)	0	0
Net commission	132	2,409	330	289
Guarantees issued and commitments provided by the Group[4]	233,561	240,906	17,760	25,297
Guarantees and commitments received by the Group	69,379	59,551	38,665	24,155

(1) Key management includes the Board of Directors and the Managing Board, as well as these persons's children and spouses or domestic partners and children of these persons's spouses or domestic partners.
(2) The amounts reported relate to transactions with subsidiaries that are not consolidated due to immateriality.
(3) Transactions with related parties are concluded at general market conditions.
(4) Unused lines granted.

2. Key management compensations[1]

(In thousands of EUR)	31/12/17	31/12/18
Short-term benefits[2]	4,275	4,790
Other long-term benefits	627	683

(1) Key management includes the Board of Directors and the Management Board.
(2) Short-term benefits include the salaries, bonuses and other advantages.

2. Dexia Real Estate Capital Markets

Dexia Real Estate Capital Markets (DRECM) was sold by Belfius in July 2010 to Dexia Holdings, Inc. (DHI). In June 2011, DRECM was sold by DHI to its parent, Dexia Crédit Local SA (DCL). In December 2016, DRECM assigned to DHI all of the assets, business and activities of DRECM, and DHI assumed all of DRECM's liabilities and obligations related thereto. Following such transfer, DRECM was liquidated into DCL with the DRECM legal entity being dissolved. DHI thus acts as the successor to DRECM.

Although DHI (as the successor to DRECM) is no longer a related party to Belfius, an overview of the remaining engagements of Belfius towards the former activities of DRECM is presented.

Note that no claims have been made up to the date of this report towards Belfius under these representations and warranties.

A. The purpose and context of the comfort letters

In the framework of three Commercial Real Estate Mortgage Loans securitisation operations in which DRECM was involved, DRECM entered into a Mortgage Loan Purchase Agreement as a seller of Commercial Mortgage Loans and into an Indemnification Agreement. In these agreements, DRECM gave certain representations and warranties in respect to some aspects of corporate standing and on some characteristics of the Commercial Mortgage Loans to certain CMBS trusts. Under the Mortgage Loan Purchase Agreement, a loan seller would be obligated under the reps and warranties to repurchase a loan if there was a material breach of the reps and warranties or a material document defect that can not be remedied, or cured, within a certain period of time (usually 90 days with extensions possible), so long as the repurchase demand was made in a timely manner. Given the fact that this was a kind of operational ongoing obligation of DRECM and DRECM was a non-rated entity, transaction participants and rating agencies required a larger first loss tranche (economically expensive for DRECM) or a counter guarantee from a rated entity. In this context Belfius Bank as a successor of Artesia Banking Corporation S.A. delivered the said comfort letters because the bank had a sufficient rating to reduce the requirement for credit enhancement.

B. The legal nature of the comfort letters

The first obligation to respect the terms of the Mortgage Loan Purchase Agreements and the Indemnification Agreements is the responsibility of DHI (as the successor to DRECM). It is only in case DHI (as the successor to DRECM) would not be performing that Belfius Bank promised to intervene with all means be it, human, technical or financial. The obligations of Belfius are obligations to perform or to pay. It is not a guarantee on first demand, nor an obligation to buy any non performing loan but a stand by back-up agreement for performance or payment. Although the shares of Belfius in DRECM were sold to DHI on 16 July 2010, these comfort letters are still in place. However, we believe that the risks for Belfius are extremely remote, seen no repurchase demands are outstanding, no previous transactions have led to any repurchases, and DHI (as a successor to DRECM) is sufficiently capitalized to meet its contractual obligations.

XII. SECURITISATION

Belfius currently has three traditional securitisation vehicles: Dexia Secured Funding Belgium, Penates Funding and Mercurius Funding. The total assets of these companies amount to EUR 7,762 million at 31 December 2018 compared to EUR 9,008 million at 31 December 2017.

According to the definition of control under IFRS 10, Dexia Secured Funding Belgium, Penates Funding and Mercurius Funding are included in the consolidated financial statements. Belfius has

- full power over its securitisation vehicles,
- exposure to their variable returns and
- the ability to use its power to affect the amount of the returns.

Dexia Secured Funding Belgium (DSFB) is a Belgian securitisation vehicle (société d'investissement en créances (SIC) under Belgian law) with currently six compartments, one of which with activity, namely DSFB-2.

DSFB-2 (using the second ring-fenced compartment of DSFB) is a securitisation transaction of loans granted to Belgian entities (public and other). All the loans are 100% guaranteed by one of the three Belgian regions. This EUR 1,621 million transaction was launched on 28 April 2008. One tranche of floating rate notes, rated at closing AA/Aa1/AA+ by respectively S&P, Moody's and Fitch, was issued. Belfius has guaranteed the full and timely payment of principal and interest on the notes. As at 31 December 2018, EUR 884 million were still outstanding. The notes had a rating of A-sf/A1/A-sf at 31 December 2018. The DSFB-2 Notes are held by Belfius Bank and its subsidiary Belfius Ireland.

Penates Funding is a Belgian securitisation vehicle with currently ten compartments, two of which with activity, namely Penates-5 and Penates-6.

On 16 November 2015 Belfius closed a EUR 1,030 million RMBS securitisation transaction. The SPV, Penates Funding acting through its compartment Penates-5, securitised Belgian residential mortgage loans originated by Belfius Bank and issued EUR 350 million Class A1 Mortgage-Backed Floating Rate Notes due 2049 (Fitch AAAsf/Moody's Aaa(sf)); EUR 450 million Class A2 Mortgage-Backed Floating Rate Notes due 2049 (Fitch AAAsf/Moody's Aaa(sf)); EUR 200 million Class B Mortgage-Backed Floating Rate Notes due 2049 (unrated); EUR 30 million Class C Floating Rate Notes due 2049 (unrated). The Class A1 Notes were redeemed in full over the course of 2018. The outstanding amount of the Class A2 Notes stood at EUR 361 million at 31 December 2018, while the outstanding amounts of the other classes of notes were still at their initial amount. Hence there was EUR 591 million outstanding under Penates-5 at 31 December 2018. The ratings on the Class A2 Notes were unchanged from their initial rating. The Class A2 Notes are held by institutional investors. The Class B Notes and Class C Notes are held by Belfius Bank.

