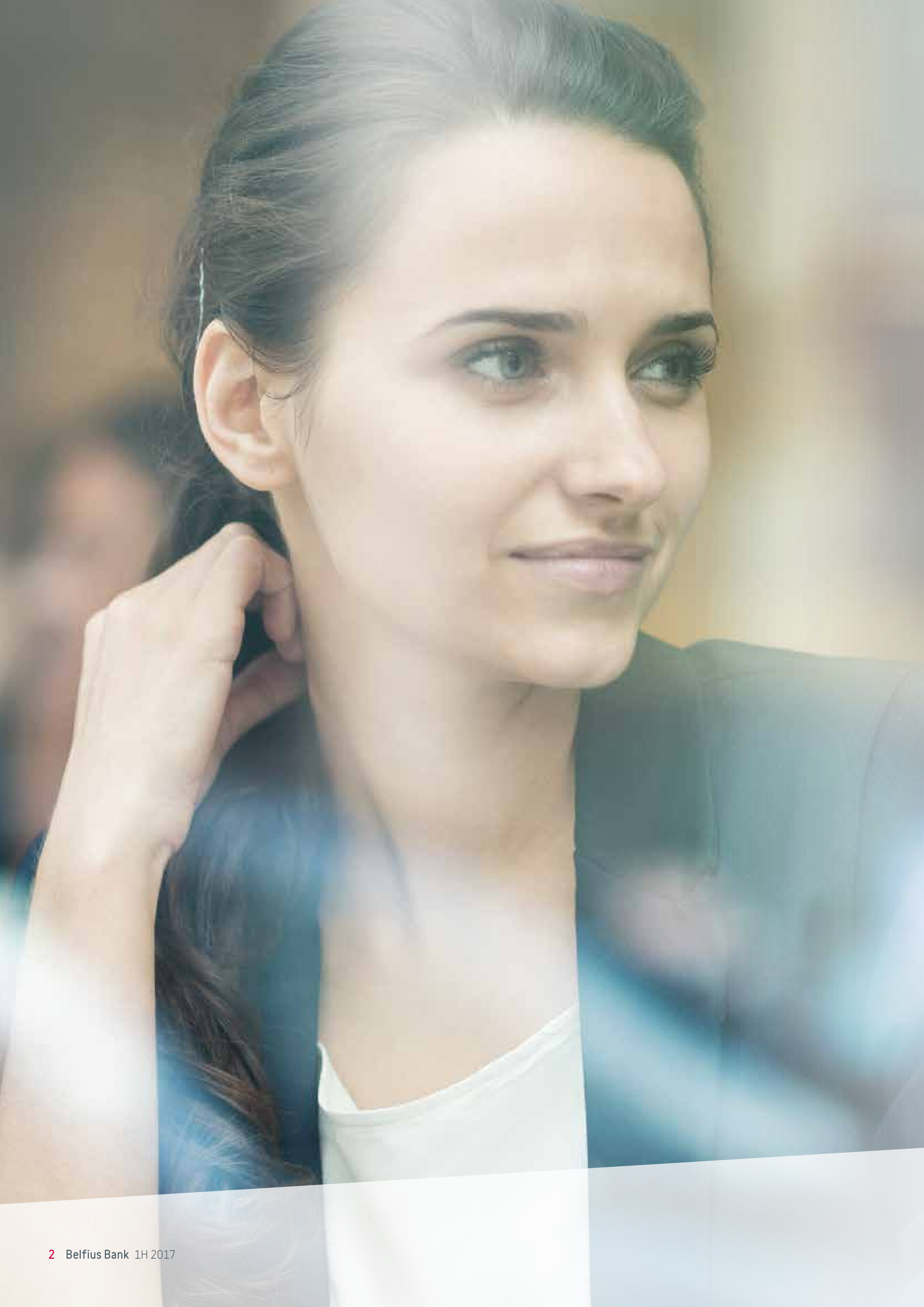
Half-yearly report

2017

Belfius
Bank & Insurance

Contents



Management report

Key Figures and Ratings

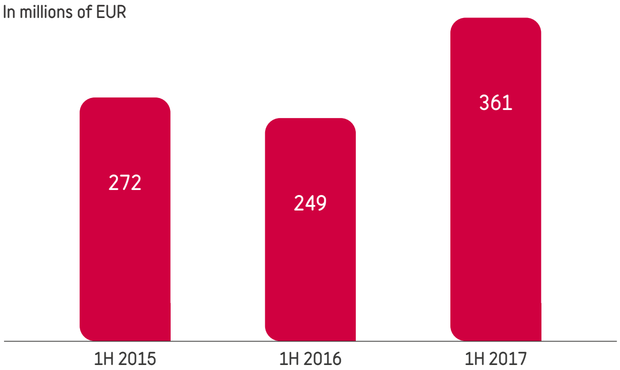
Key figures

Consolidated statement of income (In millions of EUR)	1H 2015	1H 2016	1H 2017
INCOME	1,084	1,052	1,136
EXPENSES	(673)	(673)	(662)
GROSS OPERATING INCOME	411	378	474
Cost of risk	(33)	(30)	(24)
Impairments on (in)tangible assets	0	3	(5)
NET INCOME BEFORE TAX	378	351	445
Tax expense	(106)	(101)	(84)
NET INCOME AFTER TAX	272	249	361
Non-controlling interests	0	0	0
NET INCOME GROUP SHARE	272	249	361
of which			
Bank	127	117	235
Insurance	145	133	126

Consolidated balance sheet (In millions of EUR)	31/12/15	31/12/16	30/06/17
TOTAL ASSETS	176,962	176,721	171,639
of which			
Loans and advances due from banks and central banks	*24,894*	*27,114*	*25,497*
Loans and advances to customers	*87,189*	*89,702*	*90,683*
Investments held to maturity	*5,017*	*5,393*	*5,514*
Financial assets measured at fair value through profit or loss	*3,223*	*2,986*	*3,742*
Financial assets available for sale	*19,734*	*18,820*	*17,243*
Derivatives	*25,944*	*25,307*	*21,666*
TOTAL LIABILITIES	168,302	167,709	162,351
of which			
Due to banks	*11,538*	*12,582*	*14,687*
Customers borrowings and deposits	*68,163*	*74,171*	*75,020*
Financial liabilities measured at fair value through profit or loss	*6,916*	*7,524*	*8,106*
Debt securities and subordinated debts	*28,691*	*25,380*	*23,942*
Derivatives	*30,060*	*29,573*	*22,954*
TOTAL EQUITY	8,660	9,012	9,288
of which			
Core shareholders' equity	*8,309*	*8,694*	*8,915*
Gains and losses not recognised in the statement of income	*350*	*318*	*373*

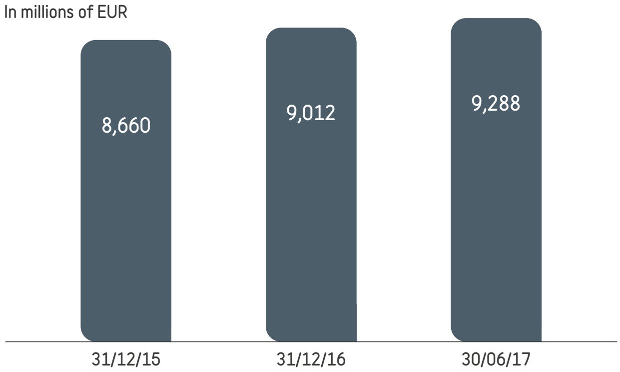
Net income group share

In millions of EUR



Total equity

In millions of EUR



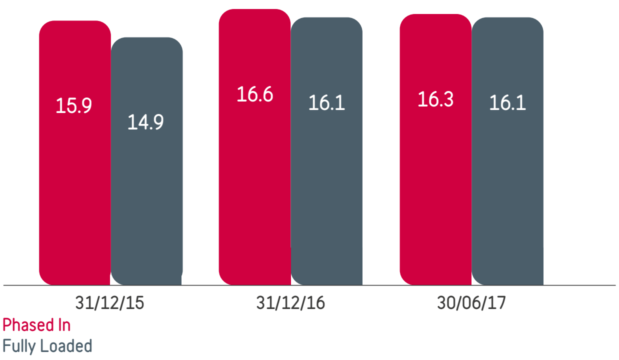
Ratios	FY 2015	FY 2016	1H 2017
Return on equity (ROE)	6.3%	6.4%	8.3%
Return on assets (ROA)	0.27%	0.30%	0.41%
Cost-income ratio (C/I ratio)	63.9%	60.5%	58.3%
Asset quality ratio	2.29%	2.54%	2.23%
Coverage ratio	57.1%	54.4%	59.4%
Liquidity Coverage Ratio (LCR)	132%	127%	128%
Net Stable Funding Ratio (NSFR)	108%	110%	115%

Solvency ratios	31/12/15	31/12/16	30/06/17
CET 1 ratio Phased In(1)	15.9%	16.6%	16.3%
CET 1 ratio Fully Loaded(1)	14.9%	16.1%	16.1%
Total capital ratio Phased In(1)	17.7%	19.4%	19.1%
Total capital ratio Fully Loaded(1)	16.2%	18.4%	18.5%
Leverage ratio Phased In	5.3%	5.4%	5.4%
Leverage ratio Fully Loaded	4.9%	5.3%	5.3%
Solvency II ratio (before dividend)	209%(2)	217%	234%
Solvency II ratio (after dividend)	199%(2)	207%	228%

(1) For the determination of the Common Equity Tier 1 capital 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.

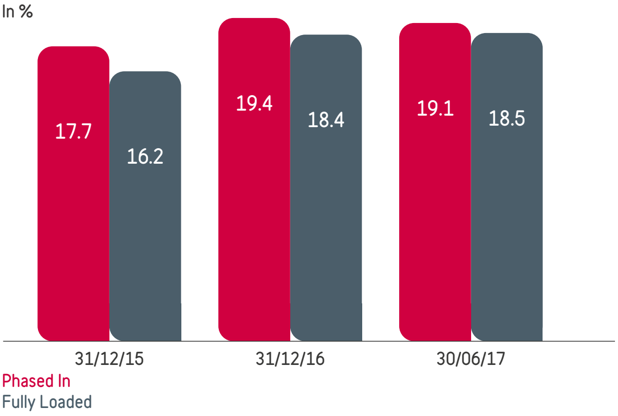
CET 1 ratio

In %



Total capital ratio

In %



Ratings of Belfius Bank as at 30 August 2017

	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	bbb+	A-	Stable	A-2

(1) Intrinsic creditworthness

Highlights

Strong 1H 2017 results achieved by Belfius

- In a very challenging interest rate environment, Belfius records a **net income 1H 2017 of EUR 361 million**, up 45% compared to 1H 2016.
- This strong increase of the net profit reflects the continued **successful implementation of the bank-insurance model leading to growing commercial volumes** (investments, loans as well as non-life insurance contracts). Furthermore, 1H 2017 net profit benefits from excellent financial management and more favourable financial markets than last year. In addition, despite the important investments in digitalisation, Belfius is able to continue its strict cost control, and further improve its **cost-income ratio** to **58.3%**.
- These results confirm the **effectiveness of Belfius' strategy focused on Belgian anchored sustainable activities**, governed by a solid financial and risk management framework and acting as crucial support to the Belgian economy.

Remarkable commercial dynamics

- The **commercial business lines** at Belfius **performed well**, with a y-o-y organic growth in client investments of EUR 2.1 billion, a 6% growth in written premiums for non-life insurance and EUR 7.4 billion new long-term lending granted to the Belgian economy in 1H 2017, an increase of 12% y-o-y.

Retail and Commercial

- **Excellent growth in AUM** of Retail, Private & Business Customers : up 4.4% y-o-y to reach EUR 105 billion at the end of 1H 2017.
- **Strong loan growth**: the production of mortgage loans increased by 15% and new long term loans to Business customers rose by 14%.
- **Increasing Non-Life premiums written**, with most remarkable growth of 13% y-o-y in the bank distribution.
- During 1H 2017, Belfius welcomed **147,000 new active customers**.
- End of June 2017, Belfius is close to exceeding the threshold of **1 million active mobile app-users**.

Public and Corporate

- In line with Belfius' strategy to duly assist the economic development of the Belgian Corporate segment, Belfius granted EUR 1.8 billion to its **corporate customers** during 1H 2017, a 23% growth y-o-y. With a participation rate of 56%, Belfius also confirmed its strong presence in the debt capital market activities of these customers.
- Despite a historically still low demand for investment loans within the **public and non-profit sector** in Belgium, Belfius continues to confirm its **clear leadership** in financial services for these customers and is able to diversify its income generation capacity by keeping its participation rate in debt capital markets mandates granted by these customers at the leading level of 86% in 1H 2017.

Strong capital base (both for bank and insurance) and sound financial profile

- The continuation of the successful diversification strategy in funding, the excellent net profit of 1H 2017 and strong performances of the commercial activities within a strict financial & risk framework, underpin **Belfius' solid liquidity and solvency position**:
  - **Fully Loaded CET 1 ratio** remains stable at a solid level of **16.1%**
  - **LCR** stands at **128%** and **NSFR** at **115%**
- With a **Solvency II ratio** of **228%** at the end of 1H 2017, Belfius Insurance also displays a solid solvency.
- As a result of the strong results and benign financial markets, **total equity** amounted to EUR 9.3 billion, which is EUR 0.3 billion higher than the level at the end of 2016.

"Again this year, and subject to approval by all the competent authorities, our excellent half-yearly results offer us the opportunity to pay an interim dividend of EUR 75 million to our shareholder. At the end of July, the latter also announced its view on the future of Belfius and, in line with the unanimous opinion of the Board of Directors, opted for partial privatisation by way of an initial public offering. We are convinced that this choice will enable Belfius to successfully continue its development in its key strategic fields whilst also continuing to focus on the long term, its financial solidity and its sustainable role for Belgium's economy and its society."

Jos Clijsters, Chairman of the Board of Directors

"The first half-year was marked by the in-depth implementation of our bank-insurance model, sustained efforts in terms of cost control and the growth of commercial volumes both in investments and loans and in non-life insurance. The strong increase of our net income despite the persistent low interest rate environment could not be achieved without the continuing confidence of our customers, as well as the everyday commitment of our staff members, in our offices and in the networks, and likewise our independent agents and their staff members. I would therefore like to thank them most sincerely for their efforts and dedication."

Marc Raisière, CEO

Financial results

Preliminary notes to the condensed consolidated financial statements

1. Changes to the scope of consolidation

The real estate company Immo Activity was purchased end 2016 and is fully consolidated from the beginning of 2017.

Belfius Insurance has sold its investment in "Aviabel" in 1H 2017, classified in "Non current assets (disposal group) held for sale and discontinued operations", to the American insurance company Axis Capital.

Belfius Insurance has decided to liquidate its investments in the following funds: "Belfius European Loans Fund", "Belins High Yield" and "Belins US Corporate Bonds". 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 with Belfius Insurance's new investment framework. As a result, these participations fell within the application of IFRS 5 and are now classified as "Non current assets (disposal group) held for sale and discontinued operations".

2. Fundamentals of the condensed consolidated financial statements

The condensed consolidated financial statements of Belfius are prepared in accordance with the International Financial Reporting standards (IAS34) as adopted by the EU. The condensed consolidated financial statements are prepared on a going-concern basis.

Analysis of the condensed consolidated balance sheet

As at 30 June 2017, the **balance sheet total** amounted to EUR 171.6 billion, a decrease of EUR 5.1 billion (or -2.9%) compared to 31 December 2016. The balance sheet is composed of EUR 152.5 billion for the

Consolidated balance sheet

(In millions of EUR)	31/12/16	*Contribution Bank into group*	*Contribution Insurance into group*	30/06/17	*Contribution Bank into group*	*Contribution Insurance into group*	Evolution
TOTAL ASSETS	176,721	*156,775*	*19,946*	171,639	*152,531*	*19,108*	-5,082
of which							
Loans and advances due from banks and central banks	27,114	*26,929*	*185*	25,497	*25,367*	*130*	-1,617
Loans and advances to customers	89,702	*84,318*	*5,385*	90,683	*85,494*	*5,189*	980
Investments held to maturity	5,393	*5,393*	*0*	5,514	*5,514*	*0*	120
Financial assets available for sale	18,820	*5,255*	*13,565*	17,243	*4,776*	*12,467*	-1,577
Derivatives	25,307	*25,307*	*0*	21,666	*21,666*	*0*	-3,641
Non current assets (disposal group) held for sale and discontinued operations	29	*21*	*8*	512	*16*	*496*	483
TOTAL LIABILITIES	167,709	*148,571*	*19,138*	162,351	*144,066*	*18,285*	-5,358
of which							
Due to banks	12,582	*12,506*	*76*	14,687	*14,655*	*32*	2,105
Customers borrowings and deposits	74,171	*74,171*	*0*	75,020	*75,018*	*2*	849
Debt securities	23,981	*23,981*	*0*	22,737	*22,737*	*0*	-1,245
Derivatives	29,573	*29,562*	*10*	22,954	*22,954*	*0*	-6,618
Subordinated debts	1,399	*1,399*	*0*	1,206	*1,206*	*0*	-193
TOTAL EQUITY	9,012	*8,205*	*807*	9,288	*8,465*	*823*	276
of which							
Core shareholders' equity	8,694	*8,706*	*(13)*	8,915	*8,921*	*(6)*	221
Gains and losses not recognised in the statement of income	318	*(502)*	*820*	373	*(456)*	*829*	55

banking group (compared to EUR 156.8 billion end 2016) and EUR 19.1 billion for the insurance group (compared to EUR 19.9 billion end 2016). Note that these amounts represent the respective contributions of the banking and insurance groups and do not reflect the stand-alone balance sheet totals.

The decrease of the **balance sheet total** primarily results from the decrease in derivatives and related cash collateral. Following a global trend towards market standardisation of derivative contracts, Belfius decided, and successfully managed, to restructure certain derivative contracts by eliminating certain optionalities related to collateralization of these contracts. During the process, Belfius was able to transform these collateral contracts into contracts that could be cleared with a central clearing house (more specifically London Clearing House or "LCH"). Given that a daily settlement occurs for all derivatives cleared with LCH, Belfius is now able to present these positions on a net basis, thus impacting the presentation of the collateral as well as derivatives amount on balance sheet.

1. Assets

Loans and advances due from banks and central banks decreased by EUR 1.6 billion (or -6.0%), to EUR 25.5 billion as at 30 June 2017, mainly due a EUR 3.9 billion decrease of cash collateral paid (following higher interest rates compared to year-end 2016 and the additional clearing of derivatives with LCH resulting in a net presentation) and reverse repurchase agreements for EUR 2.9 billion. This decrease was partially offset by an increase in cash deposits with the central banks for EUR 5.2 billion resulting from Belfius' liquidity surplus.

As at 30 June 2017, loans and advances to customers amounted to EUR 90.7 billion, an increase of EUR 1.0 billion compared to end December 2016 following (i) an increase in commercial assets for EUR 1.1 billion (mainly mortgage loans) in line with our strategic vision to support the Belgian market, as well as (ii) an increase in reverse repurchase agreements for EUR 0.8 billion.
This increase was partially offset by a decrease in certain bond positions for EUR 0.6 billion due to some opportunistic sales as well as the partial sale of a US RMBS – a part of our former Side portfolio, now merged into Group Center.

Investments held to maturity increased by EUR 0.1 billion to EUR 5.5 billion at the end of June 2017, mainly following purchases in Asset-Backed Securities (ABS) with an AA/AAA rating for purposes of the ALM Liquidity bond portfolio.

Financial assets available for sale decreased by EUR 1.6 billion to EUR 17.2 billion as at 30 June 2017. The financial assets available for sale portfolio is mainly located within the insurance group for EUR 12.5 billion (compared to EUR 13.6 billion end 2016). The portfolio of the banking group amounts to EUR 4.8 billion (compared to EUR 5.3 billion end 2016). This decrease in the overall portfolio is mainly linked to the decision to sell the Belfius Insurance's participation in certain funds. Following this decision, these funds have been reclassified into "non current assets (disposal group) held for sale and discontinued operations". Furthermore, an additional decrease can be noted due to sales within the Belfius Insurance portfolio (mainly Belgian Government bonds and equity positions) following a rebalancing of the portfolio and an adjustment in line with Branch 21 surrenders of life insurance contracts.

The positive fair value of **derivatives** decreased by EUR 3.6 billion to EUR 21.7 billion (-14.4% compared to the end of 2016) following higher interest rates compared to end 2016 and the additional clearing of derivatives with LCH resulting in a net presentation.

Non current assets (disposal group) held for sale and discontinued operations amounted to EUR 512 million, an increase of EUR 483 million. As a result of the decision of Belfius Insurance to liquidate its investments in the formerly mentioned funds they have been reclassified from "Financial assets available for sale".

2. Liabilities

Liabilities due to banks increased by EUR 2.1 billion to EUR 14.7 billion as at 30 June 2017, mainly stemming from an increase in repurchase agreements for EUR 2.3 billion. Note that at the end of 2016, Belfius had an outstanding TLTRO II participation of EUR 3.0 billion. End March 2017, Belfius drew an additional EUR 1.0 billion, resulting in a total participation of EUR 4.0 billion. Furthermore, a decrease of cash collateral received for EUR 1.1 billion (following higher interest rates compared to year-end 2016 and the additional clearing of derivatives with LCH resulting in a net presentation) can be noted.

End June 2017, **customer borrowings and deposits** amounted to EUR 75.0 billion, up EUR 0.8 billion compared to end 2016 entirely due to the growth of commercial deposits, mainly savings accounts, stemming, among others, from the shift from Branch 21 instruments towards other bank and insurance products. This is in line with Belfius' bancassurance business model.

Debt securities decreased by EUR 1.2 billion to EUR 22.7 billion as at 30 June 2017. The decrease is mainly related to long-term debt securities as well as saving certificates and certificates of deposits that came to maturity.

The negative fair value of **derivatives** has reduced by EUR 6.6 billion to EUR 23.0 billion (-22.4% compared to the end of 2016) following higher interest rates compared to end 2016 and the additional clearing of derivatives with LCH resulting in a net presentation.

Subordinated debts decreased by EUR 0.2 billion to EUR 1.2 billion due to a EUR 175 million subordinated bond coming to maturity in 1H 2017 and the early repayment of two subordinated bonds of EUR 20 million each.

3. Equity

End June 2017, **total equity** amounted to EUR 9.3 billion, a EUR 276 million increase mainly related to 1H 2017 net profit, partially offset by the payment of the full year 2016 dividend not yet paid out in interim format. The gains and losses not recognised in the statement of income increased by EUR 55 million.

The **core shareholders' equity** rose by EUR 221 million to EUR 8.9 billion due to the EUR 361 million net income for the period, partially offset by the payment of the full year 2016 dividend not yet paid out in interim format (EUR 140 million).

Gains and losses not recognised in the statement of income increased by EUR 55 million to EUR 373 million at 30 June 2017 from EUR 318 million as at year-end 2016. The "available-for-sale reserve" for the banking group amounts to EUR -516 million (a EUR 38 million improvement) and for the insurance group EUR 762 million (a decrease of EUR 23 million). The increase is mainly related to improved credit spreads and a decrease of the negative adjustment of shadow accounting at Belfius Insurance. Note that the re-measurement of defined benefit plans increased by EUR 10 million following higher discount rate compared to year-end 2016.

4. Dividend

The Board of Directors has decided to pay out an interim dividend of EUR 75 million in September 2017 on the current year profit of 2017.

5. Solvency

The Phased In Common Equity Tier 1 capital ratio (CET 1 ratio) stood at 16.3% end June 2017, compared to 16.6% end 2016. With the application of the 2017 grandfathering rules, the CET 1 ratio pro forma for end 2016 would have amounted to 16.4%.

The Phased In total capital ratio amounted to 19.1% at 30 June 2017, compared to 19.4% as at year-end 2016.

The Solvency II ratio of Belfius Insurance stood at 234% at the end of June 2017 (before provision for potential full year 2017 dividend), compared to 217% as at year-end 2016.

More detailed information is provided in the "Capital management" chapter of these condensed consolidated financial statements.

Analysis of the consolidated statement of income

1. Net income group share

In 1H 2017, Belfius recorded a **net income group share** of EUR 361 million, against EUR 249 million in 1H 2016, up 44.9%. The banking group's contribution to the consolidated net income amounted to EUR 235 million (compared to EUR 117 million in 1H 2016) and the insurance group EUR 126 million (compared to EUR 133 million in 1H 2016).

Note that the result of 1H, 2016 was impacted by a difficult financial market environment (a.o. due to Brexit, a very low interest rate environment and volatile equity markets) as well as by active tactical de-risking.

The 1H 2017 net profit reflects the further successful implementation of our bank-insurance model with a growth in commercial volumes (investments, loans as well as insurance contracts). Furthermore, 1H 2017 was impacted by more favourable financial markets which had a positive impact on the results. In addition, despite the important investments in digitalisation, Belfius is able to continue its strict cost control.

Consolidated statement of income

(In millions of EUR)	1H 2016	*Contribution Bank into group*	*Contribution Insurance into group*	1H 2017	*Contribution Bank into group*	*Contribution Insurance into group*	Evolution
INCOME	1,052	*764*	*288*	1,136	*864*	*271*	8.0%
of which							
Net interest income	956	*689*	*266*	984	*744*	*240*	3.0%
Net income from financial instruments at fair value through profit and loss	(11)	*(11)*	*0*	68	*68*	*0*	n.s.
Net income on investments and liabilities	58	*(11)*	*69*	94	*16*	*79*	63.2%
Net fee and commission income	257	*252*	*5*	272	*264*	*9*	6.1%
Other income and expense	(168)	*(160)*	*(7)*	(243)	*(233)*	*(10)*	45.0%
EXPENSES	(673)	*(566)*	*(107)*	(662)	*(555)*	*(107)*	-1.7%
GROSS OPERATING INCOME	378	*198*	*180*	474	*309*	*165*	25.2%
Cost of risk	(30)	*(32)*	*2*	(24)	*(25)*	*1*	-19.4%
Impairments on (in)tangible assets	3	*3*	*0*	(5)	*(5)*	*0*	n.s.
NET INCOME BEFORE TAX	351	*169*	*182*	445	*280*	*165*	26.9%
Tax (expense) income	(101)	*(52)*	*(49)*	(84)	*(45)*	*(39)*	-17.3%
Attributable to non-controlling interests	0	*0*	*0*	0	*0*	*0*	n.s.
NET INCOME GROUP SHARE	249	*117*	*133*	361	*235*	*126*	44.9%

2. Income

The **net interest income** increased by EUR 28 million to EUR 984 million mainly resulting from lower liquidity costs as well as good and solid interest rate hedging. Furthermore, the negative impact of a lower interest environment is partially offset by a continuous increase in the commercial volumes.