On 15 May 2017, Belfius closed a EUR 6,030 million RMBS securitisation transaction. The SPV, Penates Funding acting through its compartment Penates-6, securitised Belgian residential mortgage loans originated by Belfius Bank and issued EUR 2,490 million Class A1 Mortgage-Backed Floating Rate Notes due 2051 (DBRS AAAsf/Moody's Aaa(sf)); EUR 2,490 million Class A2 Mortgage-Backed Floating Rate Notes due 2051 (DBRS AAAsf/Moody's Aaa(sf)); EUR 1,020 million Class B Mortgage-Backed Floating Rate Notes due 2051 (unrated); EUR 30 million Class C Floating Rate Notes due 2051 (unrated). As at 31 December 2018 these ratings were unchanged from their initial rating. The outstanding amount of the Class A1 Notes was EUR 1,433 million, while the outstanding amounts of the other classes of notes were still at their initial amount. Hence there was EUR 4,973 million outstanding under Penates-6 at 31 December 2018. The notes are held by Belfius Bank and its subsidiary Belfius Insurance Invest. The Penates -6 senior notes can be used as collateral in agreements with the European Central Bank or other counterparties.

Mercurius Funding is a Belgian securitisation vehicle with currently six compartments. It was established in 2012. One compartment, Mercurius-1, had outstanding notes at the end of 2018.

On 7 May 2012, Belfius closed a EUR 4,124 million SME (Small & Medium Enterprises) CLO securitisation transaction. The SPV, Mercurius Funding acting through its compartment Mercurius-1, securitised Belgian SME loans originated by Belfius and issued two classes of notes: EUR 3,200 million Class A SME Loan-Backed Fixed Rate Notes due 2035; EUR 924 million Class B SME Loan-Backed Fixed Rate Notes due 2037.

On 12 May 2014, the Mercurius-1 issued new notes: EUR 3,200 million Class A SME Loan-Backed Fixed Rate Notes due 2035 (Fitch A+(sf)/Moody's A1(sf)/DBRS A(high)(sf)); EUR 924 million Class B SME Loan-Backed Fixed Rate Notes due 2037 (not rated). The proceeds were used to purchase an additional portfolio of SME loans and to redeem the old notes.

At the end of 2018 the ratings on the Class A Notes were AA(sf) at DBRS and Aaa(sf) at Moody's. The outstanding balance of the Class A Notes and the Class B Notes decreased to respectively EUR 670 million and EUR 760 million. Hence there was EUR 1,430 million outstanding under Mercurius-1 at 31 December 2018.

The Mercurius notes are held by Belfius Bank and its subsidiary Belfius Ireland. The notes can be used as collateral in agreements with the European Central Bank or other counterparties.

BELFIUS BANK NV
STATUTORY AUDITOR'S REPORT TO THE SHAREHOLDERS' MEETING OF BELFIUS BANK SA FOR THE YEAR ENDED 31 DECEMBER 2018 (CONSOLIDATED FINANCIAL STATEMENTS)

In the context of the statutory audit of the consolidated financial statements of Belfius Bank SA ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 26 April 2017, in accordance with the proposal of the board of directors issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2019. Due to a lack of online archives dating back prior to 1997, we have not been able to determine exactly the first year of our appointment. We have performed the statutory audit of the consolidated financial statements of Belfius Bank SA for more than 22 consecutive periods.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of change in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 164 165 152 (000) EUR and the consolidated statement of income shows a profit (group share) for the year then ended of 649 028 (000) EUR.

In our opinion, the consolidated financial statements of Belfius Bank SA give a true and fair view of the group's net equity and financial position as of 31 December 2018 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
Impairments on loans & advances and debt securities The portfolio of loans & advances measured at amortized cost of Belfius Bank amounts to 89 302 446 (000) EUR at 31 December 2018, including a stock of 1 483 775 (000) EUR related to stage 1, 2 and 3 impairments. The portfolio of debt securities measured at amortized cost and at fair value through other comprehensive income amounts to 25 676 633 (000) EUR including a stock of 217 598 (000) EUR related to stage 1, 2 and 3 impairments. The determination of the allocation to stage 1, 2 or 3 of loans & advances and debt securities in accordance with IFRS 9 contains subjective elements and requires judgement from management, mainly related to the definition of 'significant increase in credit risk' which determines the scope of stage 1 and 2. The measurement of the IFRS 9 expected credit loss on a 12 month and full lifetime basis contains subjective elements and requires judgement from management, for example related to forward looking elements, economic scenarios, loss given defaults and probability of default. Given the significance of impairments on loans & advances and debt securities and the related estimation uncertainty, we consider the determination and measurement of impairments on loans & advances and debt securities as a key audit matter. Impairments on loans & advances and debt securities consist of: → Stage 1: performing credit exposures, for which there was no significant increase of credit risk since origination; → Stage 2: under-performing credit exposures, for which there has been a significant increase in credit risk between origination or purchase of the financial asset and reporting date; → Stage 3: non-performing credit exposures, for which there is an objective evidence that the financial asset is impaired. Please refer to note III accounting policies where in section 6.5 the accounting policies with respect to impairments are described, as well as note 5.4 concerning details on loans and advances and note 5.5 concerning details on debt securities.	Our audit approach included testing both the design and implementation of internal controls for determining impairments on loans & advances and debt securities as well as substantive audit procedures. Our audit procedures related to internal controls, consist of, among others: → the assessment of the design and implementation of the relevant internal control measures; → obtaining audit evidence in respect of key controls, showing the review and approval process that management has in place for: • the identification of events leading to the determination and measurement of impairments ; as well as • the governance in place supporting the management judgments. Our substantive audit procedures consist of, among others: → reading the minutes of Risk Committees and Default Committees; → challenging the completeness and accuracy of data included in credit impairment models; → challenging the methodologies and assumptions applied for determining impairments by using our industry knowledge and experience, focusing on potential changes since 1st January 2018; → obtaining audit evidence of management judgments, especially focusing on the reasonableness of the approach; → testing a sample of loans & advances and debt securities to ensure timely determination and measurement of the impairment charge: • for impairments in stage 3, we have performed, for a sample basis, detailed credit file reviews thereby challenging the assumptions taken in the context of the impairment. • for impairments in stage 1 and 2, we assessed the model used and tested the completeness and the accuracy of the input parameters.