The **net income from financial instruments at fair value through profit or loss** increased from EUR -11 million in 1H 2016 to EUR +68 million in 1H 2017, explained by an improvement of the markets which resulted in a positive evolution in fair value adjustments. In addition, Belfius was able to respond efficiently to the global trend towards standardisation of derivative contracts. As a result, Belfius was able to conclude negotiations on certain optionalities in collateral agreements of derivatives which had a positive impact on the results.

The **net income on investments and liabilities** increased by EUR 37 million to EUR 94 million in 1H 2017 following the sale of Aviabel by Belfius Insurance and sale of bonds and investment property by Belfius Bank. Note that the result of 1H 2016 was still negatively impacted by active tactical de-risking.

The **net fee and commission income** increased with EUR 16 million, or 6.1%, to EUR 272 million following increased client investments in off balance sheet products as well as improved and less volatile equity markets.

Other income and expense deteriorated by EUR 75 million to EUR -243 million mainly linked to lower realized gains on real estate projects in 1H 2017 compared to 1H 2016. Note that Belfius has recognized EUR -218 million in P&L in 1H 2017 (in line with EUR -219 million in 1H 2016) as full year sector levies, as well as an additional (cumulative for 2016 and 2017) EUR 17.5 million irrevocable payment commitment in off-balance-sheet for its contribution to the Single Resolution Fund.

As a result, **total income** for 1H 2017 amounted to EUR 1,136 million, up EUR 84 million (or 8.0%) compared to 1H 2016.

3. Expenses

In 1H 2017, **total expenses** amounted to EUR 662 million, a decrease of EUR 11 million or -1.7% compared to 1H 2016. The increase in general expenses of EUR 26 million was offset by a decrease of staff expenses by EUR 35 million mainly thanks to a pension plan restructuring. Despite the important investments in digitalisation, Belfius continues to operate with a strict cost control.

4. Gross operating income

As a result, **gross operating income** increased to EUR 474 million in 1H 2017, up EUR 95 million or 25.2% compared to 1H 2016. The banking group contributed EUR 309 million (compared to EUR 198 million in 1H 2016) and the insurance group EUR 165 million (compared to EUR 180 million in 1H 2016).

The consolidated cost-income ratio improved from 64.0% in 1H 2016 to 58.3% in 1H 2017, below a cost-income ratio target of ≤ 60%, thanks to higher income and lower costs.

5. Cost of risk

The **cost of risk** improved by EUR 6 million to EUR 24 million. The evolution is stemming from a lower cost of risk in Group Center and a better commercial cost of risk demonstrating the good credit quality of our loan book, in current benign macro-economic environment.

6. Impairments on tangible and intangible assets

The **impairments on tangible and intangible assets** decreased by EUR 7 million to EUR -5 million mainly due to impairments on own developed software in light of the accelerating digitization trend.

7. Net income before tax

The **net income before tax** stood at EUR 445 million, up EUR 94 million (or 26.9%) compared to 1H 2016. The banking group contributed EUR 280 million (compared to EUR 169 million in 1H 2016) and the insurance group EUR 165 million (compared to EUR 182 million in 1H 2016).

8. Tax (expense) income

Tax expense, including deferred taxes recorded in the profit and loss accounts, amounted to EUR 84 million in 1H 2017 compared to EUR 101 million in 1H 2016.

The Effective Tax Rate (ETR) amounts to 19% and is lower than last year: this is mainly the result of the recognition of EUR 33 million deferred tax assets that were previously impaired. If this element were to be excluded from the calculation, the ETR would have amounted to 26%.

Furthermore, in line with the advantageous equity markets, Belfius Insurance has realized some (non-taxable) capital gains on sold equities.

9. Net income group share

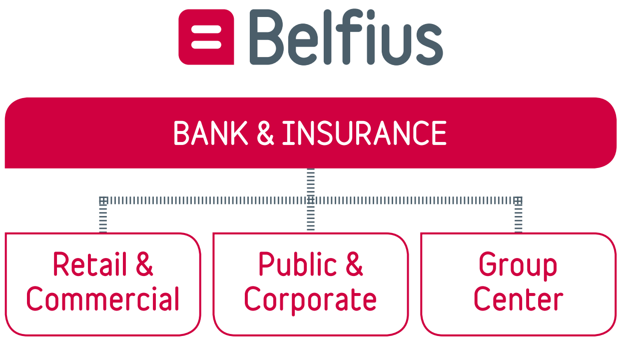
As a result, Belfius **net income group share** amounted to EUR 361 million for 1H 2017, compared to EUR 249 million in 1H 2016, up 44.9%.

The 1H 2017 net profit reflects the further successful implementation of our bancassurance model with a growth in commercial volumes (investments, loans and insurance contracts).

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. Note that as from 1 January 2017, Belfius integrated the former Side segment into Group Center.



Key figures of the segment reporting

Balance sheet

(In billions of EUR)	31/12/16 (PF[1]) Assets	Liabilities	Equity
Retail and Commercial	53.8	77.0	2.6
Public and Corporate	41.7	26.1	1.0
Group Center	81.2	64.6	5.4
TOTAL	176.7	167.7	9.0
of which banking group	156.7	148.6	7.3
of which insurance group[2]	20.0	19.1	1.7

(1) Due to the integration of Side into Group Center, the balance sheet by segment has been restated to allow the comparison with 1H 2017.
(2) Note that the assets and liabilities represent the contribution of the Belfius Insurance group to the consolidated balance sheet.

(In billions of EUR)	30/06/17 Assets	Liabilities	Equity
Retail and Commercial	54.5	77.7	2.7
Public and Corporate	42.5	25.2	1.1
Group Center	74.6	59.5	5.5
TOTAL	171.6	162.4	9.3
of which banking group	152.5	144.1	7.5
of which insurance group[1]	19.1	18.3	1.7

(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 92% loan to deposit ratio at the end of June 2017.

The equity allocated to RC and PC is the normative regulatory equity, which is derived from Belfius' total RWA multiplied by 13.5% and prorated between segments based on their economic capital consumption. The delta with the total equity is allocated to GC.

Statement of income

(In millions of EUR)	1H 2016 (PF[1]) Retail and Commercial	Public and Corporate	Group Center	Total
INCOME	900	231	(79)	1,052
EXPENSES	(506)	(104)	(63)	(673)
GROSS OPERATING INCOME	394	127	(142)	378
Cost of risk	(15)	(9)	(6)	(30)
Impairments on (in)tangible assets	2	0	0	3
NET INCOME BEFORE TAX	381	118	(147)	351
Tax (expense) income	(118)	(36)	52	(101)
NET INCOME AFTER TAX	263	82	(95)	249
Non-controlling interests	0	0	0	0
NET INCOME GROUP SHARE	263	82	(95)	249
of which banking group	145	77	(105)	117
of which insurance group[2]	118	5	10	133

(1) Due to the integration of Side into Group Center, the income statement by segment has been restated to allow the comparison with 1H 2017. A new methodology is applied as from 2017 with a minimal internal risk threshold of 13.5% for all business lines (till 2016, CET 1 target for Franchise of 10.5% and 13% for Side). The methodology for allocation of sector levies is reviewed as from 2017, to integrate the new Belgian sector levy "Single Belgian Bank Levy".
(2) Note that the statement of income represents the contribution of the Belfius Insurance group to the consolidated statement of income.

Statement of income

(In millions of EUR)	1H 2017 Retail and Commercial	Public and Corporate	Group Center	Total
INCOME	856	268	12	1,136
EXPENSES	(499)	(100)	(62)	(662)
GROSS OPERATING INCOME	357	167	(50)	474
Cost of risk	(19)	(11)	5	(24)
Impairments on (in)tangible assets	(4)	(1)	0	(5)
NET INCOME BEFORE TAX	334	156	(45)	445
Tax (expense) income	(100)	(50)	67	(84)
NET INCOME AFTER TAX	234	105	22	361
Non-controlling interests	0	0	0	0
NET INCOME GROUP SHARE	234	105	22	361
of which banking group	127	93	15	235
of which insurance group[1]	107	12	7	126

(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)

Commercial performance in 1H 2017

The commercial activity remained solid. **Total savings and investments** grew by 2.6% in the first half of 2017 to EUR 105.2 billion at the end of June 2017. After a strong increase in 2016, the organic growth remained stable in 1H 2017 at EUR 2.1 billion. This is an undisputed proof of the ever increasing confidence Belfius is inspiring to its customers. EUR 35.8 billion of the total savings and investments is held by Private Banking clients. Investments via mandates and service-contracts increased since June 2016 by 21% to reach EUR 11 billion.

On-balance sheet deposits totalled EUR 63.5 billion at the end of June 2017, slightly up (+2.4%) from the end of 2016. Customers adopted a rather wait-and-see attitude for deposits because of the historically low interest rates. There was very good growth in the funds deposited in current and savings accounts, which reached EUR 11.7 billion (+12.8%) and EUR 41.1 billion (+2.7%) respectively. Less capital found its way to long-term fixed rate investments (a drop of 13.2% for savings certificates and a decrease of 5.6% for bonds issued by Belfius).

Off-balance sheet investments went up by 6.0% compared to the end of 2016, to EUR 31.4 billion, and this thanks to a more pronounced customers' preference for products with potentially higher yields (mutual funds, mandates). Strong net production in asset management and Branch 23 and Branch 44 insurances, supported by the successful development of new products (My Portfolio, Multi-manager funds and Belfius Invest).

Life insurance reserves for investment products amounted to EUR 10.3 billion, down 5.6% compared to the end of 2016. 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 to EUR 43.4 billion at the end of June 2017. The increase occurred mainly in mortgage loans (+3.1 %) and business loans (+3.5%). Mortgage loans, which account for two thirds of all loans, amounted to EUR 29.7 billion at the end of June 2017, while consumer loans and business loans stood at EUR 1.4 billion and EUR 11.8 billion respectively.

New long-term loans granted to retail clients during 1H 2017 amounted to EUR 3.3 billion. In the first half-year of 2017, the new production of mortgage loans increased by 15.3% to EUR 2.9 billion. During the same period, EUR 1.6 billion in new long-term business loans were granted, up 14.1% compared to the first half of last year.

The **total insurance premiums** from customers in the Retail and Commercial segment amounted to EUR 597 million in 1H 2017, compared with EUR 562 million in 1H 2016, an increase of 6.2%.

Life insurance premiums amounted to EUR 319 million, compared with EUR 302 million in 1H 2016, a 5.6% rise despite the historically low interest environment.

Non-life insurance premiums amounted to EUR 278 million, up 6.9% compared to 1H 2016. This high growth was mainly possible thanks to the further development of the bank distribution channel, where we noticed a strong increase of 12.6% in non-life premiums written.

Indeed, thanks to the "one-stop-shopping" concept of Belfius, the mortgage loan cross-sell ratio for fire insurance increased from 82% at the end of June 2016 to 84% at the end of June 2017. The mortgage loan cross-sell ratio for credit balance insurance went up from 142% at the end of June 2016 to 145% at the end of June 2017.

Total life insurance reserves, in the Retail and Commercial segments, dropped since end 2016 by 4.5% to EUR 12.8 billion at the end of June 2017 as a result of a context characterised by historically low interest rates. A clear shift between products can be noted in the reserves. Life Branch 23 reserves increased by 11%, whereas Life Branch 21 and 26 reserves fell by 7.5%.

Belfius further developed its **digitally supported business model** in the first half of 2017. The number of new active retail and business customers rose by 147,000 (+12%), whereas the number of active mobile app users increased by 236,000 to 946,000 units in a one year, almost reaching the threshold of 1 million app users.

Belfius continues to extend the functionalities of its apps. In the first half-year 41% of the new pension saving contracts, 27% of the new credit cards and 29% of the new savings accounts were subscribed via direct channels.

Retail and Commercial (In billions of EUR)	30/06/16	31/12/16	30/06/17	Evolution 06/17 – 12/16
TOTAL SAVINGS AND INVESTMENTS	100.7	102.5	105.2	+2.6%
DEPOSITS	62.3	62.0	63.5	+2.4%
Savings accounts	*38.7*	*40.0*	*41.1*	*+2.7%*
Savings certificates	*4.8*	*2.8*	*2.4*	*-13.2%*
Bonds issued by Belfius	*8.1*	*8.4*	*7.9*	*-5.6%*
Current accounts	*10.2*	*10.4*	*11.7*	*+12.8%*
Term accounts	*0.5*	*0.5*	*0.4*	*-18.0%*
OFF-BALANCE SHEET INVESTMENTS	27.4	29.6	31.4	+6.0%
LIFE INSURANCE RESERVES(1)	11.0	10.9	10.3	-5.6%
Life Branch 21	*8.5*	*8.3*	*7.3*	*-11.9%*
Life Branch 23	*0.8*	*0.8*	*1.0*	*+19.4%*
Life Branch 44	*1.7*	*1.8*	*2.0*	*+13.3%*

(1) Investment products

Retail and Commercial (In billions of EUR)	30/06/16	31/12/16	30/06/17	Evolution 06/17 – 12/16
TOTAL LOANS TO CUSTOMERS	40.9	42.1	43.4	+3.1%
Mortgage loans	*27.9*	*28.8*	*29.7*	*+3.1%*
Consumer loans	*1.4*	*1.4*	*1.4*	*+1.1%*
Other retail loans	*0.5*	*0.5*	*0.5*	*+0.0%*
Business loans	*11.1*	*11.4*	*11.8*	*+3.5%*

Retail and Commercial (In billions of EUR)	30/06/16	31/12/16	30/06/17	Evolution 06/17 – 12/16
TOTAL LIFE INSURANCE RESERVES(1)	13.5	13.4	12.8	-4.5%
Life Branch 21 and 26	*11.4*	*11.2*	*10.4*	*-7.5%*
Life Branch 23	*2.1*	*2.2*	*2.4*	*+11.1%*

(1) Investment products and insurance products

Financial results RC

RC net income after tax decreased from EUR 263 million in 1H 2016 to EUR 234 million in 1H 2017.

In 1H 2017, **total income** amounted to EUR 856 million, down 4.9% or EUR 44 million from 1H 2016, mainly due to the low interest environment and its impact on the interest margin.

Net interest income of the bank amounted to EUR 439 million, a decrease of 5.5%, mainly due to the low interest rate environment and its negative impact on the interest margin from non-maturing deposits, and stemming from mortgages prepayments in previous years. The lower net interest income was partially offset by higher lending activities.

Net fee and commission of the bank increased by 6.7% and amounted to EUR 243 million. This is mainly stemming from the net inflow of assets under management products resulting from a strong production and a positive market effect. A positive evolution of the non-life insurance business through bank channels also contributed to the increased fee and commission income.

Life insurance contribution amounted to EUR 143 million, down 7.6% compared to 1H 2016. This decrease results from higher discretionary participation features provisions to provide for potential future profit sharing following the realized capital gains on sold equities. It was partly compensated by better income from Branch 21 products thanks to the good financial management of the investments as well as by increasing fee income resulting from the growing Branch 23 commercial volumes.

Non-Life insurance contribution slightly decreased with EUR 3.8 million and amounted to EUR 82 million. This is due to some specific larger claims resulting in somewhat lower results in the car insurance segment, after some years of very good performance.

The consolidated other income amounted to EUR -51 million compared to EUR -33 million in 1H 2016, this is a decrease of 54.7% or EUR 18 million. Note that 1H 2016 was positively impacted by a reversal of provisions.

In 1H 2017, **total expenses** amounted to EUR 499 million, a decrease of EUR 7 million or 1.4% compared to 1H 2016. This decrease is the result of continued strict cost control.

Financial Results RC (In millions of EUR)	1H 2016	1H 2017
INCOME	900	856
Net interest income bank	*465*	*439*
Net fee and commissions bank	*228*	*243*
Life insurance contribution	*154*	*143*
Non-life insurance contribution	*86*	*82*
Other	*(33)*	*(51)*
COSTS	(506)	(499)
GROSS OPERATING INCOME	394	357
Cost of risk	(15)	(19)
Impairments on (in)tangible assets	2	(4)
NET INCOME BEFORE TAX	381	334
Taxes	(118)	(100)
NET INCOME AFTER TAX	263	234
Non controlling interests	0	0
NET INCOME GROUP SHARE	263	234

Ratios (In %)	1H 2016	1H 2017
Cost-income ratio	56.2%	58.3%
RoNRE(1)	18.0%	18.0%

(1) Return on Normative regulatory equity (RoNRE) is calculated as the annualized net income as a percentage of the average Normative regulatory equity.

Normative regulatory equity & risk exposures (In millions of EUR)	June 2016	Dec. 2016	June 2017
Normative regulatory equity(1)	2,931	2,607	2,663
Average normative regulatory equity(2)	2,915	2,932	2,601
Regulatory risk exposures	15,590	16,136	16,349

(1) The normative regulatory equity of RC is derived from Belfius' total RWA (including RWA for Belfius Insurance under Danish Compromise) multiplied by 13.5% and prorated between business segments based on their economic capital consumption.
(2) Annual average based on quarterly figures.

As a result, **gross operating income** decreased to EUR 357 million in 1H 2017, down EUR 37 million or 9.4% compared to 1H 2016.

The **cost of risk** still remains at historically very low levels demonstrating a good credit quality in current benign environment and amounted to EUR 19 million in 1H 2017.

Pre-tax income stood at EUR 334 million, down with EUR 46.6 million or 12.2% compared to 1H 2016.

Tax expenses amounted to EUR 100 million in 1H 2017 compared to EUR 118 million in 1H 2016. This decrease is mainly due to lower profit before taxes.

As a result, Belfius' RC **net income group share** amounted to EUR 234 million for 1H 2017.

RC cost-income ratio amounted to 58.3%, compared to 56.2% in 1H 2016. The Return on Normative Regulatory Equity (RoNRE) remained stable at 18%.

Public and Corporate (PC)

Commercial performance in 1H 2017

At the end of June 2017, **total savings and investments** stood at EUR 30.8 billion, a decrease of 2.8% compared with the end of 2016. **On-balance sheet deposits** declined by EUR 0.8 billion (-3.6%), to EUR 22.1 billion. The **off-balance sheet investments** registered a small decrease of 0.9% to reach EUR 8.1 billion. **Life insurance reserves for investment products** amounted to EUR 0.6 billion in at the end of June 2017.

Total outstanding loans increased by 2.3% to EUR 39.2 billion. Outstanding loans in Public and Social banking remained stable mainly due to lower demand, increased competition on the Public and Social Sector market, and the structural shift to more alternative financing. Intensified commercial strategy towards Belgian corporates results in an increase of 8.4% (compared to December 2016) of outstanding loans to EUR 10.3 billion as of end June 2017. Off-balance sheet commitments decreased 4.5% to EUR 19.2 billion.

Despite the continued weak market demand in the public and social sector, Belfius granted EUR 0.7 billion in new long-term lending in the first half of 2017, down 18% compared to the same period of last year. Belfius continues to play an active role in Debt Capital Markets business. During 1H 2017 the bank signed new funding agreements to the public and social sectors for a total amount of EUR 3.9 billion and kept its level of participation at 86% of the public issuers.

The production of long-term loans to corporate customers amounted to EUR 1.8 billion in the first half of 2017, up 23% compared to the same period of last year. With a participation rate of 56%, Belfius also confirmed its strong position for bond issues and treasury certificates for corporate clients. In the first half of 2017, the bank launched EUR 1.1 billion of innovative funding to those clients.

With regard to **insurance activities**, the Public and Corporate segment recorded solid underwriting volumes, in particular for non-life insurance products.

Non-life insurance premiums increased by 2.6% to EUR 90 million. This demonstrates the success of the strategy developed for property and casualty insurance products (fire, accidents, other risks), i.e. through sales via specialised brokers, and is reflected in the increase in premium revenues for occupational accident cover and property damage cover.

Gross premiums received in the **life segment** amounted to EUR 158 million, a stabilization despite the historically low interest environment.

Public and Corporate (In billions of EUR)	30/06/16	31/12/16	30/06/17	Evolution 06/17 – 12/16
TOTAL SAVINGS AND INVESTMENTS	**30.1**	**31.7**	**30.8**	**-2.8%**
Deposits	22.0	22.9	22.1	-3.6%
Off-balance sheet investments	7.6	8.2	8.1	-0.9%
Life insurance reserves(1)	0.5	0.6	0.6	+2.9%

(1) Investment products

Public and Corporate (In billions of EUR)	30/06/16	31/12/16	30/06/17	Evolution 06/17 – 12/16
OUTSTANDING LOANS	**38.4**	**38.3**	**39.2**	**+2.3%**
Public and Social	29.1	28.8	28.8	-0.1%
Corporate	9.3	9.5	10.3	+8.4%
OFF-BALANCE SHEET COMMITMENTS	**19.9**	**20.1**	**19.2**	**-4.5%**

Public and Corporate (In millions of EUR)	1H 2016	1H 2017	Evolution 06/17 – 12/16
TOTAL PREMIUMS RECEIVED	**246**	**248**	**0.7%**
Life	*159*	*158*	*-0.3%*
Non-life	*87*	*90*	*2.6%*

Financial results PC

PC net income after tax rose from EUR 82 million in 1H 2016 to EUR 105 million in 1H 2017, up 28.5% thanks to continued solid commercial dynamics, as well as the benign financial markets in 1H 2017 which resulted in a positive evolution in fair value adjustments.

In 1H 2017, **total income** amounted to EUR 268 million, up 16.1 % or EUR 37.0 million more than in 1H 2016.

Net interest income of the bank amounted to EUR 152 million, stable compared to 1H 2016. Higher volumes and benefits from higher cross-sell ratios between lending and non-lending products were compensated by the pressure on interest margins from historically low market interest rates.

Net fee and commission income remained stable in 1H 2017 and amounted to EUR 25 million.

Income from Life insurance contribution amounted to EUR 17 million, down with EUR 1.7 million compared to 1H 2016. This decrease results from higher discretionary participation features provisions to provide for potential future profit sharing following realized capital gains on sold equities.

Non-life insurance contribution increases from EUR 6 million in 1H 2016 to EUR 16 million in 1H 2017. This increase is mainly explained by the absence of exceptional events in 1H 2017, where those events (such as terror attacks and floods) strongly impacted 1H 2016 results.

The consolidated other income amounted to EUR 58 million, up 109.4% or EUR 30.3 million. This is mainly stemming from positive fair value adjustments in benign financial 1H 2017 markets whereas the more volatile financial markets of 1H 2016 lead to negative fair value adjustments. Note that 1H 2016 was on the other hand positively impacted by a reversal of provisions as well as by higher realized gains on real estate projects.

In 1H 2017, **total expenses** amounted to EUR 100 million, down 3.5% compared to 1H 2016. This decrease is the result of continued strict cost control.

Financial Results PC (In millions of EUR)	1H 2016	1H 2017
INCOME	231	268
Net interest income bank	*152*	*152*
Net fee and commissions bank	*26*	*25*
Life insurance contribution	*19*	*17*
Non-life insurance contribution	*6*	*16*
Other	*28*	*58*
COSTS	(104)	(100)
GROSS OPERATING INCOME	127	167
Cost of risk	(9)	(11)
Impairments on (in)tangible assets	0	(1)
NET INCOME BEFORE TAX	118	156
Taxes	(36)	(50)
NET INCOME AFTER TAX	82	105
Non controlling interests	0	0
NET INCOME GROUP SHARE	82	105

Ratios (In %)	1H 2016	1H 2017
Cost-income ratio	45.1%	37.5%
RoNRE(1)	15.7%	20.2%

(1) Return on Normative regulatory equity (RoNRE) is calculated as the annualized net income as a percentage of the average Normative regulatory equity.

Normative regulatory equity & risk exposures (In millions of EUR)	June 2016	Dec. 2016	June 2017
Normative regulatory equity(1)	1,056	1,004	1,139
Average normative regulatory equity(2)	1,044	1,054	1,042
Regulatory risk exposures	14,396	14,477	15,426

(2) The normative regulatory equity of PC is derived from Belfius' total RWA (including RWA for Belfius Insurance under Danish Compromise) multiplied by 13.5% and prorated between business segments based on their economic capital consumption.
(3) Annual average based on quarterly figures.

As a result, the **gross operating income** increased to EUR 167 million in 1H 2017, up EUR 40.7 million or 32.1% compared to 1H 2016.

The **cost of risk** amounted to EUR 11 million in 1H 2017. This very low level continues to demonstrate the good credit quality of the PC franchise in current benign environment.

Pre-tax income stood at EUR 156 million, up EUR 38 million or 32.3% compared to 1H 2016.

Tax expenses amounted to EUR 50 million in 1H 2017 compared to EUR 36 million in 1H 2016.

As a result, Belfius' PC **net income group share** amounted to EUR 105 million in 1H 2017, compared to EUR 82 million in the same period of last year.

The PC cost-income ratio improved strongly to 37.5% in 1H 2017. The Return on Normative Regulatory Equity (RoNRE) increased from 15.7% in 1H 2016 to 20.2% in 1H 2017.

Group Center (GC)

Since the separation from Dexia Group end 2011, Belfius presented its financial accounts in two segments:

- Franchise i.e. Belfius' core business lines; and
- Side i.e. Belfius' non core assets and exposures inherited from the Dexia era. Since end 2011, Belfius actively executed a tactical de-risking program with respect to its Side portfolios, resulting in a strong decrease of outstanding volumes and a positive evolution of the portfolios' key risk indicators. Thanks to these continued efforts, the risk profile of Side was brought in line with the targeted risk profile. Hence, as from 1 January 2017 onwards, Belfius integrates the remainder of Side into Franchise (i.e. Group Center) and no longer separates its financial reporting into the segments Franchise and Side.

As of today, Group Center (GC) mainly contains the residual results not allocated to the two commercial segments, as well as the residual interest rate and liquidity management results through internal transfer pricing between the business lines and ALM. The former Side segment has been totally integrated in this Group Center. In general, GC consists of:

- a *bond portfolio*, consisting of an ALM Liquidity bond portfolio and an ALM Yield bond portfolio,
- a *derivatives portfolio*, stemming from the former Side portfolio containing the collateralized interest rate derivatives with Dexia, non collateralized interest rate derivatives with international non financial counterparties and sold and bought credit guarantee contracts and
- *other activities* such as financial markets services, the management of two former specific loan files (loans to Holding Communal & Arco) and the Group Center of Belfius Insurance.