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
Estimation uncertainty with respect to provision for litigations The group is involved in a number of litigations arising the ordinary course of its business activities. The recognition and measurement of provisions and the disclosure of contingent liabilities with respect to litigations require significant judgment by management. We have identified the following litigations as material: → Arco – Cooperative Shareholders cases; → Ethias case. Due to the significance of the uncertainties on the output of these claims and the judgements applied, auditing the adequacy of provision and disclosures on the litigations is considered a key audit matter. Please refer to note III accounting policies where in section 18 the accounting policies for provisions and contingent liabilities are described, as well as note 6.6 where the main litigations are disclosed in subsection 3.B.	We assess the design and implementation of key controls over financial reporting with respect to provisions for litigations and the disclosures of contingent liabilities. Key controls include amongst others controls over the assessment of the material litigations, their review and valuation if necessary. We evaluate the group's assessment of the nature and status of litigations and contingent liabilities. We consider the legal advice received by the group from in-house counsel as well as independent external legal counsel when relevant for certain of the more material litigations. For the material litigations, we obtain external confirmation directly from the group's independent external legal counsel. We examine the group's analysis and conclusions with respect to provisions and disclosures for material litigations by corrobative inquiry of management, and consider the confirmation by independent external legal counsel. Finally, we assess the completeness and accuracy of the disclosures on provisions and contingent liabilities. We also assess whether the disclosures are in compliance with the requirements included in the International Financial Reporting Standards as adopted by the European Union (IAS 37).

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS

Fair Value measurement of Level 2 and Level 3 financial instruments with higher risk characteristics

Financial instruments defined as Level 2 and Level 3 within the group's IFRS 13 fair value hierarchy disclosure present a higher exposure to risk of incorrect valuation.

Fair value measurement of the following Level 2 and Level 3 financial instruments are considered as a key audit matter in our audit procedures:

- loans and advances measured at fair value through profit or loss for 32 133 (000) EUR Level 2 and 1 787 934 (000) EUR Level 3;
- debt securities measured at fair value through other comprehensive income for 299 277 (000) EUR Level 2 and 285 688 (000) EUR Level 3;
- debt securities measured at fair value through profit or loss for 506 689 (000) EUR Level 2 and 444 235 (000) EUR Level 3;
- equity instruments measured at fair value through other comprehensive income for 298 832 (000) EUR Level 3;
- equity instruments measured at fair value through profit or loss for 381 (000) EUR Level 3;
- derivatives for 12 052 792 (000) EUR Level 2 and 714 199 (000) EUR Level 3 recognized on the asset side and 17 059 286 (000) EUR Level 2 and 680 871 (000) EUR Level 3 recognized on the liability side;
- borrowings and deposits measured at fair value through profit or loss for 51 563 (000) EUR Level 2;
- debt securities issued and other financial liabilities measured at fair value through profit or loss for 4 753 369 (000) EUR Level 2 and 2 556 005 (000) EUR Level 3.

Valuation of complex financial instruments requires important efforts from the group in terms of resources and governance. Our assessment is driven by multiple factors, including:

- the complexity of valuation models;
- the lack of adequacy of available market data for the purpose of valuing specific financial instruments;
- the necessity to use non-observable market data; and
- the high degree of judgement required.

The use of different valuation techniques and/or assumptions could produce significantly different fair values. Those factors concern amongst others the following components:

- the use of models for the valuation of complex Level 2 and Level 3 financial instruments;
- the fair value adjustments made to derivatives to reflect the counterparty credit risk (CVA/DVA) and funding risk (FVA);
- the necessity of using derived and/or illiquid pricing parameters as input for valuations of Level 2 and Level 3 financial instruments.

Please refer to note III accounting policies where in section 6.7 the accounting policies are described with respect to the fair value of financial instruments, as well as note 9.1 where in subsection 2 details are provided on the level classification of financial instruments.

Our audit procedures related to internal controls, consists of, among others:

- performing trade life-cycle product walkthrough to confirm our understanding of the group's processes and controls in the area of concluding and recording financial instrument transactions;
- getting an understanding of the control framework (including monitoring procedures) with regard to the valuation process of financial instruments;
- follow-up the proper and timely documentation of models and parameter choices and the formal approval thereof by competent committees;
- reading of model validation reports from the independent validation function.

Our substantive audit procedures consist of, among others:

- the assessment of market parameters and key assumptions used in the models on a sample basis;
- assessment whether valuation methodologies are based on market practices, on experts' experience, market knowledge and are in line with IFRS 13;
- identification of high judgmental areas by assessment of management impact analysis and notes of valuation specialists;
- independent revaluation of financial instruments on a sample basis by our valuation experts;
- reading of the disclosures in the financial statements on valuation to ensure compliance with IFRS requirements.

KEY AUDIT MATTERS

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS

IT Continuity and Integrity

Given the fact that the IT infrastructure is essential for the continuity and integrity of the operational activities of the group and for the financial and prudential reporting processes, we consider IT continuity and integrity a key audit matter.

This assessment is based on

- the multiplicity of IT applications;
- the very high volume of transactions;
- the fact that multiple applications are developed or tailored in house;
- the fact that qualitative information recorded at transaction level by the business is essential to the preparation of the financial statements and to the preparation of prudential reportings (i.e. nature of transactions, nature of counterparties, rating, etc.);
- the fact that outsourcing is an important element of the IT infrastructure.

Our control procedures involve the participation of IT audit experts.

Our controls procedures include amongst others:

- an assessment of the internal control procedures relating to General IT Controls applicable to IT components or applications considered as key in the financial reporting process;
- an assessment of the procedures related to additional internal controls performed by finance, business, and IT departments in respect of the integrity and quality of data and the interface between operational application systems and financial reporting systems.

Adequacy of the technical provisions for life insurance (including shadow accounting)

The provisions for Life insurance contracts amount to 12 643 869 (000) EUR per 31 December 2018.

The Liability Adequacy Test (LAT) as well as the applied shadow accounting are based on complex (model) calculations. Therefore, several economic and non-economic assumptions over future events that are not certain are taken into account. Moreover, these assumptions are partly based on the judgement of management.

Moreover, the complexity of the model (calculation) can be subject to errors because of inadequate data quality or not complete data, or because the internal control processes are inadequate.

In application of the valuation rules, the group applies shadow accounting, whereby non-realized investment result from Other Comprehensive Income (partially) is transferred to the insurance technical provisions. This accounting treatment is applied when the realization of unrealized gains recorded in Other Comprehensive Income related to financial instruments available for sale directly impact the valuation of the technical insurance provisions. As per 31 December 2018 the shadow accounting correction amounts to 21 902 (000) EUR.

Taking into account the importance of this balance sheet item as well as the impact on IFRS equity resulting from shadow accounting, we consider the adequacy of the provisions for life insurance (including shadow accounting) as a key audit matter.

Please refer to note III accounting policies where in section 8.2. the accounting policies are described with respect to technical insurance provisions (including shadow accounting), as well as note 6.5 Technical provisions of insurance companies.

Our audit procedures include, getting an insight in the group and its environment, including the internal control and governance that are relevant for the valuation of the technical provisions for life insurance, as well as the substantive testing of a.o. parameters, actuarial model setup and appropriate disclosures to the consolidated financial statements.

We have involved our actuarial specialists in carrying out these audit procedures.

Our audit procedures related to internal controls, consists of, among others:

- the assessment of the design and implementation of the relevant internal control measures (among others related to data quality);
- reading and assessing the documentation related to the choices of models and parameters, as well as the formal validation thereof by the competent committees;
- reading of the reports of the independent control functions (Risk Management and Actuarial Function).

Our substantive audit procedures consist of, among others:

- an assessment of the suitability of the used assumptions and methodologies;
- reading of minutes of the competent committees;
- verification of the movement analysis prepared by the group, in order to assess the reasonableness of the evolutions during the year;
- verification of the projected cash flows included in the adequacy test to assess the reasonableness;
- recalculation on a sample basis of elements included in the adequacy test;
- reconciliation on a sample basis of input data that are used for calculations with accounting information;
- verification of basis data that are used for the valuation of the technical provisions;
- verification of the disclosures included in the consolidated financial statements related to insurance contracts.

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
Adequacy of the technical provisions for Non-Life insurance The provisions for Non-Life technical provisions amount to 1 276 492 (000) EUR per 31 December 2018. These provisions comprise a claims reserve of 969 238 (000) EUR. On the one hand, the claims reserve has to be adequate in order to fulfill all obligations regarding the claims, as well for the reported claims as for the non reported claims. On the other hand, the adequacy test of the Non-Life technical provisions is based on complex calculations (modelized). The calculations are partly based on the judgement of management related to estimations of future uncertain results by using different assumptions. Moreover, the complexity of the model (calculation) can be subject to errors because of inadequate data quality or not complete data, or because the internal control processes are inadequate. Taking into account the above discussed considerations, we consider the adequacy of the provisions for Non-Life insurance as a key audit matter. Please refer to note III accounting policies where in section 8.2. the accounting policies are described with respect to technical insurance provisions, as well as note 6.5 Technical provisions of insurance companies.	Our audit procedures include, getting an insight in the group and its environment, including the internal control and governance that are relevant for the valuation of the technical provisions for Non-Life insurance, as well as the substantive testing of a.o. parameters, actuarial model setup and appropriate disclosures to the consolidated financial statements. We have involved our actuarial specialists in carrying out these audit procedures. Our audit procedures related to internal controls, consists of, among others: → the assessment of the design and implementation of the relevant internal control measures (among others related to data quality); → reading and assessing the documentation related to the choices of models and parameters, as well as the formal validation thereof by the competent committees; → reading of the reports of the independent control functions (Risk Management and Actuarial Function). → Our substantive audit procedures consist of, among others: → an assessment of the suitability of the used assumptions and methodologies; → reading of minutes of the competent committees; → verification of the movement analysis prepared by the group, in order to assess the reasonableness of the evolutions during the year; → recalculation on a sample basis of elements included in the adequacy test; → reconciliation on a sample basis of input data that are used for calculations with accounting information; → verification of basis data that are used for the valuation of the technical provisions; → verification of the disclosures included in the consolidated financial statements related to insurance contracts.

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS

Note on the capital position based on Solvency II regulation

As from 1 January 2016, the Solvency II provisions are applicable for (re)insurers. The introduction of this regulation has a significant impact, amongst others due to the complexity of the calculation of the required capital and the focus that is put on the business wide risk management.

Belfius Insurance is calculating the required capital based upon the Standard formula as included in the Solvency II regulation.

As of 31 December 2018, the consolidated Solvency II ratio of Belfius Insurance amounts to 203% (after expected dividend distribution). The ratio is calculated by dividing the Solvency II equity by the required capital (Solvency Capital Requirement or SCR).

Both the Solvency II consolidated market value balance sheet as well as the SCR are based on complex calculations that make use of important assumptions that can significantly impact the Solvency II ratio.

The quality of the data used in these calculations is of great importance. The governance process linked to data quality has to be designed adequately to guarantee the completeness, the accuracy and the adequacy of the used data.

Moreover, the use of model calculations can give rise to certain uncertainties that may impact the Solvency II ratio.

We refer to the section Capital Management of the Management Report for Belfius Insurance Solvency II ratio.

Our audit procedures are designed to identify material deficiencies related to the calculation of the Solvency II ratio. Our audit procedures consist of getting an insight in the group and its environment, including the relevant internal control procedures and governance for the solvency ratio calculation.

We have involved our actuarial specialists in performing our audit work.

With respect to internal control, we have performed, amongst others, the following procedures:

- → an assessment of the design and implementation of the relevant internal control processes for the calculation of the Solvency II ratio (a.o. concerning data quality);
- → reading and assessing the documentation related to the choices of models and parameters, as well as the formal validation by the competent committees;
- → reading of the reports of the independent control functions (Risk Management and Actuarial Function).

Our substantive audit procedures consist of, among others:

- → an assessment of the reasonableness of the used assumptions;
- → verification of completeness and accuracy of the changes made in the transition from the IFRS balance sheet to the Solvency II market value balance sheet. Our procedures consists among others of:
  - an assessment of the parameters and models used to determine the cash flows that are used in the calculation of the valuation of the technical provisions,
  - verification of the accuracy and completeness of the input data that are used for the calculation of the SCR,
  - verification of the calculations of the required capital per risk component, in line with the standard formula of the Solvency II regulation;
- → verification of the movement analysis prepared by the group, in order to assess the reasonableness of the evolutions during the year, with respect to the solvency ratio, the capital requirement per risk component and the market value balance sheet.

Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- → identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- → obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- → evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- → conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- → evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- → obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary (revised in 2018) to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the directors' report on the consolidated financial statements, i.e. the sections:

→ Belfius profile;
→ Belfius' mission and ambition;
→ other information (GRI, Abbreviations and Additional Information)

are free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement. We do not express any kind of assurance on the annual report.