These portfolios and activities are further described below:

A. Bond portfolio

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 June 2017, the ALM Liquidity bond portfolio stood at EUR 8.1 billion, down 1% compared to December 2016, mainly due to the natural amortization of the portfolio. End of June 2017, the portfolio was composed of sovereign and public sector (70%), corporate (3%), covered bonds (21%) and asset-backed securities (6%).
At the end of June 2017, the ALM Liquidity bond portfolio has an average life of 9.4 years, and an average rating of A- (100% of the portfolio being investment grade (IG)).

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 June 2017, the ALM Yield bond portfolio stood at EUR 4.4 billion, down 9% compared to December 2016, mainly due to some sales, the natural amortization of the portfolio as well as foreign exchange impacts. End of June 2017, the portfolio was composed of sovereign and public sector (10%), corporate (66%), financial institutions (9%) and asset-backed securities (15%).
At the end of June 2017, the ALM Yield bond portfolio has an average life of 19.7 years, and an average rating of A- (93% of the portfolio being investment grade (IG)).

B. Derivatives portfolio

Dexia derivatives

While it was still part of the Dexia Group, former Dexia Bank (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, mainly under standard contractual terms related to cash collateral. Former Dexia Bank systematically covered these derivative positions externally, as a result of which these derivatives broadly appear twice in Belfius accounts: once in relation to Dexia and once for hedging. Remaining outstanding notional amount of derivatives with Dexia amounted to approximately EUR 32.2 billion at the end of June 2017, a further decrease of EUR 7.7 billion compared to the end of 2016.

Credit derivatives

At the end of June 2017, the credit derivatives portfolio amounted to EUR 4.2 billion, down EUR 0.4 billion compared to December 2016, mainly due to amortizations. It relates essentially to Financial Guarantees, Total Return Swaps and Credit Default Swaps issued on corporate/public issuer bonds (80%), ABS (17%) 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.

At the end of June 2017, the average rating of the portfolio remains at A- and the average residual life of the portfolio stood at 10.2 years.

C. Other Group Center activities

At the level of the bank, the management of two legacy loan files inherited from the Dexia era (Holding Communal & Arco), results on hedge solutions implemented for clients (so-called financial markets Flow Management activities) and the results on treasury activities (Money Market) are also allocated to Group Center. Finally, Group Center also contains the result or carry costs on assets and liabilities not allocated to a specific business line.

The Group Center of Belfius Insurance is fully allocated to this sub-part (iii) of the consolidated Group Center. Belfius Insurance Group Center contains income from assets not allocated to a specific business line, the cost of Belfius Insurance' subordinated debt, the results of some of its subsidiaries and the costs not allocated to a specific business line.

Financial results GC

GC net income after tax stood at EUR 22 million in 1H 2017, compared to EUR -95 million in 1H 2016.

In 1H 2017, **total income** amounted to EUR 12 million, that is EUR 91 million more than in 1H 2016. This strong increase results from:

- the absence of de-risking losses (EUR -16 million in 1H 2016) following the end of the active tactical de-risking programme end 2016,
- further solid balance sheet management, and more specifically : excellent ALM management in current low interest rate environment, and lower funding cost of collateral in benign liquidity markets,
- improvements of the markets which resulted in a positive evolution in fair value adjustments, and
- the global trend towards standardisation of derivatives contracts. This is partly compensated by the Insurance subsidiary "International Wealth Insurer" (IWI), sold in August 2016, that still generated EUR 11.9 million income in 1H 2016.

Note that the sector levies, representing 50% of the upfronted full year expense (IFRIC 21), were stable between 1H 2016 and 1H 2017. These will be recognized in the two commercial business lines RC and PC during 2H 2017.

In 1H 2017, **total expenses** decreased from EUR 63 million in 1H 2016 to EUR 62 million in 1H 2017, mainly as a result of the continued strict cost control.

The **cost of risk** stood at EUR +5 million following the partial sale in 1H 2017 of conditionally US government guaranteed reverse mortgages (part of fomer Side) that were downgraded to non-performing in 2016 and for which a specific impairment charge was booked, that resulted in a net book value below the sale price.

The **gross operating income** improved significantly to EUR -50 million compared to EUR -142 million in 1H 2016.

Taxes amounted to EUR +67 million in 1H 2017 compared to EUR +52 million in 1H 2016. This includes the reversal of a previously impaired deferred tax asset thanks to Belfius Bank's strong rising taxable results. Also, some profits resulting from the standardization of derivative contracts were un-taxed thanks to the existence of historical (formerly non-recognized) carry forward losses at Belfius Ireland level.

As a result, Belfius' GC **net income group share** amounted to EUR 22 million in 1H 2017, compared to EUR -95 million in 1H 2016.

Financial Results GC
(In millions of EUR)

	1H 2016	1H 2017
INCOME	(79)	12
of which		
Net interest income bank	*72*	*152*
Other	*(151)*	*(126)*
COSTS	(63)	(62)
GROSS OPERATING INCOME	(142)	(50)
Cost of risk	(6)	5
Impairments on (in)tangible assets	0	0
NET INCOME BEFORE TAX	(147)	(45)
Taxes	52	67
NET INCOME AFTER TAX	(95)	22
Non controlling interests	0	0
NET INCOME GROUP SHARE	(95)	22

Normative regulatory equity & risk exposures
(In millions of EUR)

	June 2016	Dec. 2016	June 2017
Normative regulatory equity[1]	4,378	4,943	4,835
Regulatory risk exposures	17,846	16,117	16,221

(1) Normative regulatory equity of GC is defined as the Regulatory core own funds that Belfius disposes of, minus
→ the expected dividends to be paid and
→ the normative regulatory equity allocated to RC and PC.

Capital management

Capital management at Belfius Bank

1. Prudential supervision

1.1 Minimum Requirement

Belfius Bank reports on its solvency position on a consolidated level in line with CRR/CRD IV regulations (pillar 1) and has to comply with the regulatory solvency ratios as described in CRD IV (including pillar 2).

As a result of the annual "Supervisory Review and Evaluation Process" (SREP) conducted by the ECB at the end of 2016, Belfius must comply for 2017 with a minimum CET 1 ratio Phased In of 9%, 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 1.25% and
- a buffer for (other) domestic systemically important institutions (O-SII buffer) of 1% (imposed by the National Bank of 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 ECB has also notified Belfius of a Pillar 2 Guidance (P2G) of 1% CET1 for 2017.

At the end of June 2017, the Phased In CET 1 ratio of Belfius stood at 16.3%, well above the abovementioned 2017 applicable CET 1 capital requirement, demonstrating the long-term vision of Belfius' shareholder and Belfius' solidity and resilience, all of which remain crucial in the current macroeconomic environment.

1.2 Applied methodology

The regulator has authorised Belfius to apply article 49 of the CRR IV and hence to cease deducting the capital instruments of Belfius Insurance from regulatory own funds, and instead to include these in the total regulatory risk exposure by applying a weighting of 370% (the so-called "Danish Compromise").

Note that the use of the "Danish compromise" has only a small negative impact on the CET 1 ratio Phased In (compared to the deduction method) and a neutral impact on the CET1 ratio Fully Loaded.

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 banking and insurance group.

At the end of June 2017, Belfius complies with all requirements requested from a financial conglomerate.

2. Regulatory own funds

As indicated above, for regulatory reporting purposes, Belfius Insurance group is not consolidated and is treated as a financial fixed asset. As a result, there are some differences between the core shareholders' equity and the consolidated net income that are reported in the consolidated financial statements and in the regulatory reporting.

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

(In millions of EUR)	31/12/16	30/06/17
ACCOUNTING CORE SHAREHOLDERS' EQUITY	8,694	8,915
Transformation of the insurance group in a financial fixed asset	0	(3)
Base for the regulatory core own funds	8,694	8,912

At the end of June 2017, the base for the regulatory core own funds amounted to EUR 8,912 million, an increase of EUR 218 million stemming from the regulatory result of EUR 358 million for June 2017 offset by the dividend of EUR 140 million paid in April 2017 over the year-end result of 2016 . Note that the regulatory result (EUR 358 million) differs from the consolidated result (EUR 361 million) due to the different consolidation scope, as described above. The scope change adjustments can be detailed as follows:

(In millions of EUR)	31/12/16	30/06/17
CONSOLIDATED RESULT	535	361
Elimination of Belfius Insurance	(168)	(126)
Scope changes:		
dividend (Belfius Insurance)	120	120
other	11	3
REGULATORY RESULT	498	358

In the regulatory own funds calculation under the Basel III regulations, the transitional measures provided for in CRR/CRD IV are taken into account as set out in the applicable national regulations.

Regulatory own funds

(In millions of EUR)	31/12/16	30/06/17
COMMON EQUITY TIER 1 CAPITAL (CET1 CAPITAL)	7,767	7,836
BASE FOR THE REGULATORY CORE OWN FUNDS	8,694	8,912
DEDUCTION OF FORESEEABLE DIVIDEND	(140)	(275)
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	(215)	(300)
Remeasurement defined benefit plans	86	94
Remeasurement available-for-sale reserve on securities and frozen fair value adjustments of reclassified financial assets	(546)	(509)
Other reserves	(34)	(34)
Prudential filter on the fair value reserves related to gains and losses on cash flow hedges on financial instruments	34	34
Transitional measures	246	115
DEDUCTIONS AND PRUDENTIAL FILTERS	(573)	(502)
Deferred tax assets on losses carried forward	(13)	(8)
Investments in securitisation positions	(234)	(149)
Changes in the value of own credit standing	(9)	(11)
Value adjustments due to the requirements for regulatory prudent valuation	(120)	(114)
Intangible fixed assets	(96)	(105)
Goodwill	(104)	(104)
Shortfall of provisions over expected losses IRB	(2)	(2)
Defined benefit pension plan assets	0	(10)
Transitional measures	5	2
TIER 2 CAPITAL	1,309	1,340
Tier 2 capital instruments	928	961
Excess of provisions over expected losses IRB	152	157
General credit risk adjustments SA (standard approach)	22	25
Transitional measures	207	197
REGULATORY OWN FUNDS (AFTER APPROBATION OF RESULT)	9,076	9,176

CET 1 capital (Phased In) amounted to EUR 7,836 million, compared with EUR 7,767 million at the end of 2016. The increase in CET 1 capital of 69 million results mainly from the inclusion of the regulatory profit as well as the improvement of the deductions and prudential filters despite the decrease of the gains and losses not recognized in the statement of income and the higher foreseeable dividend.

The regulatory result is corrected for an estimated (not yet validated) dividend of EUR 275 million over the full year profit of 2017 (of which EUR 75 million will be paid out as interim dividend in September 2017).

In addition, a decrease of the gains and losses not recognized in the statement of income can be noted following the shift in grandfathering (from 60% towards 80%) despite the improvement of the remeasurement of AFS reserves.

The improvement of the deductions and prudential filters is mainly due to the partial sale of an investment in securitisation position (more in particular the US RMBS position – a part from the Side portfolio).

Tier 1 capital is equal to the CET 1 capital given that the Bank does not hold any additional Tier 1 capital.

Tier 2 capital increased from EUR 1,309 million to EUR 1,340 million. This improvement was the result of a new Tier 2 issue (private placement) of EUR 50 million, partially compensated by currency rate impacts on Tier 2 instruments.

At the end of June 2017, the total regulatory own funds amounted to EUR 9,176 million, compared to EUR 9,076 million end of 2016.

3. Regulatory risk exposure

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 equity capital instruments of Belfius Insurance and held by Belfius Bank are included in the regulatory risk exposure via a weighting of 370%.

(In millions of EUR)	31/12/16	30/06/17	Evolution
Regulatory credit risks exposure	35,951	36,525	+1.6%
Regulatory market risks exposure	1,136	1,770	+55.8%
Regulatory operational risks exposure	2,915	2,915	n.s.
Danish Compromise	6,728	6,785	+0.8%
REGULATORY RISK EXPOSURE	**46,730**	**47,996**	**+2.7%**

End of June 2017, regulatory risk exposure of Belfius amounted to EUR 47,996 million, an increase with 2.7% compared to EUR 46,730 million at the end of 2016.

The regulatory credit risk exposure increased slightly by EUR 575 million (+1.6%) to EUR 36,525 million. This evolution is mainly due to the downgrade of sovereign exposure on Italy (because of higher risk-weighting) and the increase of the exposures on non retail loans. This increase has been partially compensated by the decrease on derivatives exposures linked to the higher interest rates and the improved balance of market value versus collateral received.

The regulatory market risk exposure increased strongly by EUR 634 million (+55.8%) to EUR 1,770 million, mostly as a result of an increased SVaR due to several combined (partially temporary) effects on interest rate risks. Other important factors concern the inclusion of additional products to the internal model value-at-risk and a slight increase of equity risk.

Regulatory operational risk exposure remained stable (no half yearly update).

The regulatory risk exposure for Danish Compromise increased slightly by EUR 57 million (+0.8%) to EUR 6,785 million, which is quite stable compared to end of 2016.

4. Solvency ratios for Belfius Bank

At the end of June 2017, CET 1 ratio Phased In amounted to 16.3%, a decrease of 29 bps compared to end of 2016. With application of grandfathering rules of 2017, CET 1 ratio for 2016 would have amounted to 16.4% compared to CET 1 ratio of 16.6% as reported.

(In millions of EUR)	31/12/16	01/01/2017 (PF[1])	30/06/17
CRR/CRD IV (PHASED IN)			
Common Equity Tier 1 ratio (CET 1-ratio)	16.6%	16.4%	16.3%
Tier 1-capital ratio (T1-ratio)	16.6%	16.4%	16.3%
TOTAL CAPITAL RATIO	**19.4%**	**19.2%**	**19.1%**
CRR/CRD IV (FULLY LOADED)			
Common Equity Tier 1 ratio (CET 1-ratio)	16.1%		16.1%
Tier 1-capital ratio (T1-ratio)	16.1%		16.1%
TOTAL CAPITAL RATIO	**18.4%**		**18.5%**

(1) Impact of the shift in grandfathering rules.

The decrease in CET 1 ratio is the result of positive effects in CET1 capital (+15 bps) offset by negative effects in total risk exposure (-44 bps).

The improvement of the CET 1 capital is mainly the result of the increased prudential result despite the correction for foreseeable dividend as well as the improvements of the remeasurement of AFS reserves and of the deduction for securitizations. However, these positive impacts were partially offset by the shift in grandfathering rules (-27 bps) in the regulatory own funds calculation. The increase of the regulatory risk exposure is mainly the result of the increased regulatory risk exposure due to the downgrade of sovereign exposure on Italy and the increased regulatory market risk exposure due to an increased SVaR.

Tier 1 capital ratio is equal to CET 1 ratio because Belfius does not hold any additional Tier 1 instruments.

The total capital ratio Phased In amounted to 19.1%, a decrease of 30 bps compared to the end of 2016.

At the end of June 2017, the CET 1 ratio Fully Loaded stood at 16.1%, at the same level as at the end of 2016. Total capital ratio Fully Loaded increased from 18.4% to 18.5%.

5. Leverage ratios for Belfius Bank

In December 2010, the Basel Committee on Banking Supervision (BCBS) published guidelines for calculating the leverage ratio as a simple, transparent, non-risk based ratio which intends to avoid excessive leverage. The EU implementation of the Basel III Leverage Ratio Framework is provided in the CRR/CRD IV regulations, amended by the Delegated Act n°62/2015 of 10 October 2014.

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

While public disclosure is required since 2015, the leverage requirement will be binding when the CRR 2, published on 23 November 2016 and currently under discussion at EU level, will apply. The draft CRR 2 integrates the leverage ratio in Pillar I and sets the level of requirement at 3% of Tier 1 capital.

(In millions of EUR)	31/12/16	30/06/17
TIER 1 CAPITAL (PHASED IN)	7,767	7,836
Total assets	176,721	171,639
Deconsolidation of Belfius Insurance	(19,377)	(18,739)
Adjustment of derivatives	(30,003)	(23,567)
Adjustment for securities financing transactions exposures	1,810	3,026
Adjustment for prudential corrections in calculation of Tier 1 capital	(443)	(377)
Off-balance sheet exposures	14,381	13,339
LEVERAGE RATIO EXPOSURE	143,088	145,322
LEVERAGE RATIO (PHASED IN)	5.4%	5.4%

In order to be consistent with the calculation of the prudential own funds (numerator), the calculation of the leverage exposure (denominator) is based on the prudential consolidation perimeter, i.e. without consolidation of the Belfius Insurance group.

At the end of June 2017, the Belfius leverage ratio Phased In – based on the current CRR/CRD IV legislation - stood at 5.4%, the leverage ratio Fully Loaded stood at 5.3%.

Capital management at Belfius Insurance

1. Prudential supervision

Belfius Insurance reports to its regulator, NBB, both at a consolidated and at a statutory level.

Belfius Insurance reports on a quarterly basis to the NBB on its solvency margin and liquidity. 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 adequacy of its technical reserves.

2. Regulatory own funds

Available Financial Ressources (AFR) (in millions of EUR)	31/12/16	30/06/17
AFR	2,501	2,493
TIER 1	2,140	2,130
IFRS Equity	2,147	2,170
Foreseeable dividends	(120)	(60)
Valuation difference (after tax)	(58)	(151)
Subordinated liabilities	170	170
TIER 2	361	363
Subordinated liabilities	350	353
Others	11	11

Since 1 January 2016, the Solvency II directive has been applicable for insurance companies. 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. Whereas Solvency I requirements were volume-based, the Solvency II requirements pursue a risk-based approach.

The regulatory own funds of Belfius Insurance amounted to EUR 2,493 million at the end of June 2017. It was composed for 86% of Tier 1 capital. Tier 2 capital was EUR 363 million and consisted mainly of three subordinated loans from Belfius Bank. Compared to December 2016, the regulatory own funds of Belfius Insurance remain stable.

3. Solvency requirements

Solvency Capital Requirement (SCR) (in millions of EUR)	31/12/16	30/06/17
SOLVENCY CAPITAL REQUIREMENT	1,207	1,091
Market risk	1,097	1,125
Credit Risk	209	203
Insurance Risk	545	577
Operational Risk	100	96
Diversification	(483)	(501)
Loss Absorbing Capacity of Technical Provisions and Deferred Taxes	(261)	(410)

The Solvency Capital Requirement (SCR) is calculated based on the consolidated asset and liability portfolio of Belfius Insurance, Corona and other subsidiaries that are fully consolidated for Solvency II purposes. The SCR is calculated using the "Standard Formula" as defined in the Solvency II regulation.

Belfius Insurance's required capital stood at EUR 1,091 million at the end of June 2017. A change in regulation concerning the use of Loss Absorbing Capacity of Deferred Taxes significantly lowered the SCR compared to last year. On the other hand the SCR mainly increased for market risk, due to the evolution on the financial markets which are translated in an higher interest, spread and equity risk. Changes in the lapse assumption of the Life underwriting risk further increased the insurance risk.

4. Solvency ratios at Belfius Insurance

Solvency II ratio (In %)	31/12/16	30/06/17
Solvency II ratio (before dividend)	217%	234%
Solvency II ratio (after dividend)	207%	228%

The Solvency II ratio of Belfius Insurance stood at 228% after foreseeable dividend at the end of June 2017. The increase of the Solvency Ratio compared to year-end 2016 is mainly due to the change in regulation on the Loss Absorbing Capacity of the Deferred Taxes implemented by the NBB.

Applying that same methodology to the 2016 numbers would have resulted in a Solvency ratio of 236% after dividend (instead of 207%).

In addition to the establishment of a complete risk framework, the Solvency II regulations also require a self-assessment in which, taking into account the business plan, 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.

	Shock	Solvency II ratio
Basis scenario (after dividend)		228%
Stress scenario		
Interest rate	-25 bp	215%
Equity	-30%	217%
Credit spread	+50 bp	185%

For example, a 0.25% fall in the interest level (compared with the level at the end of 1H 2017) would have an impact of -13% on the Solvency II ratio. A stock market shock of -30% on share prices would have an impact of -11% and a 0.50% rise in the credit spreads with 0.50% across the whole credit portfolio would result in an impact of -43%.

Capital adequacy

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

1. Economic capital

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

The economic capital quantification process is organised in three phases: identifying the risks (definition and cartography, as well as the annual update, 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, some risks are not capitalised if alternative management techniques (limits, other buffers than capital, governance and so on) are considered more appropriate to cover them.

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

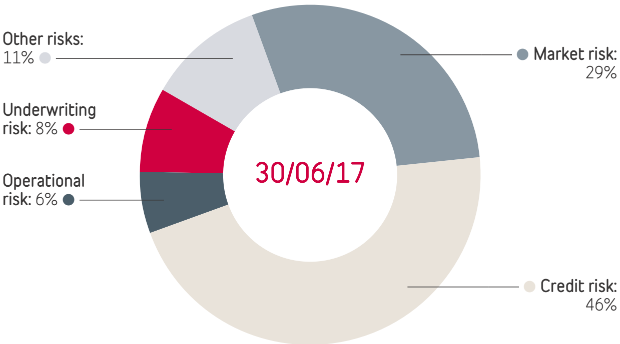
2. Economic capital adequacy

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

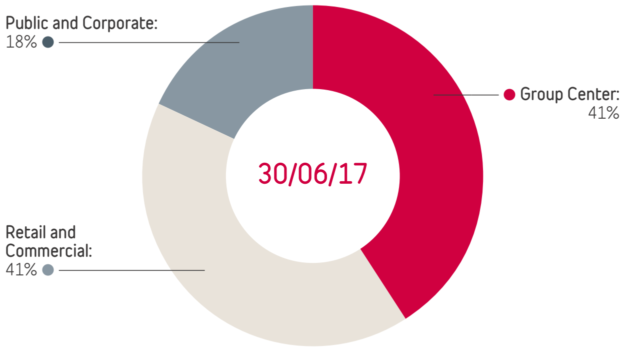
Belfius economic capital was EUR 5,301 million at the end of June 2017 (against EUR 5,683 million at the end of 2016).

In 1H 2017, the distribution between the main categories of risks remained stable: credit risk represented approximately 46% of the economic capital and was the main contributor; market risk (inter alia including interest rate risk, foreign-exchange rate risk, spread risk and equity risk) was 29%, underwriting risk 8%, operational risk 6% and other risks (prepayment, funding ...) 11%.

Breakdown of economic capital by type of risk



Breakdown of economic capital by business line



By business line, the economic capital was allocated as follows: the Group Center including the Belfius' general balance sheet management in terms of interest and funding risk, the Yield portfolios and the portfolio of credit derivatives, accounted for 41% of the economic capital at Belfius; Retail and Commercial (RC) and Public and Corporate (PC) represented 41% and 18% respectively of Belfius' economic capital.

Normative regulatory equity

The total normative regulatory equity is derived from the regulatory core own funds and amounts to EUR 8,637 million end of June 2017 compared to EUR 8,554 million end 2016.

The normative regulatory equity of RC (PC) is derived from Belfius' total RWA (including RWA for Belfius Insurance under Danish Compromise) multiplied by 13.5% and prorated between business segments based on their economic capital consumption. The normative regulatory equity of GC is defined as the Regulatory core own funds that Belfius disposes of, minus (i) the expected dividends to be paid and (ii) the normative regulatory equity allocated to RC and PC.

(in millions of EUR)	31/12/16 (PF[1])	30/06/17
BASE FOR REGULATORY CORE OWN FUNDS	8,694	8,912
Deduction of foreseeable dividend	(140)	(275)
TOTAL NORMATIVE REGULATORY EQUITY	8,554	8,637
of which allocated to		
Retail and Commercial	2,607	2,663
Public and Corporate	1,004	1,139
Group Center	4,943	4,835

(1) Pro Forma: a new methodology is applied as from 2017.

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 macroeconomic 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' annual report and dedicated risk report which is available at www.belfius.com.

1. Macroeconomic environment in the first half of 2017

Thanks to the strengthening economic growth throughout Europe and the pick up in international trade, the general economic momentum has been rather solid and kept on building during the first half of 2017. The Belgian economy benefitted from this improved international environment and the performance of our economy gradually improved in the first half of 2017 with growth rates for the first quarter above expectations. Fundamentally the Belgian economy showed marked signs of improvement in the job market where unemployment decreased significantly in all regions and where jobs in the private sector were created. Confidence, both with consumers as within businesses, stayed at its highest values since a couple of years supporting both residential and corporate investments. The ECB also continued its policy of monetary accommodation, though it lowered the amount of its monthly bond purchases by 20%. The tendency for interest rates to decline seems to have ended and yields increased mildly since the beginning of the year.

The gradual improvement of the economic situation is based on a combination of different factors that are currently expected to prevail for the whole year of 2017.

1.1. Pick up in international trade

The reduction of the Chinese excess production capacity stopped the downward pressure on international goods prices creating room for increases in corporate profits in the US, the euro zone and Belgium. This then stimulated international trade and corporate investment.

1.2. Gradual recovery of the euro zone economy and subdued inflation

The euro zone economy continued on its way towards more growth. This is most strongly seen in the steady and generalised decrease in unemployment, supporting growth in consumption. The stronger employment is however not yet strong enough to induce important increases in wages. This subdued wage growth supports the competitive position of the euro zone, Belgium included. However on the negative side it implies that growth via consumption remains moderate and that inflation remains below the target set by the European Central Bank. Moreover oil prices dropped again exerting a downward pressure on the headline inflation number.

1.3. ECB policy

As announced in December 2016, the European Central Bank lowered the amount of its monthly purchases of bonds in April. It also openly acknowledged the general improvement in the euro zone economy and stated that the danger of deflation is no longer present. These more positive messages resulted in financial markets believing that the ECB will announce an end of the Quantitative Easing program sometime during the second half of 2017. As a result long term interest rates rose and the curve steepened, though the level of the 10 year interest rates stayed below 1% for the core members of the euro zone.

1.4. Waning of political risks

The outcome of the legislative elections in France and the Netherlands was positive for the existence of the euro zone, with euro-sceptic parties losing the elections. This reduced distrust with respect to the euro permitted spreads to come in again.

The economy is expected to perform along the same lines in the second half of the year. However risks to the downside are still present: the outcome of the Brexit negotiations is still unclear, though the probability of a soft Brexit has considerably increased since the beginning of the year; the new US administration is likely to pursue a more protectionist and less collaborative economic policy and the Italian bank sector still suffers from a high amount of non performing loans.

Credit Risk

1. Exposure to credit risk(1)

As at 30 June 2017, the total credit risk exposure, within Belfius, reached EUR 177.4 billion, up EUR 5 billion or 3% compared to the end of 2016. This growth is mainly due to higher commercial activities in the first half of 2017 and to an increase of the deposit facility at the National Bank of Belgium.

At bank level the credit risk exposure increased with 4% to EUR 161.3 billion. At the level of Belfius Insurance, the credit risk exposure went down by 5% to EUR 16.1 billion at the end of June 2017.