The non-financial information as required by article 119, § 2 of the Companies Code, has been disclosed in the directors' report on the consolidated financial statements (section Management Report – Corporate Social Responsibility (CSR)) that is part of the annual report. This non-financial information has been established by the company in accordance with the standards. We do however not express any opinion on the question whether this non-financial information has been established, in all material respects, in accordance with these GRI standards. Furthermore, we do not express any form of assurance conclusion on individual elements that have been disclosed in this non-financial information.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit of the consolidated financial statements, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Zaventem, 29 March 2019

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
CVBA / SCRL
Represented by

Bernard De Meulemeester

Bart Dewael

NON-CONSOLIDATED FINANCIAL STATEMENTS
(BE GAAP)
as at 31 December 2018

BALANCE SHEET (AFTER APPROPRIATION)

Assets (In thousands of EUR)		31/12/17	31/12/18
I.	Cash in hand, balances with central banks and post office banks	9,436,631	7,477,238
II.	Treasury bills eligible for refinancing with central banks	2,003	1,000
III.	Loans and advances to credit institutions	14,473,372	13,799,255
	A. Repayable on demand	11,904,697	10,798,793
	B. Other loans and adv. (with agreed maturity dates)	2,568,675	3,000,462
IV.	Loans and advances to customers	75,535,580	84,164,986
V.	Debt securities and other fixed-income securities	19,530,570	16,184,687
	A. Issued by public bodies	6,687,017	5,713,415
	B. Issued by other borrowers	12,843,553	10,471,272
VI.	Shares and other variable-yield securities	102,014	188,112
VII.	Financial fixed assets	2,751,641	2,742,906
	A. Participating interests in affiliated enterprises	2,087,606	2,090,555
	B. Participating interests in other enterprises linked by participating interests	91,318	82,881
	C. Other shares held as financial fixed assets	52,717	49,470
	D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	520,000	520,000
VIII.	Formation expenses and intangible fixed assets	122,067	132,277
IX.	Tangible fixed assets	571,075	551,220
X.	Own shares	0	0
XI.	Other assets	2,722,427	1,570,614
XII.	Deferred charges and accrued income	18,558,627	16,591,747
TOTAL ASSETS		143,806,007	143,404,042

Liabilities

(In thousands of EUR)

		31/12/17	31/12/18
I.	Amounts owed to credit institutions	10,994,944	9,709,758
	A. Repayable on demand	5,377,884	4,225,543
	B. Amounts owed as a result of the rediscounting of trade bills	0	0
	C. Other debts with agreed maturity dates or periods of notice	5,617,060	5,484,215
II.	Amounts owed to customers	77,721,502	81,517,162
	A. Savings deposits	35,936,622	38,115,035
	B. Other debts	41,784,880	43,402,127
	1. Repayable on demand	26,148,888	28,497,247
	2. With agreed maturity dates or periods of notice	15,635,992	14,904,880
	3. As a result of the rediscounting of trade bills	0	0
III.	Debts evidenced by certificates	27,846,175	26,461,702
	A. Debt securities and other fixed-income securities in circul.	22,690,260	23,024,367
	B. Other	5,155,915	3,437,335
IV.	Other liabilities	3,424,603	2,217,676
V.	Accrued charges and deferred income	13,890,810	12,980,531
VI.	A. Provisions for liabilities and charges	173,794	182,481
	1. Pensions and similar obligations	240	226
	2. Taxation	32,415	34,710
	3. Other liabilities and charges	141,139	147,546
	B. Deferred taxes	0	2,170
VII.	Fund for general banking risks	988,737	988,737
VIII.	Subordinated liabilities	1,183,178	1,698,511
CAPITAL AND RESERVES		**7,582,264**	**7,645,314**
IX.	Capital	3,458,066	3,458,066
	A. Subscribed capital	3,458,066	3,458,066
	B. Uncalled capital (-)	0	0
X.	Share premium account	209,232	209,232
XI.	Revaluation surpluses	215	212
XII.	Reserves	3,914,751	3,977,803
	A. Legal reserve	345,807	345,807
	B. Reserves not available for distribution	2,344	2,344
	1. In respect of own shares held	0	0
	2. Other	2,344	2,344
	C. Untaxed reserves	26,167	31,333
	D. Reserves available for distribution	3,540,433	3,598,319
XIII.	Profits (losses (-)) brought forward	0	0
TOTAL LIABILITIES		143,806,007	143,404,042

OFF-BALANCE SHEET

(In thousands of EUR)		31/12/17	31/12/18
I.	Contingent liabilities	15,867,878	15,606,062
	A. Non-negotiated acceptances	80,418	98,897
	B. Guarantees serving as direct credit substitutes	14,074,189	13,528,450
	C. Other guarantees	1,575,934	1,823,264
	D. Documentary credits	137,337	155,451
	E. Assets charged as collateral security on behalf of third parties	0	0
II.	Commitments which could give rise to a risk	25,830,215	25,472,469
	A. Firm credit commitments	327,327	475,437
	B. Commitments as a result of spot purchases of transferable or other securities	321,911	128,604
	C. Undrown margin on confirmed credit lines	25,180,977	24,868,428
	D. Underwriting and placing commitments	0	0
	E. Commitments as a result of open-ended sale and repurchase agreements	0	0
III.	Assets lodged with the credit institution	109,622,459	109,573,456
	A. Assets held by the credit institution for fiduciary purposes	0	0
	B. Safe custody and equivalent items	109,622,459	109,573,456
IV.	Uncalled amounts of share capital	17,023	16,515

STATEMENT OF INCOME (PRESENTATION IN LIST FORM)

(In thousands of EUR)		31/12/17	31/12/18
I.	Interest receivable and similar income	2,448,428	2,321,365
	of which: from fixed-income securities	476,292	358,692
II.	Interest payable and similar charges (-)	(1,141,959)	(1,102,395)
III.	Income from variable-yield securities	162,048	159,634
	A. From shares and other variable-yield securities	7,491	8,476
	B. From participating interests in affiliated enterprises	148,538	142,569
	C. From participating interests in other enterprises linked by participating interests	2,951	6,638
	D. From other shares held as financial fixed assets	3,068	1,951
IV.	Commissions receivable	633,828	603,766
	A. Brokerage and commissions	0	0
	B. Allowances for services of administration, advice and custody	0	0
	C. Other commissions receivable	633,828	603,766
V.	Commissions payable (-)	(413,400)	(382,972)
VI.	Profit (loss (-)) on financial transactions	78,712,	53,874,
	A. On trading of securities and other financial instruments	135,	(426,394)
	B. On disposal of investment securities	78,577	480,268
VII.	General administrative expenses (-)	(942,457)	(992,419)
	A. Remuneration, social security costs and pensions	(485,189)	(499,983)
	B. Other administrative expenses	(457,268)	(492,436)
VIII.	Depreciation/Amortization of and other write-downs on (-) formation expenses, intangible and tangible fixed assets	(75,010)	(84,876)
IX.	Decrease/Increase (-) in write-downs on receivables and in provisions for off balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	(91,733)	(92,808)
X.	Decrease/Increase (-) in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	72,678,	(70)
XI.	Utilization and write-backs of provisions for liabilities and charges other than those included in the off balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	43,157,	44,533
XII.	Provisions for liabilities and charges other than those included in the off balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	(48,935)	(27,984)
XIII.	Transfer from (Transfer to) the fund for general banking risks	0	0
XIV.	Other operating income	235,846	156,538
XV.	Other operating charges	(188,025)	(180,220)
XVI.	Profits (Losses (-)) on ordinary activities before taxes	773,178	475,966
XVII.	Extraordinary income	71,536	32,675
	A. Adjustments to depreciation/amortization of and to other write-downs on intangible and tangible fixed assets	44,537	0
	B. Adjustments to write-downs on financial fixed assets	4,001	0
	C. Adjustments to provisions for extraordinary liabilities and charges	0	0
	D. Gain on disposal of fixed assets	22,998	32,675
	E. Other extraordinary income	0	0
XVIII.	Extraordinary charges (-)	(8,152)	(5,268)
	A. Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets	(3,985)	(1,428)
	B. Write-downs on financial fixed assets	(2,862)	(41)
	C. Provisions for extraordinary liabilities and charges	0,	0
	D. Loss on disposal of fixed assets	(1,242)	(1)
	E. Other extraordinary charges	(63)	(3,798)
XIX.	Profits (Losses (-)) for the period before taxes	836,562	503,373
XIX*bis*.	A. Transfer to deferred taxes (-)	0	(2,170)
	B. Transfer from deferred taxes	0	0
XX.	Income taxes	(85,417)	(75,153)
	A. Income taxes (-)	(87,747)	(123,845)
	B. Adjustement of income taxes and write-back of tax provisions	2,330	48,692
XXI.	Profits (Losses (-)) for the period	751,145	426,050
XXII.	Transfer to untaxed reserves (-)	0	(5,166)
	Transfer from untaxed reserves	0	0
XXIII.	Profit (Losses (-)) for the period available for approbation	751,145	420,884