Breakdown of credit risk by counterparty	31/12/16	30/06/17	Of which	
(in EUR billion)			*Bank*	*Insurer*
Central governments	20.3	24.7	17.9	6.8
of which government bonds	*13.4*	*12.7*	*6.1*	*6.6*
Public sector entities	50.3	49.0	47.0	2.0
Corporates	27.5	27.7	26.4	1.3
Monoline insurers	4.2	3.8	3.8	0.0
ABS/MBS	1.4	1.3	1.1	0.1
Project finance	2.1	2.1	2.1	0.0
Individuals, self-employed and SMEs	42.3	43.8	40.1	3.6
Financial institutions	23.6	24.3	22.6	1.7
Other	0.7	0.8	0.3	0.6
TOTAL	172.4	177.4	161.3	16.1

The credit risk exposure on public sector entities and institutions that receive guarantees of these public sector entities (28% of the total) and on individuals, self-employed and SMEs (25% of the total) constitute the two main categories.

The relative proportion of the segment central governments increased from 12% end 2016 to 14% end of June 2017. This growth is a direct consequence of Belfius' increasing excess liquidities posted at the National Bank of Belgium. Inside this segment, the credit risk on government bonds decreased by 5% from EUR 13.4 billion at the end of 2016 to EUR 12.7 billion at the end of June 2017. More than half (57%) of the government bonds portfolio is invested in Belgian government bonds. While at bank level the Belgian government bonds represent 36% of the total government bond portfolio, the relative proportion at Belfius Insurance stood at 76%.

End of June 2017, the credit risk exposure on corporates and financial institutions was respectively 15% and 14%. The credit risk on monoline insurers (2% of the total) on bonds issued by issuers mainly active in infrastructure and public utilities projects is predominantly an indirect risk arising from credit guarantees written by Belfius Bank and reinsured with monoline insurers.

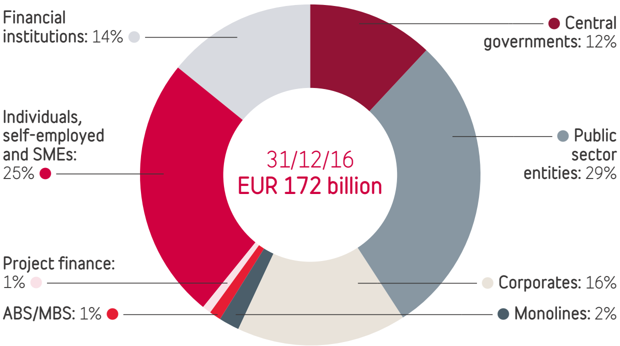
Belfius' positions are mainly concentrated in the European Union: 95% or EUR 153.4 billion at bank level and 98% or EUR 15.9 billion for Belfius Insurance. 68% of the total credit risk exposure is on counterparties categorised in Belgium country exposures, 7% in the United Kingdom, 6% in France, 3% in Italy and 2% in Spain. The credit risk exposure to counterparties in the United Kingdom amounted to EUR 11.8 billion. About half of this credit risk exposure concerns bonds, of which close to two-third are inflation-linked,

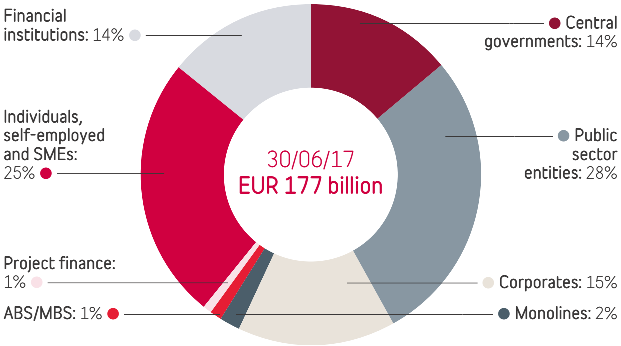
(1) Credit risk exposure is expressed as Full Exposure at Default (FEAD), as used in the Pillar 3 report. See also note 9.2 of this report. Belfius credit risks are based on a consolidation scope that includes its fully consolidated subsidiaries, Belfius Insurance included

issued by utilities and infrastructure companies in the United Kingdom that operate in regulated sectors such as water and electricity distribution. These bonds are of satisfactory credit quality (97% 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 to counterparties in Italy amounted to EUR 5.8 billion, of which EUR 3.7 billion of Italian government bonds.

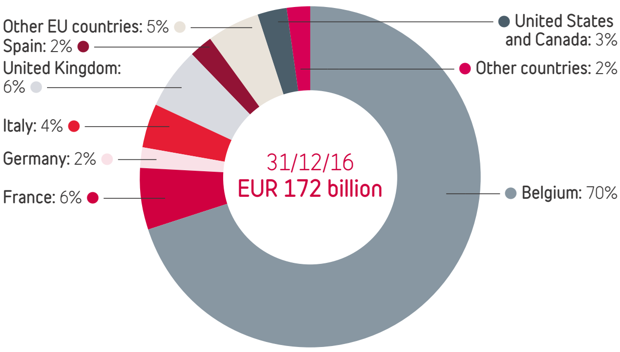
At the end of June 2017, 84% of the total credit risk exposure had an internal credit rating investment grade (IG).

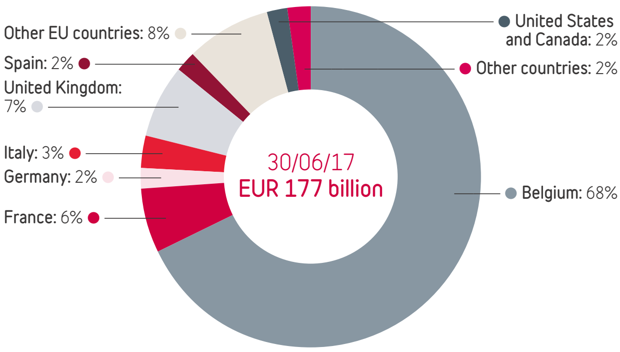
Breakdown of credit risk by counterparty



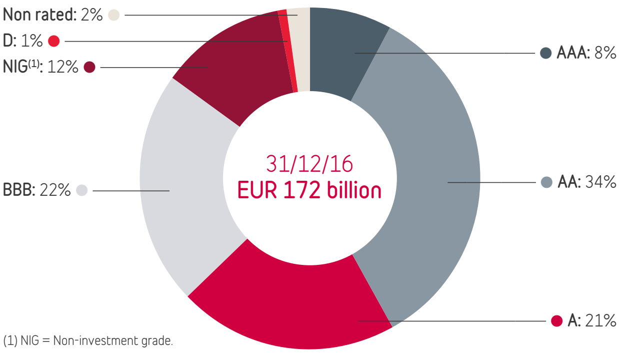


Breakdown of credit risk by geographical region

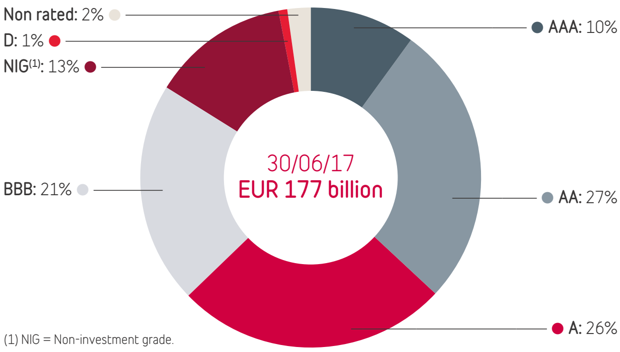




Breakdown of credit risk by rating



(1) NIG = Non-investment grade.



(1) NIG = Non-investment grade.

2. Asset quality

Asset quality[1] (In millions of EUR, except where indicated)	31/12/16	30/06/17
Gross outstanding loans and advances to customers	91,292	92,226
Impaired loans and advances to customers	2,320	2,059
Specific impairments on loans and advances to customers	1,262	1,223
Asset quality ratio[2]	2.54%	2.23%
Coverage ratio[3]	54.4%	59.4%
Collective impairments on loans and advances to customers	328	321

(1) Belfius Insurance included.
(2) The ratio between impaired loans and advances to customers and the gross outstanding loans and advances to customers.
(3) The ratio between the specific impairments and impaired loans and advances to customers.

At the end of June 2017, the amount of impaired loans and advances to customers was EUR 2,059 million, down 11% compared to December 2016. This decrease results, mainly from the partial sale in the first half of 2017 of conditionally US government guaranteed reverse mortgages that were downgraded to non-performing in 2016 and for which a specific impairment charge was booked. In 1H 2017, the specific impairments on loans and advances to customers decreased to EUR 1,223 million.

The asset quality ratio improved from 2.54% at the end of 2016 to 2.23% at the end of June 2017 and the coverage ratio further strengthened from 54.4% to 59.4%.

In the first half of 2017, collective impairments on loans and advances to customers decreased by EUR 7 million to EUR 321 million.

Market risk

1. Overview

Overall, market risk can be understood as the potential adverse change in the value of a portfolio of financial instruments due to movements in market price levels, to changes of the instrument's liquidity, to changes in volatility levels for market prices or changes in the correlations between the levels of market prices.

Management of market risk within Belfius is focused on all Financial Markets activities of the Bank and encompasses interest rate risk, spread risk and associated credit risk/liquidity risk, foreign-exchange risk, equity risk (or price risk), inflation risk and commodity price risk.

Market risk of Belfius Insurance is separately managed by its ALCo. Belfius Insurance's strategic ALCo makes strategic decisions affecting the balance sheets of the insurance companies and their financial profitability taking into consideration the risk appetite 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).

2. Non Financial Markets activities

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.

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 -34 million per 10 bps at 30 June 2017 (compared to EUR -16 million per 10 bps at 31 December 2016), excluding interest positions of Belfius Insurance and of the pension funds of Belfius Bank.

Earnings at Risk indicators capture the short-term effect of the interest rate changes on the earnings of the Bank. Therefore, indirectly through profitability, interest rate changes can also have a short-term solvency effect. A 50 bps increase of interest rates has a positive impact on net interest income (before tax) of

EUR +16 million of the next year and a cumulative effect of EUR +38 million over a three year period, whereas a 35 bps decrease would lead to a negative impact of EUR -21 million of the next year and a cumulative effect of EUR -110 million over a three year period (compared to EUR +38 million, resp. EUR +155 million and EUR -8 million, resp. EUR - 70 million for similar rate shocks end of last year).

The low interest rate environment continues to put considerable pressure on the Bank's standard transformation model. 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.

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.

2.2. Interest rate risk of the insurance activities

For Belfius Insurance, the ALM objective is to limit the volatility of the P&L and the economic value of the company induced by potential changes in the interest rates. The long-term sensitivity of the Net Asset Value of Belfius Insurance to interest rates was EUR 10 million per 10 bps as of 30 June 2017 (against EUR 13 million per 10 bps as of 31 December 2016). The earnings have a low sensitivity to interest rates for the next years, thanks to good matching in terms of duration of assets and liabilities.

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 basis points.

(In millions of EUR)	31/12/16	30/06/17
Belfius Bank		
Sensitivity (+10 bps)	-16	-34
Earnings at risk (+50 bps)	+38	+16
Belfius Insurance		
Sensitivity (+10 bps)	+13	+10
Earnings at risk (+50 bps)	+3	+2

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 Exposure

At the end of June 2017, the global VaR level of Financial Market activities amounts EUR 20.6 million, a decrease of EUR 2.1 million compared to end 2016 (EUR 22.7 million). This decrease started early 2017, to even a level of EUR 12.9 million (January), but increased again mainly in June 2017 as consequence of new IR swaps and due to the increased interest rates.

Value-at-Risk by activity

VaR[1] (99% 10 days) (In millions of EUR)	31/12/16				30/06/17			
	IR[2] & FX[3]	Equity	Spread	Other risks[4]	IR[2] & FX[3]	Equity	Spread	Other risks[4]
By activity								
Average	11.3	3.1	6.4	0.9	9.4	3.6	5.8	1.2
End of period	12.1	2.5	6.9	1.2	10.7	4.0	4.5	1.4
Maximum	19.1	5.1	7.9	1.2	19.1	6.1	7.9	1.9
Minimum	6.1	1.8	4.2	0.6	3.1	2.3	3.2	0.7
Global								
Average	21.7				20.0			
End of period	22.7				20.6			
Maximum	31.1				31.1			
Minimum	14.1				12.9			
Limit	32.0				32.0			

(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.

Evolution of global VaR in 1H 2016 - 1H 2017

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. 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. All this is laid down in the liquidity guideline.

Liquidity and Capital Management (LCM), 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.

LCM organises a weekly Liquidity Management Committee (LMC), in presence of the CFO, the Risk department, the Treasury department of the Financial Markets and the Retail & Commercial and Public & Corporate business lines. This committee implements the decisions taken by LCM in relation to obtaining short-term and long-term funding on the institutional markets and through the commercial franchise.

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

LCM reports on a daily and weekly basis to the Management Board 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. Consolidation of the liquidity profile

During the first half of 2017, Belfius consolidated it's diversified liquidity profile by:

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

In March 2017, Belfius Bank increased its participation to the ECB TLTRO II funding programme with EUR 1 billion, amounting to EUR 4.0 billion end of June 2017 with a purpose to finance investment needs of SMEs, social sector and retail clients (mortgage loans excluded).

The Liquidity Coverage Ratio (LCR), introduced within the framework of the Basel III reforms, has become a pillar I requirement for European banks on 1 October 2015 (at a level of 60%). Belfius Bank closed June 2017 with a LCR of 128%. The LCR of the Bank has remained above 100% during the first half of 2017. In Belgium the law requiring banks to respect a LCR of 100% has been cancelled in 2016 and the minimum LCR requirement is 80% for 2017 as introduced in the LCR delegated act.

The Net Stable Funding Ratio (NSFR), based on our current interpretation of current Basel III rules, stood at 115% at end of June 2017.

1.4. Minimum requirement for own funds and eligible liabilities

It is expected that a formal Minimum Requirement for own funds and Eligible Liabilities (MREL) level will be given to Belfius by SRB in 2017. At this stage, no formal MREL target has been communicated to Belfius. Based on the recent disclosures on MREL published by SRB, Belfius' mechanical target[1] would potentially amount to 24.5 % of risk exposures (in Fully Loaded format).

This target is surrounded by uncertainties as the European Commission published a revised legislative proposal related to MREL requirements on 23 November 2016 (BRRD). This proposal is still under negotiation at the European level at the time of the finalization of this 1H 2017 report.

As of today the SRB has not yet fully clarified which unsecured long term funding will be MREL-eligible. If (part of) our unsecured funding would no longer be MREL eligible, it is Belfius' intention to roll, at maturity during the coming years, into MREL-eligible instruments.

1.5. Liquidity reserves

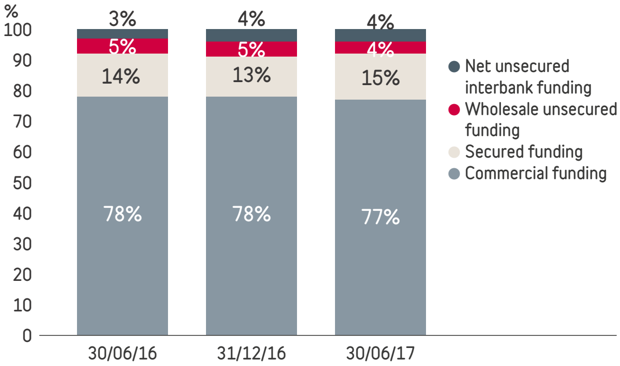
At the end of June 2017, Belfius Bank had quickly mobilisable liquidity reserves of EUR 34.5 billion. These reserves consisted of EUR 9.9 billion in cash, EUR 11.0 billion in ECB eligible bonds (of which EUR 7.0 billion are CCP-eligible[2]), EUR 11.1 billion in other assets also eligible at the ECB and EUR 2.6 billion in other liquid bonds.

These reserves represent 4.9 times the Bank's institutional funding outstanding end of June 2017 and having a remaining maturity of less than one year.

Note that during the first half of 2017, Belfius called the retained vehicle Penates 4 and simultaneously issued Penates 6 also fully retained on the balance sheet. This operation had a net positive impact of EUR 3.6 billion on the total liquidity buffer.

1.6. Funding diversification at Belfius Bank

Evolution of main funding sources[3]



Since the end of 2016, total funding of the bank increased from EUR 108 billion to EUR 112 billion at the end of June 2017. RC and PC funding (commercial funding) represent an important part of total funding of Belfius Bank with EUR 85 billion of which EUR 64 billion is coming from RC-clients. The commercial funding increased with EUR 1 billion since December 2016 but reduced its relative importance (to 77%) in total funding following a more important increase of interbank and repo funding.

Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 8.4 billion from covered bonds (EUR 6.1 billion backed by mortgage loans and EUR 2.3 billion by public sector loans), Asset Backed Securities (ABS) issued for EUR 0.5 billion and EUR 4.0 billion in TLTRO funding from ECB as at 30 June 2017.

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.

The collected funding is used, firstly and most importantly, to finance the granting of loans to RC and PC clients.

Next to that, Belfius Bank also has a high quality LCR eligible buffer held to meet the LCR requirement, and a yield portfolio.

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.

The loan-to-deposit ratio, which indicates the proportion between assets and liabilities of the commercial balance sheet, was 92% at the end of June 2017.

(1) Potential MREL requirement, published by SRB in November 2016, could be equal to the higher of:
→ Double (Pillar 1 + Pillar 2 requirement)+ Combined Buffer (CBR). Including the Market Confidence Charge (equal to the CBR less 125 bps) Belfius' mechanical target would potentially amount to 27.25%; or
→ 8% of total liabilities and own funds (taking into account derivative netting where applicable).
(2) CCP = Central Counterparties.
(3) Relative to the balance sheet of Belfius Bank excluding collateral, mark-to-market of derivatives, and capital.

1.7. Encumbered assets

According to our current interpretation of the EBA guideline on the matter, the encumbered assets at Belfius Bank level amount to EUR 36.4 billion end June 2017 and represent 23.1% of total bank balance sheet and collateral received under securities format, which amounts to EUR 157.6 billion (EUR 152.9 billion assets and EUR 4.7 billion collateral received). This represents a decrease of the encumbrance ratio of 0.6% compared to end 2016.

Since the set-up of the first covered bond programme in 2012, the bank has issued covered bonds for a total amount of EUR 8.4 billion. End June 2017, the assets encumbered for this funding source are composed of commercial loans (public sector and mortgage loans) and amount to EUR 10.6 billion.

During the first half of 2017, the bank securitised mortgage loans through the issue of a new vehicle (Penates 6), with a limited impact on the encumbered amount. Mortgage loans encumbered for Penates 5 and Penates 6 issues amount to EUR 0.5 billion.

The bank is also collecting funding through repo markets and other collateralised deposits. End June 2017, the total amount of assets used as collateral for this activity amounts to EUR 8.2 billion, of which EUR 4.4 billion is linked to the ECB funding and EUR 2.6 billion is linked to repo transactions.

It is worth mentioning that, during the first half 2017, the volume of assets encumbered for the ECB funding and for repo transactions increased with respectively EUR 1.2 billion and EUR 1.7 billion. The TLTRO II funding increased with EUR 1.0 billion to 4.0 billion during the first half of the year.

The balance of encumbered assets is mainly linked to collateral pledged (gross of collateral received) for the derivatives exposures for EUR 14.6 billion (decrease of EUR 3.9 billion compared to end 2016), under the form of cash or securities. A significant part of collateral pledged is financed through collateral received from other counterparties with whom the bank concluded derivatives in the opposite direction.

2. Liquidity risk at Belfius Insurance

As an insurance company, Belfius Insurance shows mainly insurance liabilities that are relatively long term and largely stable and predictable. Consequently, short term funding requirement is quite limited. The premiums paid by policyholders are invested in long-term investments in order to guarantee the insured capital and related interests on the contract's maturity date. Several regulatory and internal liquidity indicators show that Belfius Insurance constantly holds enough liquid assets to cover its commitments on the liability side of the balance sheet.

In order to ensure that all short-term liquidity requirements can be met, Belfius Insurance has embedded liquidity management in its day-to-day activities through:

- investment guidelines that limit investments in illiquid assets;
- Asset Liability Management, ensuring that investment decisions take into account the specific characteristics of the liabilities;
- policies and procedures that are put in place to assess the liquidity of new investments;
- follow up of the short-term treasury needs.

In addition, Belfius Insurance also holds a significant amount of unencumbered assets which are eligible for secured lending and repo and, by Belfius Bank, at the ECB. Indeed, the company invests at least 40% of its bond portfolio in government bonds eligible for repos in the context of its liquidity management.

The Investment department is responsible for 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 normal and stressed situations.

Operational risk

Regarding operational risks, Belfius' policy requires various operational risks and controls to be regularly identified, in order to check compliance of the operational risk level by activity. Specific attention is also paid to more new types of operational risk, such as cyber risk, conduct risk, sourcing risk, ...

Managing operational risk is based on the following elements:

- decentralised responsibility, close to the activity generating the operational risk;
- gathering data about operational risks;
- yearly Risk and Control Self-Assessments and assessment of internal control;
- information security;
- business continuity;
- managing insurance policies;
- New Product Approval Policy (NPAP);
- implementing Fraud policy;
- calculating regulatory capital requirements.

Corporate Governance

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

1. Management Board

On 30 June 2017, the Management Board of Belfius Bank consists of six members, namely:

Chairman	Marc Raisière
Members	Dirk Gyselinck
	Eric Hermann
	Olivier Onclin
	Dirk Vanderschrick
	Johan Vankelecom

On 26 April 2017, the mandate of Mr. Marc Raisière 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 2021.

2. Board of Directors

On 30 June 2017, the Board of Directors had fourteen members, six of whom are members of the Management Board (cf. table on the following page).

Mr. Chris Sunt was appointed by the Ordinary General Meeting of Shareholders of 26 April 2017 as an independent director from 1 May 2017 onwards.

Mrs. Els Blaton and Mrs Diane Rosen were appointed by the Ordinary General Meeting of Shareholders of 26 April 2017 as independent directors for a period of 4 years, to end at the close of the Ordinary General Meeting of Shareholders in 2021, subject to the approval of the supervisory authority. The supervisory authority granted its approval on these appointments on 27 July 2017.

Board of Directors 30/06/2017	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 & Corporate Banking		■						
Eric Hermann	Member of the Management Board of Belfius Bank SA Chief Risk Officer		■						
Olivier Onclin	Member of the Management Board of Belfius Bank SA Chief Operating Officer, responsible for Operations, IT, Purchasing & Facility Management and Organisation		■						
Dirk Vanderschrick	Member of the Management Board of Belfius Bank SA Responsible for Retail & Commercial Banking		■						
Johan Vankelecom	Member of the Management Board of Belfius Bank SA Chief Financial Officer, Responsible for Finance Reporting, Research, Liquidity & Capital Management, Finance Corporate Advisory & Participations, 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 Eurogentec	■		■					■
Carine Doutrelepont	Lawyer and Full Professor at the Université Libre de Bruxelles	■		■		■	■		
Georges Hübner	Full Professor at the HEC Liège, University of Liège and Associate Professor at the University of Maastricht, School of Business Economics	■		■	★			■	
Chris Sunt	Lawyer	■			■			■ (1)	
Lutgart Van den Berghe	Executive Director at Guberna and part-time professor at the Vlerick Business School	■		■		★	★		
Rudi Vander Vennet	Full Professor in Financial Economics and Banking at the University of Ghent	■		■				★	

★ Chairman

(1) From 1 May 2017.

Litigations

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.

In accordance with IFRS, Belfius makes provisions for such litigations when, in the opinion of its management, after analysis by its company lawyers and external legal advisors as the case may be, it is probable that Belfius will have to make a payment and when the amount of such payment can be reasonably determined.

With respect to certain other litigations against Belfius of which management is aware (and for which, according to the principles outlined above, no provision has been made), 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.

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.

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 Region 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) between July and September 2011 (Commercial Paper program). Following the liquidation of Municipal Holding, the Housing Fund could only receive repayment for EUR 16,000,000. It 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 during 2016 and the first half of 2017. The date of the hearings is not yet known.

No provision has been made for this claim.

2. BBTK and ACLVB

On 8 May 2014, two trade unions within Belfius Bank, BBTK and ACLVB, summoned Belfius Bank before the Brussels Labour Court. They demand the annulment of the collective bargaining agreements (CBA) that Belfius Bank signed in 2013 with two other trade unions of the Bank. BBTK and ACLVB are of the opinion that these collective bargaining agreements amend, without their consent, previous collective bargaining agreements Belfius Bank concluded also with them. In addition, they are of the opinion that an employer can only sign a collective bargaining agreement with some of the existing trade unions within the firm, if the said employer has not signed previous collective bargaining agreements with other trade unions.

The case was pleaded on the hearing of 6 February 2017. At this hearing, the President of the Labour Court requested an opinion from the Labour Prosecutor, which was issued on 17 March 2017. This opinion is not binding for the Labour Court. The Prosecutor considered that Belfius Bank did not breach the law on collective bargaining agreements, but stated that the new "Plan Belfius 2016" CBA should be declared as "inexistent" based on a legal technical interpretation of certain form requirements from the CBA Act.

On 8 June 2017, the Labour Court decided in an intermediary judgement that: (i) CBA may validly be signed by only 1 trade union, even though they modify older CBA concluded with other (more) trade unions; (ii) Belfius did not violate the unions' rights to collective bargaining; and (iii) the CBA "Belfius 2016" did however not respect the formalities imposed by the CBA Act and for that reason, they are declared relatively null by the Labour Court.

The Court reopened the case in order to enable parties to debate about the consequences of the relative nullity of the CBA. The dates of the different procedural steps are as follows:

- 17/7/2017: written submissions filed by ACLVB and BBTK
- 18/9/2017: written submissions filed by Belfius Bank
- 30/10/2017: oral pleadings

In the meantime ACLVB and BBTK have filed their written submission.

On 4 July 2017, Belfius has registered a new set of these CBAs with the competent Federal Authority (FOD WASO/SPF ETCS) which contain the abovementioned formalities as decided by the Labour Court. As a consequence, Belfius is of the opinion that the relative nullity of the initial CBA is covered and that the claims filed by the trade unions became without subject.

No provision has been recorded for this procedure as Belfius Bank remains confident that it has enough valid arguments to obtain a final judgement in its favour and prove that the CBA Act was respected.

3. Arco – Cooperative shareholders

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

- On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) summoned Belfius Bank, together with the 3 aforementioned Arco companies, before the Dutch speaking Brussels Commercial Court. Principally, they demand the annulment of their agreement to join the capital of these 3 companies as shareholder, based on fraud or error. They demand that the Court orders Belfius Bank jointly and severally and in solidum with each of the 3 above mentioned Arco companies to repay their capital contributions, increased by interest and compensation. On an ancillary basis, they applied to the Commercial Court to order Belfius Bank to pay compensation based on an alleged shortcoming in its information duty towards them. Amongst others because the file submitted by the individual shareholders lacks information with respect to proof and assessment of damages, Belfius cannot assess the content of the claim and has to reject it.
  On 19 December 2014, 1,027 shareholders and on 15 January 2016, 466 other shareholders of the 3 above mentioned Arco companies joined the summons on a voluntary basis. Belfius has asked for their files so that it can evaluate the content of their claim.
  On 17 December 2015, 2,169 shareholders of the 3 above mentioned Arco companies issued a writ to the Belgian State for compulsory intervention. They demand that the Commercial Court orders the Belgian State to pay compensation based on the alleged illegality of the guarantee scheme the Belgian State enacted in favour of Arco shareholders. This demand is subordinated to the rejection of their claims against Belfius Bank for the annulment of their contributions and has no negative impact on Belfius Bank.
  In June 2017, the claimants have asked the court to set briefing deadlines and a hearing date.
  There was no other significant evolution in this claim during the first half of 2017.
- Belfius Bank has also been summoned by three Arco-shareholders (Arcopar) on 24 October 2016 to appear before the Court of First Instance of Antwerp, Section Turnhout. The claimants demand a compensation from Belfius Bank on the basis of an extra-contractual liability. They allege that Belfius Bank would have given them misleading or at least incorrect advice. Belfius' defense is currently being prepared, whereby the main objective is to demonstrate that Belfius Bank has committed no mistake at all. In the alternative order, in the hypothesis that any claim against Belfius Bank were to be accepted, then Belfius Bank has initiated a hold harmless claim against Arcopar. The case will normally be pleaded on 18 December 2017.
  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.

4. Ethias

Ethias is currently managing one of Belfius' pension plans in a segregated fund, whereby 100% of the financial gains on the underlying assets are allocated to the plan according to a profit sharing agreement validly concluded between the parties. Ethias claims an exorbitant increase in management costs, even though this is not in accordance with the existing agreements. In view of Belfius Bank's refusal on this increase, Ethias terminated the profit sharing agreement and threatened to transfer unilaterally the pension plan assets towards Ethias' main fund. Should that happen, Belfius Bank would be compelled to evaluate these assets based on Ethias' guaranteed rates (rather than at market value) with a negative impact on the Bank's Other Comprehensive Income (OCI) as a consequence.

In order to prevent this, Belfius Bank has summoned Ethias before the Court in Brussels in summary proceedings on 23 December 2016. On 18 January 2017, the Court prohibited the transfer of the assets, subject to a penalty up to 3 million EUR, 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 (still summary proceedings) ruled against Ethias again and maintained the prohibition to transfer the plan's assets. However, because summary proceedings do not allow an adjudication on the merit, the Court also ruled that Ethias was no longer required to allocate 100% of the financial gains to the pension plan.

Alongside the summary proceeding, a proceeding on the merit was also introduced by Belfius Bank at the commercial court of Brussels on 12 January 2017. A first judgment is not expected before 2018 (H1). Based on clear and valid contractual provisions, Belfius is of the opinion that Ethias may not (i) unilaterally de-segregate the pension fund; and (ii) terminate the profit sharing agreement.

The valuation of the assets remains marked-to-market at the end of the 1H 2017. Consequently no OCI impact is taken into account with respect to this litigation.

Certificate of a responsible person

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

A. the condensed consolidated interim financial statements, for the period ended 30 June 2017, have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss;

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

Brussels, 30 August 2017

For the Board of Directors

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

Condensed consolidated interim financial statements 1H 2017

This section has been reviewed by the auditors

This section has been reviewed by the auditors

This section has been reviewed by the auditors

Condensed consolidated interim balance sheet

Assets (In thousands of EUR)		Notes	31/12/16	30/06/17
I.	Cash and balances with central banks	5.1.	5,111,050	10,315,836
II.	Loans and advances due from banks	5.2.	22,002,553	15,181,010
III.	Loans and advances to customers	5.3.	89,702,399	90,682,787
IV.	Investments held to maturity	5.4.	5,393,247	5,513,685
V.	Financial assets available for sale	5.5.	18,819,789	17,243,163
VI.	Financial assets measured at fair value through profit or loss		2,985,979	3,742,341
VII.	Derivatives	5.6.	25,307,222	21,666,134
VIII.	Fair value revaluation of portfolio hedge		4,533,779	3,885,521
IX.	Investments in equity method companies		97,044	98,093
X.	Tangible fixed assets		1,091,687	1,096,780
XI.	Intangible assets		122,541	139,224
XII.	Goodwill		103,966	103,966
XIII.	Current tax assets		10,662	37,823
XIV.	Deferred tax assets		405,847	376,290
XV.	Other assets		1,004,389	1,044,870
XVI.	Non current assets (disposal group) held for sale and discontinued operations	5.7.	28,772	511,638
TOTAL ASSETS			176,720,926	171,639,161

Liabilities (In thousands of EUR)		Notes	31/12/16	30/06/17
I.	Due to banks	6.1.	12,581,830	14,686,868
II.	Customer borrowings and deposits	6.2.	74,171,040	75,020,344
III.	Debt securities	6.3.	23,981,430	22,736,916
IV.	Financial liabilities measured at fair value through profit or loss		7,524,251	8,105,847
V.	Technical provisions of insurance companies	6.4.	15,990,324	14,921,761
VI.	Derivatives	5.6.	29,572,521	22,954,432
VII.	Fair value revaluation of portfolio hedge		207,474	111,900
VIII.	Provisions and contingent liabilities	6.5.	412,243	396,412
IX.	Subordinated debts	6.6.	1,398,653	1,205,524
X.	Current tax liabilities		60,609	40,915
XI.	Deferred tax liabilities		272,877	262,818
XII.	Other liabilities		1,535,952	1,907,363
XIII.	Liabilities included in disposal group and discontinued operations		0	0
TOTAL LIABILITIES			167,709,206	162,351,099

The notes on pages 53 to 93 are an integral part of these condensed consolidated interim financial statements.

Equity

(In thousands of EUR)	31/12/16	30/06/17
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	4,491,306	4,886,534
XVIII. Net income for the period	535,229	360,945
CORE SHAREHOLDERS' EQUITY	**8,693,833**	**8,914,777**
XIX. Remeasurement available-for-sale reserve on securities	729,864	734,076
XX. Frozen fair value of financial assets reclassified to loans and advances	(498,653)	(487,727)
XXI. Remeasurement defined benefit plan	86,990	96,821
XXII. Discretionary participation features of insurance contracts	32,839	48,042
XXIII. Other reserves	(33,326)	(18,115)
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	**317,714**	**373,097**
TOTAL SHAREHOLDERS' EQUITY	**9,011,547**	**9,287,874**
XXIV. Non-controlling interests	173	187
TOTAL EQUITY	**9,011,720**	**9,288,062**
TOTAL LIABILITIES AND EQUITY	**176,720,926**	**171,639,161**

The notes on pages 53 to 93 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of income

(In thousands of EUR)		Notes	30/06/16	30/06/17
I.	Interest income	7.1.	2,022,573	1,826,104
II.	Interest expense	7.1.	(1,066,694)	(841,904)
III.	Dividend income		46,590	46,194
IV.	Net income from equity method companies		2,177	2,230
V.	Net income from financial instruments at fair value through profit or loss	7.2.	(10,540)	67,563
VI.	Net income on investments and liabilities	7.3.	57,833	94,371
VII.	Fee and commission income	7.4.	309,132	354,594
VIII.	Fee and commission expense	7.4.	(52,388)	(82,290)
IX.	Premiums and technical income from insurance activities	7.5.	765,019	776,649
X.	Technical expense from insurance activities	7.5.	(854,528)	(864,974)
XI.	Other income	7.6.	145,005	68,467
XII.	Other expense	7.7.	(312,587)	(311,490)
INCOME			1,051,591	1,135,512
XIII.	Staff expense		(294,518)	(259,380)
XIV.	General and administrative expense		(210,255)	(235,933)
XV.	Network costs		(132,997)	(127,283)
XVI.	Depreciation and amortisation of fixed assets		(35,415)	(39,085)
EXPENSES			(673,184)	(661,681)
GROSS OPERATING INCOME			378,407	473,831
XVII.	Impairments on financial instruments and provisions for credit commitments	7.8.	(30,250)	(24,371)
XVIII.	Impairments on tangible and intangible assets		2,516	(4,607)
XIX.	Impairments on goodwill		0	0
NET INCOME BEFORE TAX			350,673	444,852
XX.	Current tax (expense) income		(37,889)	(57,061)
XXI.	Deferred tax (expense) income		(63,609)	(26,828)
NET INCOME AFTER TAX			249,174	360,964
XXII.	Discontinued operations (net of tax)		0	0
NET INCOME			249,174	360,964
Attributable to non-controlling interests			20	20
Attributable to equity holders of the parent			249,154	360,945

The notes on pages 53 to 93 are an integral part of these condensed consolidated interim financial statements.

Analysis of the consolidated statement of income

We refer to the chapter "Financial results" of the management report for a detailed description.

Condensed consolidated interim statement of comprehensive income

	30/06/16			30/06/17		
(In thousands of EUR)	Before-tax amount	Tax (expense) income	Net-of-tax amount	Before-tax amount	Tax (expense) income	Net-of-tax amount
RESULT RECOGNISED IN THE STATEMENT OF INCOME	**350,673**	**(101,498)**	**249,174**	**444,852**	**(83,888)**	**360,964**
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS						
Unrealised result of property revaluation	0		0	0		0
Remeasurement defined benefit plan(1)	(120,809)	41,063	(79,746)	14,893	(5,062)	9,831
TOTAL OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS	**(120,809)**	**41,063**	**(79,746)**	**14,893**	**(5,062)**	**9,831**
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(2)	(27,377)	(11,674)	(39,051)	5,401	9,736	15,137
Gains (losses) on cash flow hedges	(42,427)	1,641	(40,786)	(4,672)	4,032	(640)
Other comprehensive income from assets held for sale	13,334	(4,152)	9,183	11,855	3,997	15,852
Discretionary participation features of insurance contracts	607	(1,195)	(589)	20,575	(5,372)	15,203
TOTAL OF OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT AND LOSS	**(55,863)**	**(15,380)**	**(71,243)**	**33,159**	**12,393**	**45,552**
OTHER COMPREHENSIVE INCOME	**(176,672)**	**25,683**	**(150,989)**	**48,052**	**7,331**	**55,383**
TOTAL COMPREHENSIVE INCOME	**174,001**	**(75,815)**	**98,185**	**492,904**	**(76,558)**	**416,347**
Attributable to equity holders of the parent			98,165			416,327
Attributable to non-controlling interests			20			20

(1) A significant increase in Other Comprehensive Income can be noted of the remeasurement of the defined benefit plans due to the increase of discount rates compared to 2016.
(2) The significant increase in Other Comprehensive Income is mainly linked to sales within the Belfius Insurance portfolio as well as the shadow accounting adjustment due to the interest rate evolution.

The notes on pages 53 to 93 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim 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
AS AT 31 DECEMBER 2015	3,458,066	209,232	4,135,227	506,076	8,308,602
Movements of the period					
Transfers to reserves	0	0	431,076	(431,076)	0
Dividends	0	0	0	(75,000)	(75,000)
Net income for the period	0	0	0	249,154	249,154
AS AT 30 JUNE 2016	3,458,066	209,232	4,566,303	249,154	8,482,756

Gains and losses not recognised in the statement of income	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
(In thousands of EUR)	Remeasurement available-for-sale reserve on securities	Frozen fair value of financial assets reclassified to loans and advances	Derivatives - Cash Flow Hedge (CFH)	Other comprehensive income from assets held for sale	Discretionary participation features of insurance contracts[1]	Unrealised result of property revaluation	Remeasurement defined benefit plan	
AS AT 31 DECEMBER 2015	757,329	(544,177)	(29,765)	18,084	28,788	219	119,611	350,089
Movements of the period								
Net change in fair value through equity – Available-for-sale investments	374,066	0	0	6,657	(589)	0	0	380,134
Transfers to income of available-for-sale reserve amounts due to impairments	4,007	0	0	0	0	0	0	4,007
Transfers to income of available-for-sale reserve amounts due to disposals	(48,654)	2,680	0	0	0	0	0	(45,975)
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended	0	10,346	0	0	0	0	0	10,346
Net change in fair value through equity – Cash flow hedges	0	0	(40,741)	0	0	0	0	(40,741)
Net change in cash flow hedge reserve due to transfers to income	0	0	(45)	0	0	0	0	(45)
Transfers to technical provisions of insurance companies[2][3]	(381,442)	(53)	0	2,526	0	0	0	(378,969)
Provisions booked from/to equity	0	0	0	0	0	0	(79,746)	(79,746)
AS AT 30 JUNE 2016	705,305	(531,204)	(70,551)	27,266	28,199	219	39,865	199,100

(1) Discretionary beneficiary participation is a contractual, but conditional entitlement to receive additional profits over and above a guaranteed return on insurance contracts (Life).
(2) These transfers concern amounts after tax as a result of 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.
(3)The technical provisions of associates are not included in the consolidated balance sheet.

The notes on pages 53 to 93 are an integral part of these condensed consolidated interim 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 2015	1,026	0	1,026
Movements of the period			
Dividends	(3)		(3)
Net income for the period	20		20
Variation of scope of consolidation	(855)		(855)
AS AT 30 JUNE 2016	188	0	188

(In thousands of EUR)	
Core shareholders' equity	8,482,756
Gains and losses not recognised in the statement of income attributable to equity holders of the parent	199,100
Non-controlling interests	188
TOTAL EQUITY AS AT 30 JUNE 2016	8,682,044

The notes on pages 53 to 93 are an integral part of these condensed consolidated interim financial statements.

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
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)
Net income for the period	0	0	0	360,945	360,945
AS AT 30 JUNE 2017	3,458,066	209,232	4,886,534	360,945	8,914,777

(1) Belfius has paid a dividend of EUR 140 million over the 2016 result in April 2017.

Gains and losses not recognised in the statement of income	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
(In thousands of EUR)	Remeasurement available-for-sale reserve on securities	Frozen fair value of financial assets reclassified to loans and advances	Derivatives - Cash Flow Hedge (CFH)	Other comprehensive income from assets held for sale	Discretionary participation features of insurance contracts[1]	Unrealised result of property revaluation	Remeasurement defined benefit plan	
AS AT 31 DECEMBER 2016	729,864	(498,653)	(33,543)	0	32,839	217	86,990	317,714
Movements of the period								
Net change in fair value through equity – Available-for-sale investments	(98,127)	0	0	0	15,203	0	0	(82,924)
Transfers to income of available-for-sale reserve amounts due to impairments	(142)	0	0	0	0	0	0	(142)
Transfers to income of available-for-sale reserve amounts due to disposals	(51,712)	3,038	0	0	0	0	0	(48,673)
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended	0	7,887	0	0	0	0	0	7,887
Net change in fair value through equity – Cash flow hedges	0	0	(594)	0	0	0	0	(594)
Net change in cash flow hedge reserve due to transfers to income	0	0	(46)	0	0	0	0	(46)
Transfers to technical provisions of insurance companies[2][3]	170,044	0	0	0	0	0	0	170,044
Provisions booked from/to equity	0	0	0	0	0	0	9,831	9,831
Transfers	(15,852)	0	0	15,852	0	0	0	0
AS AT 30 JUNE 2017	734,076	(487,727)	(34,183)	15,852	48,042	217	96,821	373,097

(1) Discretionary beneficiary participation is a contractual, but conditional entitlement to receive additional profits over and above a guaranteed return on insurance contracts (life).
(2) These transfers concern amounts after tax as a result of 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.
(3) The technical provisions of associates are not included in the consolidated balance sheet.

The notes on pages 53 to 93 are an integral part of these condensed consolidated interim 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	(6)		(6)
Net income for the period	20		20
AS AT 30 JUNE 2017	187	0	187

(In thousands of EUR)	
Core shareholders' equity	8,914,777
Gains and losses not recognised in the statement of income attributable to equity holders of the parent	373,097
Non-controlling interests	187
TOTAL EQUITY AS AT 30 JUNE 2017	9,288,062

Equity	30/06/16	30/06/17
BY CATEGORY OF SHARE		
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)	0.69	1.00
NOMINAL VALUE PER SHARE	no nominal value	no nominal value
Outstanding as at 1 January	359,412,616	359,412,616
Number of shares issued	0	0
Number of shares cancelled	0	0
Outstanding as at 30 June	359,412,616	359,412,616
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital	0	0
Number of treasury shares	0	0
Number of shares reserved for issue under stock options and contracts for the sale of share	0	0

Shared-based payments

There are no option plans with Belfius shares as underlying asset.

The notes on pages 53 to 93 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim cash flow statement

(In thousands of EUR)	30/06/16	31/12/16	30/06/17
CASH FLOW FROM OPERATING ACTIVITIES			
Net income after tax	249,174	535,251	360,964
Adjustment for:			
Depreciation, amortisation and other impairment	40,485	84,991	50,006
Impairment on bonds, equities, loans and other assets	5,276	104,689	(28,736)
Net (gains) or losses on investments	(37,884)	(52,653)	(41,309)
Increase / (decrease) of provisions (mainly insurance provision)	(609,194)	(859,840)	(629,424)
Unrealised (gains) or losses	32,516	27,727	188,131
Income from equity method companies	(2,177)	(5,018)	(2,230)
Dividends from equity method companies	3,039	3,822	854
Deferred taxes	63,609	187,750	26,828
Changes in operating assets and liabilities	(58,208)	2,709,118	2,579,304
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(313,363)	2,735,837	2,504,387
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(61,095)	(167,630)	(74,667)
Sales of fixed assets	37,505	153,318	31,472
Acquisitions of unconsolidated equity shares	(248,350)	(391,896)	(73,415)
Sale of unconsolidated equity shares	272,023	355,226	153,992
Acquisition of subsidiaries and of business units	(3)	(3)	(5,235)
Sale of subsidiaries and of business units(1)	0	59,810	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	80	8,826	32,147
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of subordinated debts(2)	500,000	500,000	99,251
Reimbursement of subordinated debts	(4,321)	(4,321)	(89,626)
Dividends paid(3)	(75,003)	(75,020)	(140,006)
Interim dividends paid(4)	0	(75,000)	0
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	420,676	345,659	(130,380)
NET CASH PROVIDED	107,392	3,090,321	2,406,154
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	7,328,610	7,328,610	10,418,931
Cash flow from operating activities	(313,363)	2,735,837	2,504,387
Cash flow from investing activities	80	8,826	32,147
Cash flow from financing activities	420,676	345,659	(130,380)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7,436,002	10,418,931	12,825,085
ADDITIONAL INFORMATION			
Income tax paid (included in line net cash provided (used) by operating activities)	(11,909)	(40,091)	(97,712)
Dividends received (included in line net cash provided (used) by operating activities)	49,629	91,272	47,048
Interest received (included in line net cash provided (used) by operating activities)	2,235,223	4,610,090	1,897,804
Interest paid (included in line net cash provided (used) by operating activities)	(1,378,663)	(2,691,522)	(822,401)

(1) Belfius Insurance has sold its wholly owned subsidiary "International Wealth Insurer" in 2H 2016 to Foyer S.A.
(2) Belfius has issued in May 2016 a subordinated bond for EUR 500 million qualifying as additional regulatory capital Tier 2. It concerns a ten year fixed bond issue at 3.125% with no call nor coupon deferral.
(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 2016 result in September 2016.

We refer to the chapter "Liquidity" of the management report for a detailed description.

The notes on pages 53 to 93 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

II. Post-balance-sheet events

Please find below an overview of non-adjusting events between the balance sheet date (30 June 2017) and the publication of this report.

1. Interim dividend

The Board of Directors has decided to pay out an interim dividend in September of EUR 75 million on the current year profit of 2017.

2. Green light given for IPO of Belfius

During April of this year, the Management Board and the Board of Directors made an announcement that it was their intention to list Belfius. The Federal Government, as sole shareholder, has decided to go ahead with this plan to partially privatise Belfius. The privatisation will take place through a minority listing (maximum 49%) on the Belgian stock exchange.

The listing will provide Belfius with access to the capital market in Belgium, and provide additional flexibility to manage our strategic goals. The listing is seen as a major step for Belfius, five years into our journey with our customers. This is a very exciting new chapter for Belfius, and will provide us with the opportunity to solidify our position in the market and ensure that we are able to provide even better client-centric solutions.

3. Measures decided in summer agreement

The decision of the Belgian government on 26 July entailed several measures which Belfius is currently investigating. Among these measures is the decision to gradually decrease the corporate tax rate in Belgium from 33.99% to 29% in 2018 and 25% in 2020. The first high level impact analysis for Belfius shows a negative impact in the statement of income resulting from the reassessment of the deferred taxes (both deferred tax assets and liabilities) as well as a positive impact in "Other Comprehensive Income" following the reassessment of the deferred taxes (both deferred tax assets and liabilities).

4. New non-preferred senior debt issuance (Tier 3)

On 20 July 2017, a new Belgian law was voted modifying the hierarchy of claims in case of resolution and allowing the creation of a new class of non-preferred senior debt instruments ranking between subordinated debt and other senior unsecured creditors. Belfius plans to build up its layer of MREL eligible instruments by issuing these new non preferred senior notes in the upcoming years.

III. Accounting principles

The principal accounting policies adopted in the preparation of these condensed consolidated interim 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 condensed consolidated interim financial statements have been approved by the Board of Directors of Belfius on 30 August 2017.

Accounting policies

1. Basis of accounting – statement of compliance

1.1. General

The condensed consolidated interim financial statements of Belfius are prepared in accordance with IAS 34 interim reporting as adopted by the EU.

The Royal Decree of 5 December 2004 requires Belfius to publish its consolidated financial statements according to the IFRS approved by the European Union as from 31 December 2006.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with Belfius annual financial statements as at 31 December 2016.

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

There have been no changes in accounting policies since the previous publication in the annual report of Belfius apart from those mentioned below.

The overview of the texts below is made until the reporting date of 30 June 2017.

2.1. IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 2017

Standards with impact for Belfius

Nihil

Standards with no impact for Belfius

Nihil

Standards not applicable for Belfius

Nihil

2.2. IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from 1 January 2017

Nihil

2.3. New IFRS standards, IFRIC interpretations and amendments issued during the current year but not yet endorsed by the European Commission

Standards under analysis

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, preparing for and implementing the new standard will be a challenge and will have a significant impact on the financial statements and key performance indicators.

Considering the complexity, a strategic task force has been created ensuring a strict project governance structure.

Standards with impact for Belfius

IFRIC 23 "Uncertainty over income tax treatments" clarifies the application of recognition and measurement requirements of IAS 12 "Income taxes" when there is uncertainty over income tax treatments. This amendment will be effective from 1 January 2019 and might impact Belfius.

2.4. IFRS 9 "Financial instruments"

The IFRS 9 implementation project is on track for first time application on 1 January 2018.

Analysis in the various areas of IFRS 9 is being finalised and are in the final stages of documentation.

Classification and measurement

The analysis of financial assets is being finalised, and in the final approval stages. Based on the analysis the significant part of the loan & bond portfolio meets the SPPI criteria.

Assets not meeting the SPPI criteria

Assets that do not meet the SPPI criteria are immediately classified at fair value through profit or loss.

- *Certain structured loans to PCB clients*
  Belfius has analysed its structured loans for compliance with the SPPI criteria. Certain structured loans do not meet the SPPI criteria and should therefore be measured at fair value through profit or loss (currently these loans are measured at amortised cost and are bifurcated).
- *Bonds*
  A very small percentage of the bond portfolio falls within this category.

Assets meeting the SPPI criteria

Further analysis is underway to determine the appropriate business models for the financial assets that meet the SPPI criteria. Management will approve the business models towards the end of the year.

- *Loans*
  Belfius expects to hold all loans to collect the contractual cash flows, and will therefore measure them at amortised cost.
- *Bonds*
  The business models for bonds are still under discussion. For the determination of the preliminary impact analysis, we have assumed that Belfius Bank will keep the majority of bonds to collect contractual cash flows.
  Belfius Insurance is also considering different business models for their bond portfolio, and is considering a mixed approach whereby part of the portfolio will be held to collect contractual cash flows and the other part considered as held to collect and sell.
- *Equity instruments*
  Belfius intends to make the irrevocable choice to classify the majority of equity instruments at fair value through other comprehensive income.

Impairment

Since the previous reporting period, Belfius has made significant progress in implementing the new impairment requirements.

Belfius has identified all the assumptions/drivers necessary to adopt the current impairment methodology/calculation engine to the new requirements of IFRS 9. Management is systematically approving the analysed assumptions/drivers. This process will continue until the end of the year.

An expert panel will validate, and adjust where necessary, the automated IFRS 9 compliant impairment calculation at each reporting period.

Hedge accounting

Belfius will continue to apply the requirements of IAS 39, as the hedges held by Belfius are mostly macro hedges. Management will confirm this treatment towards the end of the year.

Preliminary impact analysis (non audited)

Based on the analysis Belfius expects that the Common Equity Tier 1 (CET 1) ratio should slightly increase, mainly attributable to the choice of business model of "Hold to Collect" for a significant part of the portfolio of Belfius Bank resulting in a reversal of the negative AFS reserve which has a positive impact on regulatory capital. Note that the estimate is based on the situation and assumptions of mid 2017.

2.5. Changes in presentation

Nihil.

IV. Operating segments reporting

(Some amounts may not add up due to roundings)

An operating segment (or business line) is a distinguishable component of Belfius that is engaged in providing either products or services (business segment) to a homogeneous group of clients and/or through a homogeneous set of operations.

Since the separation from Dexia Group end 2011, Belfius presented its financial accounts in two segments inherited from the Dexia era: Franchise and Side. Since end 2011, Belfius actively executed a tactical de-risking program with respect to its Side portfolios, resulting in a strong decrease of outstanding volumes and a positive evolution of the portfolios' key risk indicators. Thanks to these continued efforts, the risk profile of Side was brought in line with the targeted risk profile.Hence, as from 1 January 2017 onwards, Belfius integrates the remainder of Side into Franchise (i.e. Group Center) and no longer separates its financial reporting into the segments Franchise and Side.