APPROBATION ACCOUNT

(In thousands of EUR)		31/12/17	31/12/18
A.	Profits (Losses (-)) to be appropriated	751,145	420,884
	1. Profits (Losses (-)) for the period available for approbation	751,145	420,884
	2. Profits (Losses (-)) brought forward	0	0
B.	Transfers from capital and reserves	0	0
	1. From capital and share premium account	0	0
	2. From reserves	0	0
C.	Appropriations to capital and reserves	388,145	57,884
	1. To capital and share premium account	0	0
	2. To legal reserve	0	0
	3. To other reserves	388,145	57,884
D.	Result to be carried forward	0	0
	1. Profits to be carried forward (-)	0	0
	2. Losses to be carried forward	0	0
E.	Shareholders' contribution in respect of losses	0	0
F.	Distribution of profits (-)	363,000	363,000
	1. Dividends(1)	363,000	363,000
	2. Director's entitlements(1)	0	0
	3. Other allocations(1)	0	0

(1) Only applicable to Belgian limited liability companies

BELFIUS BANK NV
STATUTORY AUDITOR'S REPORT TO THE SHAREHOLDERS' MEETING ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018

We refer to the annual report publisched in Dutch or French.

GLOBAL REPORTING INITIATIVE (GRI) - TABLE

GRI Stand-ard	GRI Disclosure	References (→)/information	Page num-ber	Omission	Link to SDG (based on SDG Compass)
GRI 102: GENERAL DISCLOSURES					
GRI 102 :GENERAL DISCLOSURES - ORGANIZATIONAL PROFILE					
102-1	Name of the organization	Belfius Bank NV			
102-2	Activities, brands, products, and services	→ Profile of Belfius	2		
102-3	Location of headquarters	Place Charles Rogier 11, B-1210 Brussel			
102-4	Location of operations	Belgium			
102-5	Ownership and legal form	Public limited company			
102-6	Markets served	→ Segment reporting	59		
102-7	Scale of the organization	→ Profile of Belfius, Key Figures	2, 5		
102-8	Information on employees and other workerss	→ HR, Rotating people and talent in-house and externally	46	Whether a significant portion of the organization's activities are performed by workers who are not employees was not disclosed by Belfius due to the sensitivity of this informations.	#8 Decent work and economic growth
102-9	Supply chain	→ Profile of Belfius → CSR, Sustainable purchasing, Honest banking and the fight against fraud	2 39		
102-10	Significant changes to the organization and its supply chain	→ Management Report, Message from the chairmen	10		
102-11	Precautionary Principle or approach	→ Risk management	88		
102-12	External initiatives	→ CSR, Belfius and CSR	14		
102-13	Membership of associations	→ CSR, Belfius and CSR	14		
GRI 102 :GENERAL DISCLOSURES - STRATEGY AND ANALYSIS					
102-14	Statement from senior decision-maker	→ Management Report, Message from the chairmen	10		
GRI 102 : GENERAL DISCLOSURES - ETHICS AND INTEGRITY					
102-16	Values, principles, standards, and norms of behavior	→ Human Resources - Developing the new culture of enterprise	41		
GRI 102 : GENERAL DISCLOSURES - GOVERNANCE					
102-18	Governance structure	→ Corporate Governance	120		
102-22	Composition of the highest governance body and its committees	→ Corporate Governance	120		
102-24	Nominating and selecting the highest governance body	→ Corporate Governance	120		

GRI Standard	GRI Disclosure	References (→)/information	Page number	Omission	Link to SDG (based on SDG Compass)
GRI 102 : GENERAL DISCLOSURES - STAKEHOLDER ENGAGEMENT					
102-40	List of stakeholder groups	→ CSR, Materiality Analysis & dialogue with stakeholders	16		
102-41	Collective bargaining agreements	In 2018, 96,03% of the employees are covered by a collective bargaining agreement. Only the Board of Directors, executives and senior management are not covered by collective bargaining agreements but are covered by a 'management contract'.			#8 Decent work and economic growth
102-42	Identifying and selecting stakeholders	→ CSR, Materiality Analysis & Stakeholder Engagement	16		
102-43	Approach to stakeholder engagement	→ CSR, Materiality Analysis & Stakeholder Engagement	16		
102-44	Key topics and concerns raised	→ CSR, Materiality Analysis & Stakeholder Engagement	16		
GRI 102 : GENERAL DISCLOSURES - REPORTING PRACTICE					
102-45	Entities included in the consolidated financial statements	Consolidated financial statements	144		
102-46	Defining report content and topic Boundaries	The financial consolidation boundary of Belfius Group is applied unless otherwise stated.			
102-47	List of material topics	→ CSR, Materiality Analysis & Stakeholder Engagement	16		
102-48	Restatements of information	Restatements were done in the following sections: Key figures (sustainable funds), Evolution in sustainably managed funds	5, 27		
102-49	Changes in reporting	There are no changes in reporting compared to the Annual Report 2017			
102-50	Reporting period	Fiscal year from 1 January 2018 to 31 December 2018			
102-51	Date of most recent report	The most recent report containing economic, environmental and social information is the Annual Report 2017			
102-52	Reporting cycle	Annual			
102-53	Contact point for questions regarding the report	csr@belfius.be			
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.			
102-55	GRI content index	→ Annual report, GRI Content Table	338		
102-56	External assurance	Belfius' statutory auditor Deloitte Reviseurs d'Entreprises/ Bedrijfsrevisoren reviewed the Annual Report to assure the presence of the information required by the legislation on the disclosure of non-financial and diversity information (transposition of Directive 2014/95/EU)	318		
GRI 103 : MANAGEMENT APPROACH					
103-1	Explanation of the material topic and its Boundaries	Material topic boundaries, management approaches and their respective evaluation methods are explained together with the particular practice discussed. → CSR, Materiality Analysis & Stakeholder Engagement → CSR → HR	 16 14 41		
103-2	The management approach and its components				
103-3	Evaluation of the management approach				
GRI 201 : ECONOMIC PERFORMANCE					
201-1	Direct economic value generated and distributed	→ Consolidated Financial Statements → CSR, Sound Ethical Foundation, Tax Transparency	144 13		#5 Gender equality #7 Affordable and clean energy #8 Decent work and economic growth #9 Industry, innovation and infrastructure