The segmentation of Belfius can be described as follows:

- **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 mainly the residual results not allocated to the two commercial segments, as well as the residual interest rate and liquidity management results through internal transfer pricing between the business line and ALM. The former Side segment has been totally integrated in this Group Center. In general, the Group Center consists of:
  - a *bond portfolio*, consisting of an ALM Liquidity bond portfolio and an ALM Yield bond portfolio;
  - a *derivatives portfolio*, stemming from the former Side portfolio containing the collateralized interest rate derivatives with Dexia, non collateralized interest rate derivatives with international non financial counterparties and sold and bought credit guarantee contracts; and
  - *other activities* such as financial markets services, the management of two former specific loan files (loans to Holding Communal & Arco) and the Group Center of Belfius Insurance.

Note that there are no internal sales or purchases between segments: the assets and liabilities presented within a segment are those that are also reported to management and are generated and originated by the business lines.

1. Balance sheet

	31/12/16 (PF(1))		
(In thousands of EUR)	Assets	Liabilities	Equity
Retail and Commercial	53,797,582	77,014,304	2,607,069
Public and Corporate	41,697,834	26,074,218	1,003,930
Group Center	81,225,512	64,620,685	5,400,721
TOTAL	176,720,927	167,709,207	9,011,720
of which banking group	156,775,408	148,570,715	7,272,844
of which insurance group(2)	19,945,519	19,138,492	1,738,876

(1) Due to the integration of Side into Group Center, the balance sheet by segment has been restated to allow the comparison with 1H 2017. A new methodology is applied as from 2017 with a minimal internal risk threshold of 13.5% for all business lines (till 2016, CET 1 target for Franchise of 10.5% and 13% for Side).
(2) Note that the assets and liabilities represent the contribution of the Belfius Insurance group to the consolidated balance sheet.

	30/06/17		
(In thousands of EUR)	Assets	Liabilities	Equity
Retail and Commercial	54,514,757	77,672,034	2,663,394
Public and Corporate	42,484,812	25,208,843	1,139,035
Group Center	74,639,592	59,470,223	5,485,633
TOTAL	171,639,161	162,351,099	9,288,062
of which banking group	152,530,963	144,066,112	7,541,462
of which insurance group(1)	19,108,197	18,284,987	1,746,599

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

The equity allocated to RC and PC is the normative regulatory equity, which is derived from Belfius' total RWA multiplied by 13.5% and prorated between segments based on their economic capital consumption. The delta with the total equity is allocated to GC.

2. Statement of income

A. Segmentation by business line

(In thousands of EUR)	30/06/16 (PF[1]) Retail and Commercial	Public and Corporate	Group Center	Total
INCOME	899,757	230,515	(78,681)	1,051,591
Net interest income bank	465,003	152,466	71,942	689,411
Net fee and commissions bank	227,823	25,628	(1,392)	252,059
Life insurance contribution	154,080	18,959	1,228	174,267
Non-life insurance contribution	85,573	5,758	0	91,331
Other	(32,722)	27,703	(150,459)	(155,478)
EXPENSES	(506,101)	(103,982)	(63,100)	(673,184)
GROSS OPERATING INCOME	393,655	126,533	(141,781)	378,407
Cost of risk	(15,460)	(9,120)	(5,670)	(30,250)
Impairments on (in)tangible assets	2,389	127	0	2,516
NET INCOME BEFORE TAX	380,584	117,540	(147,451)	350,673
Tax (expense) income	(118,053)	(35,719)	52,274	(101,498)
NET INCOME AFTER TAX	262,531	81,821	(95,177)	249,174
Non-controlling interests	0	0	20	20
Net income group share	262,531	81,821	(95,197)	249,154
of which banking group	144,845	77,171	(105,503)	116,512
of which insurance group[2]	117,686	4,650	10,306	132,642

(1) Due to the integration of Side into Group Center, the income statement by segment has been restated to allow the comparison with 1H 2017. A new methodology is applied as from 2017 with a minimal internal risk threshold of 13.5% for all business lines (till 2016, CET 1 target for Franchise of 10.5% and 13% for Side). The methodology for allocation of sector levies is reviewed as from 2017, to integrate the new Belgian sector levy "Single Belgian Bank Levy".
(2) Note that the statement of income represents the contribution of the Belfius Insurance group to the consolidated statement of income.

(In thousands of EUR)	30/06/17 Retail and Commercial	Public and Corporate	Group Center	Total
INCOME	855,628	267,529	12,355	1,135,512
Net interest income bank	439,334	152,196	152,226	743,755
Net fee and commissions bank	243,019	24,538	(3,950)	263,607
Life insurance contribution	142,560	17,228	(9,846)	149,941
Non-life insurance contribution	81,742	15,545	0	97,286
Other	(51,026)	58,023	(126,075)	(119,078)
EXPENSES	(498,971)	(100,331)	(62,379)	(661,681)
GROSS OPERATING INCOME	356,657	167,198	(50,024)	473,831
Cost of risk	(18,756)	(11,084)	5,469	(24,371)
Impairments on (in)tangible assets	(3,927)	(591)	(90)	(4,607)
NET INCOME BEFORE TAX	333,974	155,523	(44,645)	444,852
Tax (expense) income	(100,406)	(50,358)	66,875	(83,888)
NET INCOME AFTER TAX	233,569	105,165	22,230	360,964
Non-controlling interests	0	0	20	20
Net income group share	233,569	105,165	22,211	360,945
of which banking group	126,658	92,897	15,031	234,587
of which insurance group[1]	106,911	12,267	7,180	126,358

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

B. Segmentation by contribution

(In thousands of EUR)	30/06/16 Contribution Bank into group(1)	Contribution Insurance into group(1)	Total
INCOME	764,028	287,563	1,051,591
Net interest income	689,411	266,468	955,879
Dividend income	4,114	42,476	46,590
Net income from equity method companies	987	1,190	2,177
Net income from financial instruments at fair value through profit or loss	(10,929)	389	(10,540)
Net income on investments and liabilities	(11,177)	69,010	57,833
Net fee and commission income	252,059	4,685	256,744
Technical margin insurance activities	0	(89,509)	(89,509)
Other income & expense	(160,437)	(7,145)	(167,583)
EXPENSES	(565,823)	(107,361)	(673,184)
GROSS OPERATING INCOME	198,205	180,202	378,407
Cost of risk	(31,779)	1,528	(30,250)
Impairments on (in)tangible assets	2,516	0	2,516
NET INCOME BEFORE TAX	168,942	181,730	350,673
Tax (expense) income	(52,410)	(49,088)	(101,498)
NET INCOME AFTER TAX	116,532	132,642	249,174
Non-controlling interests	20	0	20
Net income group share	116,512	132,642	249,154

(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).

(In thousands of EUR)	30/06/17 Contribution Bank into group(1)	Contribution Insurance into group(1)	Total
INCOME	864,082	271,430	1,135,512
Net interest income	743,755	240,444	984,199
Dividend income	5,755	40,439	46,194
Net income from equity method companies	518	1,713	2,230
Net income from financial instruments at fair value through profit or loss	67,535	27	67,563
Net income on investments and liabilities	15,661	78,710	94,371
Net fee and commission income	263,607	8,697	272,304
Technical margin insurance activities	0	(88,325)	(88,325)
Other income & expense	(232,749)	(10,274)	(243,023)
EXPENSES	(554,926)	(106,756)	(661,681)
GROSS OPERATING INCOME	309,156	164,674	473,831
Cost of risk	(24,939)	568	(24,371)
Impairments on (in)tangible assets	(4,607)	0	(4,607)
NET INCOME BEFORE TAX	279,610	165,243	444,852
Tax (expense) income	(45,004)	(38,885)	(83,888)
NET INCOME AFTER TAX	234,606	126,358	360,964
Non-controlling interests	20	0	20
Net income group share	234,587	126,358	360,945

(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).

We refer for a detailed description of the segment results to the management report.

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

(some amounts may not add up due to roundings-off)

5.1. Cash and balances with central banks

(refers to table 5.2. of the annual report)

Analysis by nature

(In thousands of EUR)	31/12/16	30/06/17
Cash in hand	428,293	435,692
Balances with central banks other than mandatory reserve deposits	3,682,757	9,880,144
Mandatory reserves deposits[1]	1,000,000	0
TOTAL	5,111,050	10,315,836
Of which included in cash and cash equivalents	5,111,132	10,315,946

(1) The "Mandatory reserves deposits" includes the minimum reserve deposits that Belfius has with the European Central Bank or with other central banks. Note that end June 2017 no reserves were posted at the ECB; But, on average, EUR 800 million is posted during the month.

In view of its liquidity management, Belfius decided to place its surplus cash at the central banks.

5.2. Loans and advances due from banks

(refers to table 5.3. of the annual report)

Analysis by nature

(In thousands of EUR)	31/12/16	30/06/17
Cash collateral	15,788,915	11,856,225
Sight accounts	166,992	220,178
Reverse repurchase agreements	4,638,347	1,786,136
Loans and other advances	1,072,733	990,861
Bonds	339,772	331,885
Impaired loans	2,149	975
Less:		
Specific impairment on impaired loans or impaired bonds	(43)	(40)
Collective impairment	(6 311)	(5,209)
TOTAL	22,002,553	15,181,010
Of which included in cash and cash equivalents	5,307,800	2,505,890
Of which included in financial lease	46,983	44,139

A decrease can be noted in cash collateral following the higher interest rate environment compared to year end 2016. In addition, following a global trend towards market standardization of derivative contracts, Belfius decided, and successfully managed, to restructure certain derivative contracts by eliminating certain optionalities related to collateralization of these contracts. During the process, Belfius was able to transform these collateral contracts into contracts that could be cleared with a central clearing house (more specifically London Clearing House or "LCH"). Given that a daily settlement occurs for all derivatives cleared with LCH, Belfius is now able to present these positions on a net basis, thus impacting the presentation of the collateral as well as derivatives amount on balance sheet.

Furthermore, a decrease in reverse repurchase agreements can be noted as the excess capital was placed at the ECB.

5.3. Loans and advances to customers

(refers to table 5.4. of the annual report)

Analysis by nature

(In thousands of EUR)	31/12/16	30/06/17
Cash collateral	1,673,008	1,573,678
Reverse repurchase agreements	261,511	1,043,614
Loans and other advances	81,001,952	82,117,299
Of which bills and own acceptances	*33,599*	*18,513*
Of which finance lease	*3,135,715*	*3,207,458*
Of which consumer loans	*1,461,473*	*1,440,145*
Of which mortgage loans	*28,820,331*	*29,680,687*
Of which term loans	*44,349,940*	*44,412,820*
Of which current accounts	*1,816,994*	*1,937,499*
Of which other loans and advances	*1,383,900*	*1,420,177*
Bonds	6,035,251	5,433,378
Impaired loans	2,050,387	1,889,387
Impaired bonds	269,611	169,126
Less:		
Specific impairment on impaired loans or impaired bonds	(1,261,638)	(1,222,839)
Collective impairment	(327,684)	(320,855)
TOTAL	89,702,399	90,682,787

An increase in mortgage loans and term loans can be noted in line with our strategic vision to support the Belgian market.

The decrease of bonds is due to some opportunistic sales. The decrease in impaired bonds is due to the sale of a US RMBS from our former Side portfolio, now merged into Group Center.

5.4. Investments held to maturity

(refers to table 5.5. of the annual report)

Analysis by counterparty

(In thousands of EUR)	31/12/16	30/06/17
Public entities	3,942,082	4,000,381
Banks	1,063,842	1,108,587
Corporate & SME	387,324	404,717
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	5,393,247	5,513,685
Less:		
Specific impairment on impaired financial investments	0	0
TOTAL	5,393,247	5,513,685

The increase in investments held to maturity is related to purchases of some high quality bonds rated (AAA/AA) in the ALM yield portfolio.

5.5. Financial assets available for sale

(refers to table 5.6. of the annual report)

Analysis by nature

(In thousands of EUR)	31/12/16	30/06/17
Bonds issued by public sector	11,678,049	10,902,999
Other bonds and fixed-income instruments	4,941,141	4,103,049
Equity and variable-income instruments	2,268,809	2,305,073
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	**18,887,999**	**17,311,122**
Specific impairment on impaired financial investments	(68,210)	(67,959)
TOTAL	18,819,789	17,243,163

The decrease in "financial assets available for sale" is mainly due to the decision to sell Belfius Insurance's participation in the consolidated funds "Belfius European Loans Fund", "Belins High Yield" and "Belins US Corporate Bonds". Following this decision; these participations fell within the application of IFRS 5 "Assets held for sale". Consequently, the assets of these funds, as per 31/12/2016 classified as "financial assets available for sale" are reclassified to "Non current assets (disposal group) held for sale and discontinued operations".

Furthermore, an additional decrease can be noted due to sales within the Belfius Insurance portfolio (mainly Belgian Government bonds and equity positions) following a rebalancing of the portfolio and an adjustment in line with Branch 21 surrenders of the life insurance contracts.

5.6. Derivatives

(refers to table 5.9. of the annual report)

1. Analysis by nature

	31/12/16		30/06/17	
(In thousands of EUR)	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	23,200,723	21,714,137	19,583,525	16,007,783
Derivatives designated as fair value hedges	134,282	277,854	67,412	204,259
Derivatives designated as cash flow hedges	5,180	51,563	373,938	396,626
Derivatives designated as portfolio hedge	1,967,036	7,528,967	1,641,259	6,345,765
TOTAL	25,307,222	29,572,521	21,666,134	22,954,432

A significant decrease in the fair value of derivatives can be noted, following the higher interest rate environment compared to year-end 2016. In addition, following a global trend towards market standardization of derivative contracts, Belfius decided, and successfully managed, to restructure certain derivative contracts by eliminating certain optionalities related to collateralization of these contracts. During the process, Belfius was able to transform these collateral contracts into contracts that could be cleared with a central clearing house (more specifically London Clearing House or "LCH"). Given that a daily settlement occurs for all derivatives cleared with LCH, Belfius is now able to present these positions on a net basis, thus impacting the presentation of the collateral as well as derivatives amount on balance sheet.

2. Detail of derivatives held for trading[1]

(In thousands of EUR)	31/12/16 Notional amount[2] To receive	31/12/16 Notional amount[2] To deliver	31/12/16 Assets	31/12/16 Liabilities	30/06/17 Notional amount[2] To receive	30/06/17 Notional amount[2] To deliver	30/06/17 Assets	30/06/17 Liabilities
Foreign exchange derivatives	23,909,804	23,828,083	3,108,066	2,960,404	24,361,301	24,224,189	2,673,778	2,458,254
Interest rate derivatives	362,684,868	372,752,981	19,766,420	18,517,673	344,010,456	354,994,064	16,633,225	13,311,905
Of which option/cap/ floor/collar/swaption	*185,449,705*	*198,790,414*	*3,323,173*	*3,719,112*	*183,008,995*	*193,843,492*	*2,832,403*	*3,095,402*
Of which interest rate swaps	*172,130,659*	*171,982,403*	*16,442,702*	*14,797,708*	*154,320,972*	*154,553,788*	*13,800,672*	*10,215,995*
Of which forward rate agreements	*99,985*	*0*	*1*	*0*	*0*	*0*	*0*	*0*
Of which interest futures	*5,004,519*	*1,980,164*	*544*	*853*	*6,680,489*	*6,596,784*	*151*	*272*
Credit derivatives	2,199,544	2,135,238	184,592	133,974	1,894,781	1,822,114	139,750	141,601
Equity derivatives	3,399,972	3,382,613	141,645	102,086	3,621,197	3,388,150	136,771	96,022
TOTAL	**392,194,188**	**402,098,915**	**23,200,723**	**21,714,137**	**373,887,735**	**384,428,516**	**19,583,525**	**16,007,783**

(1) Note that Belfius has opted to classify its non closely related embedded derivatives as derivatives on the balance sheet, as a result, the trading derivatives comprise the bifurcated embedded derivatives on the bond portfolio and loan portfolio (on the asset side) and the issued debt (on the liability side).
(2) 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 case f.e. of an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated. In addition, 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 with Dexia Group entities remained after the sale of Belfius to the Belgian State in 2011. The credit risk is mitigated through the use of collateral (Credit Support Annex).

The strategy of Belfius is to mitigate as much as possible the market risks of its derivatives.

Note that the notional amount of derivatives continues to decrease significantly through active management of the derivatives book (f.e. unwinding of operations following TriReduce identification of risk neutral positions).

3. Detail of derivatives designated as fair value hedges

(In thousands of EUR)	31/12/16 Notional amount[1] To receive	31/12/16 Notional amount[1] To deliver	31/12/16 Assets	31/12/16 Liabilities	30/06/17 Notional amount[1] To receive	30/06/17 Notional amount[1] To deliver	30/06/17 Assets	30/06/17 Liabilities
Foreign exchange derivatives	601,918	538,475	132,308	267,555	570,518	520,408	67,412	204,259
Of which cross currency swaps	*601,918*	*538,475*	*132,308*	*267,555*	*570,518*	*520,408*	*67,412*	*204,259*
Interest rate derivatives	277,011	40,000	1,974	10,299	0	0	0	0
Of which interest rate swaps	*40,000*	*40,000*	*1,974*	*0*	*0*	*0*	*0*	*0*
Of which forwards	*237,011*	*0*	*0*	*10,299*	*0*	*0*	*0*	*0*
TOTAL	**878,930**	**578,475**	**134,282**	**277,854**	**570,518**	**520,408**	**67,412**	**204,259**

(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 case f.e. of an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated. In addition, the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated.

Belfius applies mainly the technique of fair value hedge to hedge interest rate and foreign exchange risk on certain bonds. Belfius uses mainly plain vanilla interest rate swaps for hedge accounting under IFRS except for bonds non EUR where Belfius uses plain vanilla interest rate & currency swaps.

4. Detail of derivatives designated as cash flow hedges

	31/12/16				30/06/17			
	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	583,018	592,798	5,180	51,563	3,311,135	3,291,943	373,938	396,626
Of which cross currency swaps	*583,018*	*592,798*	*5,180*	*51,563*	*3,311,135*	*3,291,943*	*373,938*	*396,626*
TOTAL	583,018	592,798	5,180	51,563	3,311,135	3,291,943	373,938	396,626

(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 case f.e. of an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated. In addition, the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated.

Following the standardizing of certain derivative contracts, Belfius has given up the option to choose the currency in which to pay its collateral. As a result, Belfius needs to pay additional collateral in GBP in stead of EUR. In order to hedge its collateral demand in GBP, Belfius has closed Cross Currency Swaps whereby it receives GBP in exchange for EUR. These Cross Currency Swaps are recorded in a cash flow hedge relationship on a "forecasted transaction", whereby Belfius demonstrates that the collateral to be paid is higher than the notional of the Cross Currency Swap.

5. Detail of derivatives of portfolio hedge

	31/12/16				30/06/17			
	Notional amount[1]		Assets	Liabilities	Notional amount[1]		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver			To receive	To deliver		
Interest rate swaps	69,220,561	69,220,639	1,967,036	7,528,967	65,917,374	65,917,374	1,641,259	6,345,765
TOTAL	69,220,561	69,220,639	1,967,036	7,528,967	65,917,374	65,917,374	1,641,259	6,345,765

(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 case f.e. of an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated. In addition, 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 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.

5.7. Non current assets (disposal group) held for sale and discontinued operations

(refers to table 5.16. of the annual report)

(In thousands of EUR)	31/12/16	30/06/17
Assets of subsidiaries held for sale	7,730	495,694
Tangible and intangible assets held for sale	19,643	14,980
Other assets	1,399	963
TOTAL	28,772	511,638

As at 31 December 2016, Aviabel was recorded as "Non current assets (disposal group) held for sale and discontinued operations".

In 2017, Belfius Insurance has decided to liquidate its investments in the following consolidated funds: "Belfius European Loans Fund", "Belins High Yield" and "Belins US Corporate Bonds". 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 with Belfius Insurance's new investment framework. As a result, these participations fell within the application of IFRS 5 and are classified as "Non current assets (disposal group) held for sale and discontinued operations" as at 30 June 2017.

An overview is provided in annex 10.2.

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

(some amounts may not add up due to roundings-off)

6.1. Due to banks

(refers to table 6.1. of the annual report)

Analysis by nature

(In thousands of EUR)	31/12/16	30/06/17
Demand deposits	766,077	786,606
Term deposits	571,177	402,113
Repurchase agreements	291,591	2,600,750
Central banks	3,232,230	4,000,000
Cash collateral received	7,191,558	6,051,595
Other borrowings	529,198	845,803
TOTAL	12,581,830	14,686,868

A significant increase can be noted in repurchase agreements as well as funding from central banks.

On 10 March 2016, the ECB announced a new series of four targeted longer-term refinancing operations (TLTRO II). These TLTRO's are designed to further enhance the functioning of the monetary policy transmission mechanism by supporting bank lending to the real economy. At the end of 2016, Belfius had an outstanding TLTRO II participation of EUR 3.0 billion. End March 2017, Belfius drew an additional EUR 1.0 billion, resulting in a total participation of EUR 4.0 billion at the end of June 2017.

6.2. Customer borrowings and deposits

(refers to table 6.2. of the annual report)

Analysis by nature

(In thousands of EUR)	31/12/16	30/06/17
Demand deposits	23,185,142	22,902,808
Saving deposits	34,905,916	35,723,340
Term deposits	9,502,922	9,389,044
Other customer deposits	6,544,526	6,910,045
TOTAL CUSTOMER DEPOSITS	**74,138,507**	**74,925,237**
Repurchase agreements	20,756	71,796
Other borrowings	11,778	23,310
TOTAL CUSTOMER BORROWINGS	**32,533**	**95,106**
TOTAL	74,171,040	75,020,344

The increase in customer borrowings is mainly the result from the shift from Branch 21 instruments towards other bank and insurance products. This is in line with the Belfius' bancassurance business model.

6.3. Debt securities

(refers to table 6.3. of the annual report)

Analysis by nature

(In thousands of EUR)	31/12/16	30/06/17
Certificates of deposit	5,305,648	5,129,001
Customer savings certificates	2,840,684	2,513,902
Non-convertible bonds	7,366,918	6,632,489
Covered bonds(1)	8,468,179	8,461,523
TOTAL	23,981,430	22,736,916

(1) The covered bonds programmes are explained below. The carrying value of the cover pool amount to EUR 11.2 billion in December 2016 and EUR 10.96 billion in June 2017.

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.com/EN/debt-issuance/Belgian-mortgage-pandbrieven-programme/index.aspx*
- for the Public Pandbrieven Programme on https://www.belfius.com/EN/debt-issuance/Belgian-public-pandbrieven-programme/index.aspx

6.4. Insurance contracts

(refers to table 6.5. of the annual report)

1. General overview Life/Non-Life contracts

	31/12/16			30/06/17		
(In thousands of EUR)	Life	Non-Life	Total	Life	Non-Life	Total
GROSS RESERVES(1)	14,805,380	1,184,944	15,990,324	13,684,063	1,237,698	14,921,761
Gross reserves – Share of reinsurers	164,355	92,709	257,064	172,323	94,127	266,450

(1) Liabilities V. "Technical provisions of insurance companies"

The decrease of the technical reserves Life is mainly due to the low interest of clients following the low interest rate environment as well as the strategic decision for a strict management of these contracts. As a result, a high number of surrenders can be noted. Note that these reserves are mostly reinvested by clients in banking products of Belfius Bank as well as Branch 23 or Branch 44 products of Belfius Insurance.

Furthermore, a decrease in reserves due to shadow accounting adjustments can be noted in line with the market valuation of the related investments held under "Financial assets available for sale".

The increase in the Non-Life technical reserves is in line with the "one stop shop" bank insurance strategy. This was supported by the increase in written premiums as well as a decrease in claims, including one off elements, such as Terrorism Reinsurance and Insurance Pool and floods in 1H 2016.

2. Insurance contracts Life

Assets and Liabilities

Gross reserves

(In thousands of EUR)	31/12/16	30/06/17
Life insurance reserves	13,804,887	13,008,242
Reserves due to shadow accounting adjustments	773,646	497,229
TOTAL LIFE INSURANCE RESERVES	14,578,533	13,505,471
Claims reserves	132,357	74,354
Profit sharing reserve	94,064	99,794
Other technical reserves	426	4,444
TOTAL GROSS TECHNICAL RESERVES LIFE	14,805,380	13,684,063

3. Insurance contracts Non-Life

Assets and Liabilities

Gross reserves

(In thousands of EUR)	31/12/16	30/06/17
GROSS RESERVES NON-LIFE	1,018,900	1,039,014
Other technical reserves	39,154	38,485
Unearned premium reserves (UPR)	126,890	160,199
TOTAL GROSS RESERVES NON-LIFE	1,184,944	1,237,698

6.5. Provisions and contingent liabilities

(refers to table 6.6. of the annual report)

1. Analysis by nature

(In thousands of EUR)	31/12/16	30/06/17
Pensions and other employment defined benefit obligations	207,801	180,649
Other long-term employee benefits	22,126	22,118
Restructuring(1)	97,778	71,518
Provisions for legal litigations	37,494	77,957
Commitments and guarantees given (off-balance sheet)	11,514	10,215
Onerous contracts	2,010	1,005
Other Provisions	33,519	32,949
TOTAL	412,243	396,412

(1) The restructuring provision is reviewed annually and adjusted, where necessary.

2. 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.

In accordance with IFRS, Belfius makes provisions for such litigations when, in the opinion of its management, after analysis by its company lawyers and external legal advisors as the case may be, it is probable that Belfius will have to make a payment and when the amount of such payment can be reasonably determined.

With respect to certain other litigations against Belfius of which management is aware (and for which, according to the principles outlined above, no provision has been made), 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.

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.

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) between July and September 2011 (Commercial Paper program). Following the liquidation of Municipal Holding, the Housing Fund could only receive repayment for EUR 16,000,000. It 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 during 2016 and the first half of 2017. The date of the hearings is not yet known.

No provision has been made for this claim.

BBTK and ACLVB

On 8 May 2014, two trade unions within Belfius Bank, BBTK and ACLVB, summoned Belfius Bank before the Brussels Labour Court. They demand the annulment of the collective bargaining agreements (CBA) that Belfius Bank signed in 2013 with two other trade unions of the Bank. BBTK and ACLVB are of the opinion that these collective bargaining agreements amend, without their consent, previous collective bargaining agreements Belfius Bank concluded also with them. In addition, they are of the opinion that an employer can only sign a collective bargaining agreement with some of the existing trade unions within the firm, if the said employer has not signed previous collective bargaining agreements with other trade unions.

The case was pleaded on the hearing of 6 February 2017. At this hearing, the President of the Labour Court requested an opinion from the Labour Prosecutor, which was issued on 17 March 2017. This opinion is not binding for the Labour Court. The Prosecutor considered that Belfius Bank did not breach the law on collective bargaining agreements, but stated that the new "Plan Belfius 2016" CBA should be declared as "inexistent" based on a legal technical interpretation of certain form requirements from the CBA Act.

On 8 June 2017, the Labour Court decided in an intermediary judgement that: (i) CBA may validly be signed by only one trade union, even though they modify older CBA concluded with other (more) trade unions; (ii) Belfius did not violate the unions' rights to collective bargaining; and (iii) the CBA "Belfius 2016" did however not respect the formalities imposed by the CBA Act and for that reason, they are declared relatively null by the Labour Court.

The Court reopened the case in order to enable parties to debate about the consequences of the relative nullity of the CBA. The dates of the different procedural steps are as follows:

- → 17/7/2017: written submissions filed by ACLVB and BBTK
- → 18/9/2017: written submissions filed by Belfius Bank
- → 30/10/2017: oral pleadings

In the meantime ACLVB and BBTK have filed their written submission.

On 4 July 2017, Belfius has registered a new set of these CBAs with the competent Federal Authority (FOD WASO/SPF ETCS) which contain the abovementioned formalities as decided by The Labour Court. As a consequence, Belfius is of the opinion that the relative nullity of the initial CBA is covered and that the claims filed by the trade unions became without subject.

No provision has been recorded for this procedure as Belfius Bank remains confident that it has enough valid arguments to obtain a final judgement in its favour and prove that the CBA Act was respected.

Arco – Cooperative shareholders

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

- On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) summoned Belfius Bank, together with the 3 aforementioned Arco companies, before the Dutch speaking Brussels Commercial Court. Principally, they demand the annulment of their agreement to join the capital of these 3 companies as shareholder, based on fraud or error. They demand that the Court orders Belfius Bank jointly and severally and in solidum with each of the 3 above mentioned Arco companies to repay their capital contributions, increased by interest and compensation. On an ancillary basis, they applied to the Commercial Court to order Belfius Bank to pay compensation based on an alleged shortcoming in its information duty towards them. Amongst others because the file submitted by the individual shareholders lacks information with respect to proof and assessment of damages, Belfius cannot assess the content of the claim and has to reject it.
  On 19 December 2014, 1,027 shareholders and on 15 January 2016, 466 other shareholders of the 3 above mentioned Arco companies joined the summons on a voluntary basis. Belfius has asked for their files so that it can evaluate the content of their claim.
  On 17 December 2015, 2,169 shareholders of the 3 above mentioned Arco companies issued a writ to the Belgian State for compulsory intervention. They demand that the Commercial Court orders the Belgian State to pay compensation based on the alleged illegality of the guarantee scheme the Belgian State enacted in favour of Arco shareholders. This demand is subordinated to the rejection of their claims against Belfius Bank for the annulment of their contributions and has no negative impact on Belfius Bank.
  In June 2017, the claimants have asked the court to set briefing deadlines and a hearing date.
  There was no other significant evolution in this claim during the first half of 2017.
- Belfius Bank has also been summoned by three Arco-shareholders (Arcopar) on 24 October 2016 to appear before the Court of First Instance of Antwerp, Section Turnhout. The claimants demand a compensation from Belfius Bank on the basis of an extra-contractual liability. They allege that Belfius Bank would have given them misleading or at least incorrect advice. Belfius' defense is currently being prepared, whereby the main objective is to demonstrate that Belfius Bank has committed no mistake at all. In the alternative order, in the hypothesis that any claim against Belfius Bank were to be accepted, then Belfius Bank has initiated a hold harmless claim against Arcopar. The case will normally be pleaded on 18 December 2017.
  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

Ethias is currently managing one of Belfius' pension plans in a segregated fund, whereby 100% of the financial gains on the underlying assets are allocated to the plan according to a profit sharing agreement validly concluded between the parties. Ethias claims an exorbitant increase in management costs, even though this is not in accordance with the existing agreements. In view of Belfius Bank's refusal on this increase, Ethias terminated the profit sharing agreement and threatened to transfer unilaterally the pension plan assets towards Ethias' main fund. Should that happen, Belfius Bank would be compelled to evaluate these assets based on Ethias' guaranteed rates (rather than at market value) with a negative impact on the Bank's Other Comprehensive Income (OCI) as a consequence.

In order to prevent this, Belfius Bank has summoned Ethias before the Court in Brussels in summary proceedings on 23 December 2016. On 18 January 2017, the Court prohibited the transfer of the assets, subject to a penalty up to 3 million EUR, 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 (still summary proceedings) ruled against Ethias again and maintained the prohibition to transfer the plan's assets. However, because summary proceedings do not allow an adjudication on the merit, the Court also ruled that Ethias was no longer required to allocate 100% of the financial gains to the pension plan.

Alongside the summary proceeding, a proceeding on the merit was also introduced by Belfius Bank at the commercial court of Brussels on 12 January 2017. A first judgment is not expected before 2018 (1H). Based on clear and valid contractual provisions, Belfius is of the opinion that Ethias may not (i) unilaterally de-segregate the pension fund; and (ii) terminate the profit sharing agreement.

The valuation of the assets remains marked-to-market at the end of 1H 2017. Consequently no OCI impact is taken into account with respect to this litigation.

6.6. Subordinated debts

(refers to table 6.7. of the annual report)

Analysis by nature

(In thousands of EUR)	31/12/16	30/06/17
CONVERTIBLE SUBORDINATED DEBT		
Loan capital perpetual subordinated notes	0	0
Loan capital non-perpetual subordinated notes	0	0
NON-CONVERTIBLE SUBORDINATED DEBT		
Loan capital perpetual subordinated notes	367,452	359,304
Loan capital non-perpetual subordinated notes	1,031,201	846,221
TOTAL	1,398,653	1,205,524
HYBRID CAPITAL AND REDEEMABLE PREFERENCE SHARES	0	0

A decrease can be noted following a EUR 175 million subordinated bond coming to maturity in 1H 2017 and the early repayment of two subordinated bonds of EUR 20 million each.

VII. Notes on the condensed consolidated interim statement of income

(some amounts may not add up due to roundings-off)

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)

(In thousands of EUR)	30/06/16	30/06/17
INTEREST INCOME	2,022,573	1,826,104
INTEREST INCOME OF ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	1,562,578	1,476,420
Cash and balances with central banks	138	0
Loans and advances due from banks	13,475	27,613
Loans and advances to customers	1,212,137	1,109,058
Financial assets available for sale	271,489	242,967
Investments held to maturity	45,202	45,621
Interest on impaired assets	14,094	14,226
Interest income on financial liabilities (negative yield)	5,457	36,237
Other	585	699
INTEREST INCOME OF ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	459,995	349,684
Financial assets held for trading	9,226	6,850
Financial assets designated at fair value	(0)	(0)
Derivatives held for trading	181,424	156,067
Derivatives as hedging instruments	269,345	186,767
INTEREST EXPENSE	(1,066,694)	(841,904)
INTEREST EXPENSE OF LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(325,382)	(234,345)
Due to banks	(4,873)	(4,017)
Customer borrowings and deposits	(73,662)	(46,022)
Debt securities	(196,313)	(120,938)
Subordinated debts	(12,476)	(22,184)
Interest expense on financial assets (negative yield)	(36,728)	(40,278)
Other	(1,331)	(905)
INTEREST EXPENSE OF LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(741,312)	(607,559)
Financial liabilities held for trading	(507)	(983)
Financial liabilities designated at fair value	(59,269)	(53,838)
Derivatives held for trading	(138,280)	(116,633)
Derivatives as hedging instruments	(543,255)	(436,105)
NET INTEREST INCOME	955,879	984,199

The net interest income increased with EUR 28 million mainly resulting from lower liquidity costs as well as good and solid interest rate hedging. Furthermore, the negative impact of a lower interest environment is partially offset by a continuous increase in the commercial volumes.

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

(refers to table 7.4. of the annual report)

(In thousands of EUR)	30/06/16	30/06/17
Net trading income	9,061	235,769
Net result of hedge accounting	(32,568)	(188,184)
Net result of financial instruments designated at fair value through profit or loss and result from the related derivatives	(2,723)	(688)
Of which trading derivatives included in a fair value option strategy	*28,023*	*(27,188)*
Forex activity and exchange differences	15,690	20,665
TOTAL	(10,540)	67,563

The "Net trading income" has increased significantly compared to 1H 2016. This is mainly due to improved market conditions as well as the negotiations on certain optionalities in collateral agreements of derivatives. More specifically, two optionalities can be noted in the collateral agreements:

- the application of a floor on the interest rate renumeration on collateral (i.e. negative interests are not applied) and
- the choice of currency in which the collateral is paid ("Cheapest to Deliver Option").

Several negotiations were conducted to remove these optionalities from the collateral contract in exchange for a compensation.

The total amount recorded on the balance sheet as credit value adjustments stands at EUR -96 million end June 2017 (compared to EUR -246 million end June 2016), whereas total amount on the balance sheet of the debit value adjustment recorded amounts to EUR 11 million end June 2017 (and EUR 7 million end June 2016). The total amount on the balance sheet related to funding value adjustments amounts to EUR -36 million end June 2017 (compared to EUR -68 million end June 2016).

Following the changes in the basis risk (between, among others, OIS and BOR3M) and the low interest environment, the net result from hedge accounting has decreased. Nevertheless, the efficiency tests were respected at all times. Note that the interest position was adjusted following methodological refinements within ALM.

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 hedge basis for certain bonds on asset side and liability side.

7.3. Net income on investments and liabilities

(refers to table 7.5. of the annual report)

(In thousands of EUR)	30/06/16	30/06/17
Gains on Loans and advances	6,388	13,743
Gains on Financial assets available for sale	85,560	87,392
Gains on Tangible fixed assets	4,235	6,844
Gains on Liabilities	1	6
Other gains	12,234	0
TOTAL GAINS	108,418	107,985
Losses on Loans and advances	(4,565)	(3,971)
Losses on Financial assets available for sale	(34,414)	(9,678)
Losses on Investments held to maturity	(1)	(7)
Losses on Tangible fixed assets	(239)	(132)
Losses on Assets held for sale	(48)	(31)
Losses on Liabilities	(102)	(1)
Other losses(1)	(10,031)	0
TOTAL LOSSES	(49,400)	(13,821)
NET IMPAIRMENT	(1,185)	207
TOTAL	57,833	94,371

(1) Note that the result in Side of derisking in the credit guarantees portfolio is recorded in the line "other".

The result of 2016 was still impacted by losses from tactical derisking. In 2017, the result was driven by realized gains on the bond portfolio of Belfius Insurance.

Net impairment

(In thousands of EUR)	Specific risk		Total
	Allowances	Write-backs	
AS AT 30 JUNE 2016			
Securities available for sale	(4,502)	3,317	(1,185)
TOTAL	**(4,502)**	**3,317**	**(1,185)**

(In thousands of EUR)	Specific risk		Total
	Allowances	Write-backs	
AS AT 30 JUNE 2017			
Securities available for sale	(71)	278	207
TOTAL	**(71)**	**278**	**207**

Note that "Net income on investments and liabilities" includes write-offs and recoveries on impaired financial assets measured at "Financial assets available for sale" or "Investments held to maturity". When impaired financial assets classified at "Financial assets available for sale" are disposed or written off, Belfius records the realized result in "Net income on investments and liabilities". When impaired "Investments held to maturity" are written off, Belfius records the realized result in "Net income on investments and liabilities". When tangible and intangible assets are disposed off, all realized gains and losses are reported in "Net income on investments and liabilities".

7.4. Fee and commission income – expense

(refers to table 7.6. of the annual report)

(In thousands of EUR)	30/06/16 (PF)			30/06/17		
	Income	Expense	Net	Income	Expense	Net
Commissions on unit trusts and mutual funds	108,786	(2,732)	106,055	141,226	(24,917)	116,309
Insurance activity	58,560	(2,645)	55,914	57,771	(2,771)	55,000
Credit activity	17,591	(4,623)	12,968	18,584	(4,680)	13,904
Purchase and sale of securities	10,292	(696)	9,596	11,137	(909)	10,229
Purchase and sale of unit trusts and mutual funds	15,712	(165)	15,547	16,605	(222)	16,383
Payment services	70,482	(26,582)	43,900	73,912	(28,717)	45,195
Commissions to not exclusive brokers	1,017	(5,726)	(4,709)	936	(6,183)	(5,246)
Services on securities other than safekeeping	1,651	(276)	1,375	2,682	(596)	2,086
Custody	8,972	(2,132)	6,839	11,459	(1,511)	9,948
Issues and placements of securities	390	(337)	53	1,541	(3,012)	(1,472)
Servicing fees of securitisation	147	0	147	129	0	129
Private banking	8,630	(1,679)	6,951	9,344	(2,894)	6,450
Clearing and settlement	4,132	(2,742)	1,390	5,065	(2,750)	2,315
Securities lending	25	(7)	18	1,542	(1)	1,541
Financial guarantees	2,746	(2,047)	699	2,662	(3,128)	(466)
TOTAL	**309,132**	**(52,388)**	**256,744**	**354,594**	**(82,290)**	**272,304**

An increase in "Commissions on unit trusts and mutual funds" can be noted thanks to the asset management activity that received an additional boost through Belfius Investment Partners (activities started in 2H 2016), as well as improved and less volatile equity markets.

7.5. Insurance contracts

(refers to table 6.5. of the annual report)

(In thousands of EUR)	30/06/16 Life	30/06/16 Non-Life	30/06/16 Non-Technical	30/06/16 Total	30/06/17 Life	30/06/17 Non-Life	30/06/17 Non-Technical	30/06/17 Total
INCOME	174,267	91,331	21,964	287,562	149,941	97,286	24,202	271,429
TECHNICAL RESULT(1)	(150,836)	61,327	(0)	(89,509)	(160,819)	72,494	0	(88,325)
Gross earned premiums	401,303	307,346	0	708,649	388,586	335,491	0	724,077
Claims incurred and other technical expenses	(511,836)	(165,603)	(0)	(677,439)	(510,266)	(183,888)	0	(694,154)
Acquisition commissions	(37,629)	(59,803)	0	(97,432)	(39,044)	(66,785)	0	(105,829)
Technical result from ceded reinsurance	(2,674)	(20,613)	0	(23,287)	(95)	(12,324)	0	(12,419)
FINANCIAL RESULT	324,691	23,903	23,793	372,387	301,929	24,272	24,856	351,057
Interest income, Interest expense , Dividend income	274,490	23,314	11,139	308,944	244,803	22,577	13,502	280,882
Net income on investments and liabilities	62,895	638	5,477	69,010	68,325	1,501	8,883	78,709
Net income from equity method companies, Net income from financial instruments at fair value through profit or loss, Other income, Other expense	(12,694)	(49)	7,176	(5,566)	(11,199)	194	2,471	(8,534)
FEE AND COMMISSION INCOME, FEE AND COMMISSION EXPENSE	412	6,100	(1,828)	4,684	8,831	520	(654)	8,697
EXPENSES	(36,427)	(67,908)	(3,026)	(107,361)	(31,196)	(70,044)	(5,516)	(106,756)
Impairments on financial instruments and provisions for credit commitments, Impairments on goodwill	1,624	206	(302)	1,528	542	103	(76)	569
Impairments on tangible and intangible assets	0	0	0	0	0	0	0	0
NET INCOME BEFORE TAX	139,464	23,629	18,637	181,729	119,287	27,345	18,610	165,242
Tax (expense) income	(38,541)	(6,359)	(4,188)	(49,088)	(28,211)	(6,667)	(4,006)	(38,884)
NET INCOME	100,923	17,269	14,449	132,641	91,076	20,678	14,604	126,358
Attributable to non-controlling interests	0	0	0	0	0	0	0	0
Attributable to equity holders of the parent	100,923	17,270	14,449	132,642	91,076	20,678	14,604	126,358

(1) Statement of income IX. Premiums and technical income & X. Technical expense from insurance activities.

Technical provisions of insurance companies

(In thousands of EUR)	30/06/16 Life	Non-Life	Non-Technical	Total	30/06/17 Life	Non-Life	Non-Technical	Total
Technical provisions - insurance activities	15,405,330	1,158,691	0	16,564,021	13,684,063	1,237,698	0	14,921,761
Technical provisions unit-linked	2,098,140	0	0	2,098,140	2,431,538	0	0	2,431,538
Technical provisions - share of reinsurers	232,365	86,604	0	318,969	172,323	94,127	0	266,450

The decrease of the technical reserves Life is mainly due to the low interest of clients following the low interest rate environment as well as the strategic decision for a strict management of these contracts. As a result, a high number of surrenders can be noted. Note that these reserves are reinvested in banking products of Belfius Bank as well as Branch 23 or Branch 44 products of Belfius Insurance.

The increase in the non-life technical reserves is in line with the "one stop shop" bank insurance strategy. This was supported by the increase in written premiums as well as a decrease in claims, including one off elements, such as Terrorism Reinsurance and Insurance Pool and floods.

7.6. Other income

(refers to table 7.7. of the annual report)

(In thousands of EUR)	30/06/16	30/06/17
Operational taxes	8	0
Rental income from investment property	11,252	12,163
Other rental income	4,088	1,939
Write-back of provisions for litigations	7,611	513
Other income on other activities(1)	122,046	53,852
OTHER INCOME	**145,005**	**68,467**

(1) "Other income on other activities" includes other operational income from operating lease and other operational income. The decrease of "Other income on other activities" is mainly linked to the realized gains on real estate projects in 1H 2016. Note that the costs on these projects are recorded in "Other expense on other activities".

The decrease in other income is due to exceptional items in 1H 2016 following the realized results on real estate projects.

7.7. Other expense

(refers to table 7.8. of the annual report)

(In thousands of EUR)	30/06/16 (PF)	30/06/17
Sector levies(1)	(219,124)	(217,719)
Repair and maintenance on investment properties that generated income during the current financial year	(938)	(675)
Other expense on other activities(2)	(92,525)	(93,097)
OTHER EXPENSE	**(312,587)**	**(311,490)**

(1) Sector levies are specific taxes for financial institutions, it includes:
→ the Deposit Guarantee Scheme contributions,
→ Subscription tax,
→ Financial Stability Contribution and
→ the contributions to the Single Resolution Fund.
Belfius has opted to pay part of its contribution of the Single Resolution Fund through an Irrevocable Payment Commitment. This payment commitment is fully covered by cash collateral. Belfius has recorded EUR 17.5 million in its off balance sheet accounts. Note that the sector levies and contributions to the Single Resolution Fund in 1H 2017 represent amounts for the full year 2017.
(2) "Other expenses on other activities" includes other operational expenses for operating lease (other than rental expenses and contingent rents), depreciation and amortization on office furniture and equipment given in operational lease, other operational expenses, depreciation and amortization on investment property, and other operational taxes. The significant decrease in "Other expense on other activities" is mainly linked to the realization of real estate projects in 1H 2016.

7.8. Impairments on financial instruments and provisions for credit commitments
(refers to table 7.12. of the annual report)

1. Collective impairment

(In thousands of EUR)	30/06/16	30/06/17
TOTAL OF COLLECTIVE IMPAIRMENT ON LOANS	(4,350)	(340)

2. Specific impairment

(In thousands of EUR)	30/06/16	30/06/17
Loans and advances to customers	(25,436)	(24,959)
Other receivables	(505)	(265)
Commitments	41	1,189
TOTAL	(25,900)	(24,031)

Other notes to the condensed consolidated interim financial statements

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

(some amounts may not add up due to roundings-off)

8.1. Regular way trade

(refers to table 8.1. of the annual report)

(In thousands of EUR)	31/12/16	30/06/17
Loans to be delivered and purchases of assets	1,551,820	2,840,695
Borrowings to be received and sales of assets	1,295,247	10,855,641

8.2. Guarantees

(refers to table 8.2. of the annual report)

(In thousands of EUR)	31/12/16	30/06/17
Guarantees given to credit institutions	1,337,642	1,318,281
Guarantees given to customers	4,027,258	3,933,559
Guarantees received from credit institutions[1]	918,144	1,001,033
Guarantees received from customers	29,875,666	30,132,822

(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)

(In thousands of EUR)	31/12/16	30/06/17
Unused lines granted to credit institutions	738,843	221,515
Unused lines granted to customers	22,607,338	22,169,663
Unused lines obtained from credit institutions	8,648	13,276

8.4. Other commitments to financing activities

(refers to table 8.4. of the annual report)

(In thousands of EUR)	31/12/16	30/06/17
Insurance activity – Commitments received	70,276	70,276
Banking activity – Commitments given[1]	22,534,469	24,451,883
Banking activity – Commitments received	69,838,280	69,384,714

(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 8.4 billion (nominal) at the end of 2016 and EUR 8.4 billion (nominal) at the end of June 2017.

See also note 6.3 "Debt securities".

8.5. Commitments to Single Resolution Fund

(refers to table 8.5. of the annual report)

(In thousands of EUR)	31/12/16	30/06/17
Single Resolution Fund– Commitments given	9,517	17,457

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. Note that the contributions to the Single Resolution Fund in 1H 2017 represent amounts for the full year 2017.

8.6. Bond lending and bond borrowing transactions

(refers to table 8.6. of the annual report)

(In thousands of EUR)	31/12/16	30/06/17
Securities lending	349,491	1,272,562
Securities borrowing	16	41

The "Securities lending" evolution is due to increased repo activity.

IX. Notes on risk exposure

(some amounts may not add up due to roundings-off)

9.1. Fair value

(refers to table 9.1 of the annual report)

1. Fair value of financial instruments

A. Breakdown of fair value of assets

(In thousands of EUR)	31/12/16 Carrying amount	31/12/16 Fair value	31/12/16 Difference	30/06/17 Carrying amount	30/06/17 Fair value	30/06/17 Difference
Cash and balances with central banks	5,111,050	5,111,050	0	10,315,836	10,315,836	0
Loans and advances[1]	111,704,952	118,573,175	6,868,223	105,863,797	112,779,459	6,915,662
Loans and other advances	*105,244,638*	*113,252,837*	*8,008,199*	*100,093,670*	*107,345,767*	*7,252,097*
Bonds	*6,460,314*	*5,320,338*	*(1,139,976)*	*5,770,127*	*5,433,692*	*(336,435)*
Investments held to maturity	5,393,247	5,428,785	35,537	5,513,685	5,402,757	(110,928)
Financial assets measured at fair value through profit or loss	2,985,979	2,985,979	0	3,742,341	3,742,341	0
Financial assets available for sale	18,819,789	18,819,789	0	17,243,163	17,243,163	0
Derivatives	25,307,222	25,307,222	0	21,666,134	21,666,134	0
Non current assets (disposal group) held for sale and discontinued operations[2]	28,772	47,164	18,392	511,638	526,935	15,298

(1) As the interest have increased on the long end, the fair value of the loan portfolio has decreased compared to end year 2016. Note that due to the increase of the real rate in UK as well as the improvement of the credit spreads, the fair value of the bond portfolio has increased compared to end year 2016.

(2) In 2017, Belfius Insurance has decided to liquidate its investments in the following consolidated funds: "Belfius European Loans Fund", "Belins High Yield" and "Belins US Corporate Bonds". 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 with Belfius Insurance's new investment framework. As a result, these funds fell within the application of IFRS 5 and are classified as "Non current assets (disposal group) held for sale and discontinued operations" as at 30 June 2017.

B. Breakdown of fair value of liabilities

(In thousands of EUR)	31/12/16 Carrying amount	31/12/16 Fair value	31/12/16 Difference	30/06/17 Carrying amount	30/06/17 Fair value	30/06/17 Difference
Borrowings and deposits	86,752,871	86,938,237	185,366	89,707,211	89,823,130	115,919
Debt securities[1]	23,981,430	24,604,690	623,260	22,736,916	23,535,010	798,094
Subordinated debts	1,398,653	1,506,575	107,922	1,205,524	1,315,305	109,780
Financial liabilities measured at fair value through profit or loss	7,524,251	7,524,251	0	8,105,847	8,105,847	0
Derivatives	29,572,521	29,572,521	0	22,954,432	22,954,432	0
Liabilities included in disposal group and discontinued operations	0	0	0	0	0	0

(1) The figures of 2016 have been restated.

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. Note, however, that an internal estimate of the future potential prepayment rate has been considered in the determination of the fair value.

The carrying amount does not include the "Fair value revaluation of portfolio hedge" as it is presented separately on the balance sheet. In 2016, the value of the hedged interest rate risk amount is EUR 4,534 million on the asset side and EUR 207 million on the liability side. End June 2017, EUR 3,886 million on the asset side and EUR 112 million on the liability side are recognised on the balance sheet.

2. Analysis of fair value of financial instruments

A. Assets

(In thousands of EUR)	31/12/16 Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	2,353,445	360,824	271,710	2,985,979
Financial assets available for sale	16,968,817	612,330	1,238,643	18,819,789
Derivatives	754	24,089,030	1,217,438	25,307,222
Non current assets (disposal group) held for sale and discontinued operations	0	38,035	9,129	47,164
TOTAL	19,323,015	25,100,219	2,736,920	47,160,154

(In thousands of EUR)	30/06/17 Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	2,868,096	668,876	205,369	3,742,341
Financial assets available for sale	15,408,859	598,469	1,235,834	17,243,163
Derivatives	1,374	20,621,759	1,043,001	21,666,134
Non current assets (disposal group) held for sale and discontinued operations[1]	495,694	30,277	963	526,935
TOTAL	18,774,023	21,919,382	2,485,168	43,178,573

(1) In 2017, Belfius Insurance has decided to liquidate its investments in the following consolidated funds: "Belfius European Loans Fund", "Belins High Yield" and "Belins US Corporate Bonds". 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 with Belfius Insurance's new investment framework. As a result, these funds fell within the application of IFRS 5 and are classified as "Non current assets (disposal group) held for sale and discontinued operations" as at 30 June 2017.