GRI Standard	GRI Disclosure	References (→)/information	Page number	Omission	Link to SDG (based on SDG Compass)
GRI 203 : INDIRECT ECONOMIC IMPACTS					
203-1	Infrastructure investments and services supported	→ CSR, The social impact of Belfius's activities - Social impact via "Smart Belgium"	21		#8 Decent work and economic growth #9 Industry, innovation and infrastructure #10 Reduced inequalities #11 Sustainable cities and communities
203-2	Significant indirect economic impact	→ CSR, The social impact of Belfius's activities	20		
GRI 205 : ANTI-CORRUPTION					
205-1	Operations assessed for risks related to corruption	A new anti-bribery policy was developed and implemented in 2018	34		
205-3	Confirmed incidents of corruption and actions taken	In 2018, no corruption-related incidents were recorded. → CSR, Honest banking and the fight against fraud	33		
GRI 301 : MATERIALS					
301-1	Materials used by weight and volume	This is mainly covering paper consumption, which shows a decreasing trend. → CSR, The direct impact that Belfius has on the environment and the climate - Sustainability in buildings and mobility	36		#12 Responsible consumption and production
GRI 302 : ENERGY					
302-1	Energy consumption within the organization	→ CSR, The direct impact that Belfius has on the environment and the climate - Sustainability in buildings and mobility	36		#7 Affordable and clean energy #13 Climate action
302-2	Energy consumption outside of the organization	→ CSR, The direct impact that Belfius has on the environment and the climate - Sustainability commuting remains one of our strengths at Belfius	38		
302-4	Reduction of energy consumption	→ CSR, The direct impact that Belfius has on the environment and the climate - Sustainability in buildings and mobility	36		
GRI 305 : EMISSIONS					
305-1	Direct (Scope 1) GHG emissions	→ CSR, The direct impact that Belfius has on the environment and the climate - The Belfius Group's carbon footprint	40		#3 Good health and well-being #13 Climate action
305-2	Energy indirect (Scope 2) GHG emissions	→ CSR, The direct impact that Belfius has on the environment and the climate - The Belfius Group's carbon footprint	40		
305-3	Other indirect (Scope 3) GHG emissions	→ CSR, The direct impact that Belfius has on the environment and the climate - The Belfius Group's carbon footprint	40		
GRI 306 : EFFLUENTS AND WASTE					
306-2	Waste by type and disposal method	All waste mentioned concerns non-hazardous waste and is recycled, except for the residual waste, which is incinerated. This information was provided by the waste disposal contractor. → CSR, The direct impact that Belfius has on the environment and the climate - Sustainability in buildings and mobility	36		#3 Good health and well-being
GRI 401 : EMPLOYMENT					
401-1	New employee hires and employee turnover	→ HR, Investing in new talent	43		#5 Gender equality #8 Decent work and economic growth
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits provided to employees are assigned depending on the level of the employee and proportionate to their gross salary. There is no specific differentation based on the contract type of employees.			
401-3	Parental leave	→ HR, Further development of a policy on wellbeing	47		

GRI Standard	GRI Disclosure	References (→)/information	Page number	Omission	Link to SDG (based on SDG Compass)
GRI 403 : OCCUPATIONAL HEALTH AND SAFETY					
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Given the nature of Belfius's business activities, only absenteeism is reported. → HR, Further development of a policy on wellbeing	47		#3 Good health and well-being #8 Decent work and economic growth
403-4	Health and safety topics covered in formal agreements with trade unions	→ -> HR, Encouraging commitment through empowerment	42		
GRI 404 : TRAINING AND EDUCATION					
404-1	Average hours of training per year per employee	→ HR, Investing in 'Learning & Development'	45		«#8 Decent work and economic growth #4 Quality education and lifelong learning»
404-3	Percentage of employees receiving regular performance and career development reviews	All Belfius employees receive regular performance review interviews and/or career interviews. This takes place during the annual evaluation interviews, during any interim evaluation interviews and during the target setting interviews			
GRI 405 : DIVERSITY AND EQUAL OPPORTUNITY					
405-1	Diversity of governance bodies and employees	→ HR, Investing in new talent → HR, Rotating people and talent in house and externally	43 46		#5 Gender equality #8 Decent work and economic growth
GRI 418 : CUSTOMER PRIVACY					
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	→ CSR, Sound ethical foundations - Respect for the opinion of customers, Complaints on Human rights and Privacy → CSR, Sound ethical foundations - Respect for the opinion of customers, Data privacy	31 33		
FINANCIAL SUPPLEMENT					
FS1	Policies with specific environmental and social components applied to business lines	→ CSR, The Social impact of Belfius's activities - Credit policy as a socioeconomic driver	20		#8 Decent work and economic growth #9 Industry, innovation and infrastructure #10 Reduced inequalities #11 Sustainable cities and communities
FS2	Procedures for assessing and screening environmental and social risks in business lines	→ CSR, The Social impact of Belfius's activities - Sustainable and responsible investing	24		
FS6	Percentage of portfolio by business line by region, size and sector.	→ CSR, The Social impact of Belfius's activities → Segment Reporting	59		
FS7	Monetary value of products and services developed in order to obtain specific social benefits by business line and purpose	→ CSR, The Social impact of Belfius's activities - Philanthropy via Wealth Management → CSR, The Social impact of Belfius's activities - Social products: exclusive to Belfius	30 31		
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	→ CSR, The Social impact of Belfius's activities - Credit policy as a socioeconomic driver → CSR, The Social impact of Belfius's activities - Leasing opts strategically for green, circular and digital	23 30		
FS11	Percentage of assets that have undergone positive or negative environmental and social screening.	→ CSR, The Social impact of Belfius's activities - Sustainable and responsible investing	24		
FS14	Initiatives to improve access to financial services for disadvantaged people	→ CSR, The Social impact of Belfius's activities - Social products: exclusive to Belfius	31		

ABBREVIATIONS

Acronym	
ABS	Asset-Backed Securities
AFS	Available For Sale
ALM	Asset-Liability Management
AUM	Assets Under Management
B/S	Balance Sheet
bp	Basis Point
C/I	Cost-Income
CET 1	Common Equity Tier 1
CoR	Cost of Risk
CVA	Credit Value Adjustment
CRD	Capital Regulative Directive
CRR	Capital Regulative Regulation
DCL	Dexia Crédit Local
DSFB	Dexia Secured Funding Belgium
EAD	Exposure at Default
EBA	European Banking Authority
ECB	European Central Bank
GDP	Gross Domestic Product
GIPS-countries	Greece, Ireland, Portugal and Spain
IRB	Internal Rate Based
LCM	Liquidity and Capital Management
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LT	Long Term
LTRO	Long-Term Refinancing Operations
MCRE	Maximum Credit Risk Exposure
MREL	Regulatory Technical Standards on minimum requirement for own funds and eligible liabilities
NBB	National Bank of Belgium
NIG	Non-Investment Grade
NSFR	Net Stable Funding Ratio
P&L	Profit and Losses
RoNRE	Return on Normative Regulatory Equity
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
T-LTRO	Targeted Long-Term Refinancing Operations
VaR	Value at Risk

ADDITIONAL INFORMATION

ADDITIONAL ADDRESSES OF BELFIUS BANK AND BELFIUS INSURANCE'S MAIN SUBSIDIARIES (1)

Belfius Auto Lease
Operational vehicle leasing and car fleet management, maintenance and claims management services
Place Charles Rogier 11 – B-1210 Brussels
Tel.: + 32 2 285 35 94
www.belfius-autolease.be

Belfius Commercial Finance
Financing commercial loans to debtors, debtor insolvency risk cover and debt recovery from debtors
Place Charles Rogier 11 – B-1210 Brussels
Tel.: + 32 2 285 26 11
www.belfius-commercialfinance.be

Belfius Insurance
Insurance company marketing life and non-life insurance products, savings products and investments for individuals, the self-employed, liberal professions, companies and the public and social sector
Place Charles Rogier 11 – B-1210 Brussels
Tel.: + 32 2 286 76 11
www.dvvlap.be
www.belfius-insurance.be

Belfius Insurance Invest
Investment management company for Belfius Insurance
Place Charles Rogier 11 – B-1210 Brussels
Tel.: + 32 2 286 69 22

Belfius Investment Partners
Collective Investment Management Company
Place Charles Rogier 11 – BE-1210 Brussels
Tel.: +32 2 222 12 01
www.belfiusip.be

Belfius Ireland Unlimited Company
Managing a Public Sector bond portfolio
23,Shelbourne Road – IRL-IFSC Dublin 4
Tel.: + 353 15 31 15 00

Belfius Lease
Financial leasing and renting of professional capital goods to the public sector
Place Charles Rogier 11 – B-1210 Brussels
Tel.: + 32 2 222 37 08
www.belfius-lease.be

Belfius Lease Services
Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions
Place Charles Rogier 11 – B-1210 Brussels
Tel.: + 32 2 222 37 08
www.belfius-lease.be

Corona
Direct life and non-life insurance products for individuals
Avenue de la Métrologie 2 – B-1130 Brussels
Tel.: + 32 2 244 22 11
www.coronadirect.be

Crefius
Granting and managing mortgage loans

Registered office
Place Charles Rogier 11 – B-1210 Brussels
Tel.: + 32 2 222 11 11

Operating offices
Chaussée de Dinant 1033 – B-5100 Wépion
Tel.: + 32 81 46 82 11

H. Consciencestraat 6 – B-8800 Roeselare
Tel.: + 32 51 23 21 11
www.crefius.com

Elantis
Granting and managing mortgage loans and consumer loans through a network of contributors

Registered office
Rue des Clarisses 38 – B-4000 Liège
Tel.: + 32 4 232 45 45

Operating office
Boulevard Saint-Michel 50 – B-1040 Brussels
Tel.: + 32 2 732 12 12
www.elantis.be

The Studio
Digital lab aimed to develop and commercialize technological solutions
Place Charles Rogier 11 – B-1210 Brussels
Tel.: + 32 2 222 09 36

(1) Are included in this list: all subsidiaries and the branch which are operating in the banking and insurance sector (or whose operations are contributing to banking and insurance activities).

GENERAL INFORMATION ABOUT BELFIUS BANK

Company name and legal form
Belfius Bank SA

Contact
Tel.: + 32 2 222 11 11

Registered office
Place Charles Rogier 11
B-1210 Brussels

Main postal address
Place Charles Rogier 11
B-1210 Brussels

Company number
RPM Brussels VAT BE 403.201.185

FSMA number
19649 A

Website
www.belfius.be

COMPLAINTS

If you encounter a problem, you can take it initially to your branch or your relationship manager. If your problem is not resolved, then contact the Complaints department.

Belfius Bank
Complaints department – RT 23/14
Place Charles Rogier 11
B-1210 Brussels
E-mail: *claim@belfius.be*

If you are not satisfied with the response you receive, you can turnto the Negotation department of Belfius Bank

Belfius Bank
Negotiation department – RT 23/17
Place Charles Rogier 44
B-1210 Brussels
E-mail: *negotiation@belfius.be*

If you are a natural person acting in a private capacity and you are not satisfied with the responses you have received from the Bank's official bodies mentioned above, you can take your complaint to the Ombudsman in financial conflicts if it relates to banking products.

Ombudsman in financial conflicts
North Gate II
Boulevard du Roi Albert II 8, boîte 2
B-1000 Brussels
Tel.: +32 2 545 77 70
Fax: +32 2 545 77 79
E-mail: *Ombudsman@Ombudsfin.be*

For insurance products, you can take your complaint to the Insurance Ombudsman.

Insurance Ombudsman
Square de Meeûs 35
B-1000 Brussels
E-mail: *info@ombudsman.as*

CONTACT

For further general info over Belfius Bank & Insurance, feel free to surf *www.belfius.be*.

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).

And, of course, you can always follow us on the social networks: :

facebook.com/Belfius
twitter.com/Belfius
LinkedIn.com/company/Belfius
YouTube.com/BelfiusBe

Belfius Bank & Insurance

Editor-in-Chief: Belfius Banque SA, Place Charles Rogier 11, 1210 Brussels