B. Liabilities

(In thousands of EUR)	31/12/16 Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value through profit or loss	2,210,594	2,631,860	2,681,797	7,524,251
Derivatives	1,290	28,584,283	986,949	29,572,521
Liabilities included in disposal group and discontinued operations	0	0	0	0
TOTAL	2,211,884	31,216,143	3,668,745	37,096,772

(In thousands of EUR)	30/06/17 Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value through profit or loss	2,439,645	2,902,714	2,763,488	8,105,847
Derivatives	420	22,055,192	898,820	22,954,432
Liabilities included in disposal group and discontinued operations	0	0	0	0
TOTAL	2,440,065	24,957,906	3,662,308	31,060,279

3. Transfer between Level 1 and Level 2 fair value for assets and liabilities at fair value in the balance sheet

A. Assets at fair value in the balance sheet

(In thousands of EUR)	31/12/16		30/06/17	
	From 1 to 2	From 2 to 1	From 1 to 2	From 2 to 1
Financial assets measured at fair value through profit or loss	67	0	166	375
Financial assets available for sale	85,153	5,641	2,924	84,452
Derivatives	0	0	0	0
TOTAL	85,220	5,641	3,091	84,827

B. Liabilities at fair value in the balance sheet

(In thousands of EUR)	31/12/16		30/06/17	
	From 1 to 2	From 2 to 1	From 1 to 2	From 2 to 1
Financial liabilities measured at fair value through profit or loss	0	0	162	0
Derivatives	52	0	0	0
TOTAL	52	0	162	0

4. Reconciliation Level 3

A. Assets

(In thousands of EUR)	31/12/16								
	Opening balance	Total of unrealised gains and losses in P&L	Total gains/losses in other comprehensive income	Purchases	Sales	Settlements	Transfer in Level 3	Transfer out of Level 3	Closing balance
Financial assets measured at fair value through profit or loss	275,343	90,093		9,281	(99,054)	0	89	(4,042)	271,710
Financial assets available for sale	1,513,586	12,652	23,713	153,454	(61,651)	(10,509)	632	(393,233)	1,238,643
Derivatives	1,424,784	(148,532)		255,383	0	(282,188)	(40)	(31,970)	1,217,438
TOTAL	3 213 713	(45 787)	23 713	418 118	(160 705)	(292 697)	681	(429 245)	2 727 791

(In thousands of EUR)	31/06/17								
	Opening balance	Total of unrealised gains and losses in P&L	Total gains/losses in other comprehensive income	Purchases	Sales	Settlements	Transfer in Level 3	Transfer out of Level 3	Closing balance
Financial assets measured at fair value through profit or loss	271,710	454		202,280	(1,050)	0	114	(268,138)	205,369
Financial assets available for sale	1,238,643	17,235	(3,789)	69,819	(3,885)	(5,058)	0	(77,129)	1,235,834
Derivatives	1,217,438	(234,027)		146,372	0	(104,129)	27,137	(9,789)	1,043,001
TOTAL	2,727,791	(216 338)	(3 789)	418 470	(4 935)	(109 187)	27 250	(355 057)	2 484 205

B. Liabilities

(In thousands of EUR)	31/12/16 Opening balance	Total of unrealised gains and losses in P&L	Purchases	Sales	Direct origination	Settlements	Transfer in Level 3	Transfer out of Level 3	Closing balance
Financial liabilities measured at fair value through profit or loss	2,553,069	2	727	(99)	138,387	0	0	(10,290)	2,681,797
Derivatives	1,143,464	(76,252)	184,517	0	0	(233,668)	10	(31,123)	986,949
TOTAL	3,696,533	(76,250)	185,245	(99)	138,387	(233,668)	10	(41,413)	3,668,745

(In thousands of EUR)	31/06/17 Opening balance	Total of unrealised gains and losses in P&L	Purchases	Sales	Direct origination	Settlements	Transfer in Level 3	Transfer out of Level 3	Closing balance
Financial liabilities measured at fair value through profit or loss	2,681,797	1	0	(727)	72,242	0	10,175	0	2,763,488
Derivatives	986,949	(91,491)	77,077	0	0	(87,112)	17,519	(4,122)	898,820
TOTAL	3,668,745	(91,490)	77,077	(727)	72,242	(87,112)	27,694	(4,122)	3,662,308

The columns "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 amortized 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 of unrealised gains and losses in other comprehensive income" comprises the OCI reserve at reporting date.

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, available for sale, 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, high 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 contribution. 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 is 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).

Bonds traded in inactive markets are valued using valuation techniques. To price its portfolio of illiquid bonds, Belfius uses modelled spreads on a mix of fundamental (or "through-the-cycle") information and information from the market (or "point-in-time"). In line with continuous market evolutions, Belfius continues to refine its calculation methodologies for the determination of market-derived spreads (mark-to-model) by means of a method based on cross-sections on a large universe of bonds and CDS spreads.

A regular back testing of the Belfius Mark-to-Model is based on the comparison between model spreads and (as good as it gets) market information (even if illiquid and/or potentially less relaible) for illiquid positions which are fair valued in mark-to-model. A comparable exercise is also done on model spreads through a market challenging. Model spreads and (assumed) market spreads are compared on a monthly basis across different risk dimensions such as the rating, maturity and sectors.

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 on a mix of fundamental (or "through-the-cycle") information and information from the market (or "point-in-time"). These spreads 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 so that the valuation will be closer to the exit price.
- 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 and corresponding derivatives.

Financial instruments measured at amortised cost (having valuations at fair value in IFRS disclosures)

This item relates to financial instruments classified as Loans and Advances at inception or that have been reclassified from trading or AFS to L&R.

As a response to the financial crisis, the IASB issued on 13 October 2008 an amendment to IAS 39 allowing for the reclassification of certain illiquid financial assets. Belfius decided to benefit from this opportunity to reclassify assets for which no active market, nor reliable quoted prices, were at that time no longer available.

Financial instruments classified in Held to Maturity and Loans and Advances since inception measured at amortised cost (having valuations at fair value in IFRS disclosures)

The fair value of loans and advances, including mortgages loans and Held to Maturity instruments, 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 classified in AFS.

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;
- a correction for 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 bp	-3.70	
OTC derivatives on CMS spread	Correlation between CMS interest rates	+10%	0.70	
OTC swaps Bermudian Feature	Mean Reversion	1%	1.33	
Collateralised Debt Obligation	Credit spread	-10 bp	-3.77	
Credit Default Swap	Credit spread	-10 bp	2.37	
Illiquid bonds	Credit spread	-10 bp		+6.97

B. Valuation process

The risk department in charge of market risks determines the fair value level for 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. The liquidity score is distributed between very liquid (big score) and very illiquid (small score) bonds. 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. The main events in 2017 (ECB decisions, Trump announcements, French elections) changed some high scores to a lower scores, though this had little impact on the overall liquidity score. The impact on the bonds that do not fall within the very liquid or very illiquid categories was more severe, and we had some transfers from L1 to L2 (and vice versa). We observed also decreasing of L3 volume following a corresponding decreasing of the L3 positions.

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 2016 nor in 1H 2017.

More specifically, as Belfius sells plain vanilla products, like Interest Rate Swaps (IRS) or 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)

1. Analysis of total credit risk exposure

The definition of Maximum Credit Risk Exposure "MCRE" is completely in line with our risk management measure FEAD – Full Exposure At Default, as used in our Pillar 3 report, 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 increased with the potential future exposure (calculated under the current exposure method or 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 (including financial guarantees given).

Note that the definition of the Maximum Credit Risk Exposure as used internally and for the risk tables presented below, differs slightly from the IFRS 7 concept. In fact, Belfius presents the carrying amount of its assets gross of any impairment losses whereas IFRS 7 requires a presentation of assets net of impairment.

A. Exposure by geographical region

(In thousands of EUR)	31/12/16	30/06/17
Belgium	121,528,561	121,335,239
France	10,531,222	10,035,263
Germany	2,725,025	3,223,221
Greece(1)	351	326
Ireland	114,749	89,617
Italy(2)	6,215,048	5,809,240
Luxembourg	789,965	951,180
Spain(3)	3,337,894	3,092,839
Portugal	97,247	86,282
Other EU countries(4)	7,032,319	12,810,843
Rest of Europe	1,002,171	982,514
Turkey	128,910	75,519
United Kingdom	11,283,008	11,833,274
United States and Canada	4,616,910	4,230,201
South and Central America	520,199	467,932
Southeast Asia	591,341	564,309
Japan	425,704	397,577
Other	1,485,301	1,413,970
TOTAL	172,425,925	177,399,345

(1) 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.
(2) The decrease of the total credit risk esposure on Italy is mainly due to the decrease in derivative exposure.
(3) The decrease is mainly linked to a decrease in reverse repurchase agreements as well as some minor sales in Cedulas position.
(4) Includes supranational entities, such as the European Central Bank. The significant increase is mainly related to an increase of the monetary reserves.

B. Exposure by category of counterparty

(In thousands of EUR)	31/12/16	30/06/17
Central governments	20,326,106	24,722,965
Public sector entities	50,331,570	49,007,050
Corporate	27,531,917	27,710,355
Monoline insurers	4,174,649	3,761,043
ABS/MBS	1,403,080	1,253,370
Project finance	2,102,398	2,081,282
Individuals, SME, self-employed	42,336,114	43,780,135
Financial institutions	23,557,744	24,268,805
Other	662,347	814,340
TOTAL	172,425,925	177,399,345

2. Credit quality of financial assets not impaired

(In thousands of EUR)	31/12/2016 AAA to AA-	A+ to BBB-	Non-investment grade	Unrated	Total
Financial assets available for sale (excluding variable income securities)	9,504,448	6,276,805	171,375	143,195	16,095,823
Financial assets designated at fair value (excluding variable income securities)	0	1,756	0	0	1,756
Financial assets held for trading (excluding variable income securities)	65,326	643,565	1,878	1,220	711,989
Loans and advances (at amortised cost)	40,904,502	38,418,879	16,271,755	1,938,639	97,533,775
Investments held to maturity	3,021,903	2,368,806	2,538	0	5,393,247
Derivatives	2,593,590	14,248,141	243,098	103,484	17,188,313
Other financial instruments - at cost	483,863	114,083	15,694	666,159	1,279,799
Loan commitments granted	13,203,494	7,235,762	3,880,070	160,684	24,480,010
Guarantee commitments granted	2,033,694	4,701,326	909,423	59,410	7,703,853
TOTAL	71,810,820	74,009,123	21,495,831	3,072,791	170,388,565

(In thousands of EUR)	30/06/2017 AAA to AA-	A+ to BBB-	Non-investment grade	Unrated	Total
Financial assets available for sale (excluding variable income securities)	8,544,846	6,254,709	128,293	94,275	15,022,124
Financial assets designated at fair value (excluding variable income securities)	0	1,408	0	0	1,408
Financial assets held for trading (excluding variable income securities)	375,387	728,673	1,898	1,708	1,107,666
Loans and advances (at amortised cost)	41,796,876	43,474,634	16,576,162	2,103,571	103,951,242
Investments held to maturity	3,029,441	2,460,409	0	21,234	5,511,084
Derivatives	1,944,181	12,822,358	234,457	72,095	15,073,091
Other financial instruments - at cost	457,300	62,243	13,061	823,075	1,355,680
Loan commitments granted	7,617,174	11,747,664	4,074,680	212,994	23,652,512
Guarantee commitments granted	2,986,295	5,833,062	996,441	53,220	9,869,018
TOTAL	66,751,499	83,385,160	22,024,992	3,382,172	175,543,824

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 calculated based on external ratings (Fitch, Standard & Poors or Moody's).

3. Information on past-due or impaired financial assets

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.

(In thousands of EUR)	31/12/16 Past-due but not impaired financial assets ≤ 90 days	> 90 days ≤ 180 days	> 180 days	Carrying amount of individually impaired financial assets, before deducting any impairment loss
Financial assets available for sale (excluding variable income securities)	0	0	0	1,782
Loans and advances (at amortised cost)	556,709	19,479	25,253	2,322,147
Other financial instruments – at cost	0	0	0	5,459
TOTAL	556,709	19,479	25,253	2,329,388

(In thousands of EUR)	30/06/17 Past-due but not impaired financial assets ≤ 90 days	> 90 days ≤ 180 days	> 180 days	Carrying amount of individually impaired financial assets, before deducting any impairment loss
Financial assets available for sale (excluding variable income securities)	0	0	0	1,782
Loans and advances (at amortised cost)	426,947	10,714	22,574	2,059,487
Other financial instruments – at cost	0	0	0	3,157
TOTAL	426,947	10,714	22,574	2,064,426

Past due outstandings relate mainly to retail and corporate assets. Financial assets are considered as impaired according to the accounting policies "Impairments on financial assets".

4. Forbearance

(In thousands of EUR)	31/12/16 Gross carrying amount of exposures with forbearance measures	Impairment	Collateral received and financial guarantees received: Collateral received on exposures with forbearance measures	Financial guarantees received on exposures with forbearance measures
Debt instruments at amortised cost	631,284	(109,278)	309,424	5,981
Loan commitments – given	20,714	0	15,033	338

(In thousands of EUR)	30/06/17 Gross carrying amount of exposures with forbearance measures	Impairment	Collateral received and financial guarantees received: Collateral received on exposures with forbearance measures	Financial guarantees received on exposures with forbearance measures
Debt instruments at amortised cost	601,972	(119,194)	302,144	2,956
Loan commitments – given	18,806	0	7,434	0

We refer to the chapter "Risk management" of the management report for futher information.

9.3. Information on asset encumbrance and collateral received

(refers to table 9.3 of the annual report)

1.1. Assets

	As at 31 December 2016			
(In thousands of EUR)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Equity instruments	0	0	1,730,450	1,730,450
Debt securities	3,125,031	3,387,770	13,535,258	25,789,008
Loans and advances	33,167,553		68,937,353	
of which cash collateral given	17,461,903			

	As at 30 June 2017			
(In thousands of EUR)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Equity instruments	0	0	1,705,338	1,705,338
Debt securities	4,741,921	5,161,665	11,454,894	23,504,233
Loans and advances	30,508,049		66,682,764	
of which cash collateral given	13,429,883			

1.2. Collateral received

	As at 31 December 2016		As at 30 June 2017	
(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	586,825	6,010,392	1,193,662	3,507,358
Equity instruments	0	47,735	0	103,585
Debt securities	586,825	5,962,657	1,193,662	3,403,773
Own debt securities issued other than own covered bonds or ABS	0	379,894	0	302,399

2. Summary encumbrance by source

As at 31 December 2016	Encumbered assets						Total
	Loans and advances	Debt securities					
(In thousands of EUR)		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	17,461,903	758,699				224,353	18,444,955
Repurchase agreements		197,379	608,987	122,195	6,147	8,348	943,055
Collateralised deposits other than repurchase agreements	787,328	474,120	0	84,520	0	131,983	1,477,951
Central bank funding	2,757,255	0	138,653	294,518		0	3,190,426
Covered bonds issued	10,600,331	0	0	0	0	0	10,600,331
Asset-backed securities issued	586,973	0	0	0	0	0	586,973
Fair value of securities borrowed with non cash-collateral	597,381		0	0	0	0	597,381
Other	376,382	180,386	155,181	104,231	16	222,141	1,038,337
TOTAL	**33,167,553**	**1,610,584**	**902,820**	**605,464**	**6,163**	**586,825**	**36,879,409**

As at 30 June 2017	Encumbered assets						Total
	Loans and advances	Debt securities					
(In thousands of EUR)		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	13,429,883	621,631	62,546	82,450	66	370,177	14,566,753
Repurchase agreements	0	666,822	1,341,534	310	3,247	592,486	2,604,400
Collateralised deposits other than repurchase agreements	778,624	96,389	12,458	218,787	0	27,802	1,134,060
Central bank funding	4,061,906	151,000	8,461	191,971	0	0	4,413,338
Covered bonds issued	10,601,607	0	0	0	0	0	10,601,607
Asset-backed securities issued	558,367	0	0	0	0	0	558,367
Fair value of securities borrowed with non cash-collateral	612,202	0	0	0	0	0	612,202
Other	465,460	285,271	799,686	199,754	11	203,197	1,953,379
TOTAL	**30,508,049**	**1,821,114**	**2,224,686**	**693,272**	**3,323**	**1,193,662**	**36,444,105**

This information on asset encumbrance was determined according to the current Belfius interpretation of the EBA definition and scope.

An asset is considered as "encumbered" if it cannot be freely withdrawn when given as pledge to secure debts or as collateral for issuances.

It 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) agreements.

The collateral pledged to the European Central Bank amounts to EUR 7.0 billion by the end of June 2017 of which EUR 4.4 billion encumbered (EUR 7.0 billion end 2016 of which EUR 3.2 billion encumbered).

This amount of assets pledged is composed of EUR 4.4 billion to collateralise the TLTRO II funding of EUR 4.0 billion (EUR 3.0 billion end 2016) and EUR 2.6 billion which is available.

The assets pledged to collateralise the TLTRO funding are composed of EUR 4.1 billion public, SME and mortgage loans (through securitisation vehicle Penates and Mercurius) and of EUR 0.3 billion bonds.

On 10 March 2016, the ECB announced a new series of four targeted longer-term refinancing operations (TLTRO II). These new operations will be conducted from June 2016 to March 2017 at a quarterly frequency. All the new operations will have a four-year maturity, with the possibility of quarterly repayment starting two years from the settlement of each operation. The TLTRO's are designed to further enhance the functioning of the monetary policy transmission mechanism by supporting bank lending to the real economy.

Counterparties participating in a TLTRO are subject to borrowing limits based on "eligible loans". Loans that are eligible include loans granted in the Euro area to either non-financial corporations (including non-profit organizations) and households (though excluding loans for house purchase). Loans granted to financial entities or the public sector are excluded.

End 2016, Belfius had an outstanding TLTRO II participation of EUR 3.0 billion. End March 2017, Belfius drew an additional amount of EUR 1.0 billion, resulting end June 2017 in a total participation in TLTRO II of EUR 4.0 billion.

We refer to the chapter "Risk management" from the management report for further information.

3. Encumbered assets/collateral received and associated liabilities

	As at 31 December 2016		As at 30 June 2017	
(In thousands of EUR)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABS encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABS encumbered
Carrying amount of selected financial liabilities	32,079,503	35,243,691	30,178,645	33,878,525

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 2016

In 2016, the Belgian fund management company Belfius Investment Partners was founded and is fully consolidated. The funds "Belfius European Loans Fund", "Belins high yield" and "Belins US Corporate Bonds" were founded by Belfius Insurance in 2015 and joined the scope of consolidation during 2016.

The company "Vennootschap Leopold" was liquidated during 2016. The companies Copharma Industries Unltd and Eurco Ltd were deconsolidated as they are being liquidated.

Belfius Insurance has sold its wholly owned subsidiary "International Wealth Insurer" in 2H 2016, classified in "Non current assets (disposal group) held for sale and discontinued operations", to Foyer S.A. In 2H 2016, Belfius Insurance has decided to sell its investment in "Aviabel". Despite the fact that an agreement has been reached, it is still subject to certain conditions, and thus the investment has been classified as "Non current assets (disposal group) held for sale and discontinued operations" as per 31 December 2016, this had no impact on the scope in 2016.

Note that Belfius Insurance and Sepia merged on 1 January 2016. This had no impact on the scope of the consolidation.

2. As at 30 June 2017

Belfius Insurance has sold its investment in "Aviabel" in 1H 2017, classified in "Non current assets (disposal group) held for sale and discontinued operations", to the American insurance company Axis Capital.

Belfius Insurance has decided to liquidate its investments in the following consolidated funds: "Belfius European Loans Fund", "Belins High Yield" and "Belins US Corporate Bonds". 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 with Belfius Insurance's new investment framework. As a result, these participations fell within the application of IFRS 5 and are now classified as "Non current assets (disposal group) held for sale and discontinued operations".

The real estate company Immo Activity was purchased end 2016 and is fully consolidated from the beginning of 2017.

10.2. Acquisitions and disposals of consolidated companies

Assets and liabilities included in disposal groups held for sale and discontinued operations

A. Year 2016

As at 31 December 2016, Aviabel was recorded as "Non current assets (disposal group) held for sale and discontinued operations". A sales agreement has been signed with the American insurance company Axis Capital, but it is subject to conditions that are yet to be fulfilled.

B. 30 June 2017

As at 30 June 2017, the funds "Belfius European Loans Fund", "Belins High Yield" and "Belins US Corporate Bonds" were recorded as "Non current assets (disposal group) held for sale and discontinued operations".

Belfius Insurance has decided to liquidate its investments in the following consolidated funds: "Belfius European Loans Fund", "Belins High Yield" and "Belins US Corporate Bonds". 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 with Belfius Insurance's new investment framework. As a result, these participations fell within the application of IFRS 5 and are now classified as "Non current assets (disposal group) held for sale and discontinued operations".

The transferred assets and liabilities were as follows:

	31/12/16	30/06/17
(In thousands of EUR)	Aviabel SA	Belfius Insurance Funds
Cash and cash equivalents	0	0
Loans and advances due from banks	0	0
Loans and advances to customers	0	0
Financial assets measured at fair value through profit or loss	0	0
Financial investments	0	495,694
Investments in equity method companies	7,730	0
Tangible fixed assets	0	0
Other assets	0	0
Customer borrowings and deposits	0	0
Financial liabilities measured at fair value through profit or loss	0	0
Technical provisions of insurance companies	0	0
Other liabilities	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

(In thousands of EUR)	Directors and key management personnel(1)		Subsidiaries(2)	
	31/12/16	30/06/17	31/12/16	30/06/17
Loans(3)	1,373	1,543	0	0
Interest income	39	15	0	0
Deposits and debt securities(3)	6,365	8,600	3,371	7,506
Interest expense	(5)	(4)	(1)	0
Net commission	0	0	107	(7)
Guarantees issued and commitments provided by the Group(4)	0	0	2,488	2,492
Guarantees and commitments received by the Group	3,795	3,391	0	0

(In thousands of EUR)	Associates		Joint ventures in which the entity is a venturer	
	31/12/16	30/06/17	31/12/16	30/06/17
Loans(3)	315,272	312,292	6,887	9,793
Interest income	10,132	4,722	79	46
Deposits and debt securities(3)	68,202	124,090	3,222	2,255
Interest expense	(151)	(22)	(2)	0
Net commission	15,375	510	35	116
Guarantees issued and commitments provided by the Group(4)	214,321	201,300	28,592	26,070
Guarantees and commitments received by the Group	70,540	71,027	14,538	38,665

(1) Key management includes the Board of Directors and the Management 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.

No impairments were recorded on loans given to related parties.

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.

Belfius Bank NV
Report on the review of the condensed consolidated interim financial statements for the six-month period ended 30 June 2017

In the context of our appointment as the company's statutory auditor, we report to you on the condensed consolidated interim financial statements. These condensed consolidated interim financial statements comprise the condensed consolidated interim balance sheet as at 30 June 2017, the condensed consolidated interim statement of income, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of change in equity and the condensed consolidated interim cash flow statement for the period of six months then ended, as well as selective notes II to XI.

Report on the condensed consolidated interim financial statements

We have reviewed the condensed consolidated interim financial statements of Belfius Bank SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as adopted by the European Union.

The condensed consolidated interim balance sheet shows total assets of EUR 171,639 million and the condensed consolidated interim statement of income shows a consolidated profit (group share) for the period then ended of EUR 361 million.

The board of directors of the company is responsible for the preparation and fair presentation of the condensed consolidated interim financial statements in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review of the condensed consolidated interim financial statements in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Belfius Bank SA have not been prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Zaventem, 30 August 2017

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by

Bart Dewael — Bernard De Meulemeester

Alternative Performance Measures – APM

COMMON EQUITY TIER 1 RATIOS

The CET 1 ratio presents the ratio between the CET 1 capital and the total regulatory risk exposures.

Calculation (%)	Reference	31/12/16	30/06/17
CET 1 Phased In	Management report/ Capital Management	16.6%	16.3%
CET 1 Fully Loaded	Management report/ Capital Management	16.1%	16.1%

TOTAL CAPITAL RATIO

The total capital ratio presents the ratio between the total regulatory own funds and the total regulatory risk exposures.

Calculation (%)	Reference	31/12/16	30/06/17
Phased In	Management report/ Capital Management	19.4%	19.1%
Fully Loaded	Management report/ Capital Management	18.4%	18.5%

LEVERAGE RATIO

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

Calculation (%)	Reference	31/12/16	30/06/17
Phased In	Management report/ Capital Management	5.4%	5.4%
Fully Loaded	Management report/ Capital Management	5.3%	5.3%

COST-INCOME RATIO

Gives an impression of the relative cost efficiency (expenses relative to income)

Calculation (in millions of EUR or %)	Reference	1H 2016	1H 2017
Expenses (A)	Consolidated Income Statement	673	662
Income (B)	Consolidated Income Statement	1,052	1,136
COST-INCOME RATIO (=A/B)		64.0%	58.3%

The Cost-Income ratio is also calculated for each segment according to a similar definition.

ASSET QUALITY RATIO

The ratio between impaired loans and advances to customers and the gross outstanding loans and advances to customers.

Calculation (in millions of EUR or %)	Reference	31/12/16	30/06/17
Impaired outstanding (A)	Note 5.3. Loans and advances to customers	2,320	2,059
Gross outstanding (B)	Note 5.3. Loans and advances to customers	91,292	92,226
ASSET QUALITY RATIO (=A/B)		2.54%	2.23%

COVERAGE RATIO

The ratio between the specific impairments and impaired loans and advances to customers.

Calculation (in millions of EUR or %)	Reference	31/12/16	30/06/17
Specific impairment (A)	Note 5.3. Loans and advances to customers	1,262	1,223
Impaired outstanding (B)	Note 5.3. Loans and advances to customers	2,320	2,059
COVERAGE RATIO (=A/B)		54.4%	59.4%

LIQUIDITY COVERAGE RATIO (LCR)

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 assets to hold must equal to or greater than their net cash outflow over a 30-day period under stress (having at least 100% coverage). The parameters of the stress scenario are defined under Basel III.

Calculation (in millions of EUR or %)	Reference	31/12/16	30/06/17
Stock of quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR	18,742	20,514
Net cash outflow over a 30-day period (B)	Based on the European Commission's Delegated Act on LCR	14,751	16,024
LCR (=A/B)		127%	128%

NET STABLE FUNDING RATIO (NSFR)

The Net Stable Funding Ratio (NSFR) is defined as the amount of available stable funding relative to the amount of required stable funding, and is based on Belfius' interpretation of the current Basel Committee guidelines, which may change in the future. This ratio should be equal to at least 100% on an on-going basis. "Available stable funding" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance-sheet (OBS) exposures.

Calculation (in millions of EUR or %)	31/12/16	30/06/17
Amount of available stable funding (A)	94,792	95,940
Amount of required stable funding (B)	86,362	83,430
NSFR (=A/B)	110%	115%

RETURN ON EQUITY (ROE)

Return on equity (ROE) is an indication of how profitable a company is relative to its equity. The return on equity is calculated as the annualized net income as a percentage of the average shareholders equity minus the dividend, not yet paid (based on N and N-1 figures).

Calculation (in millions of EUR or %)	Reference	1H 2016	1H 2017
Net income group share (A)	Consolidated Income Statement	249	361
Average core shareholders' equity (B)	Consolidated Balance Sheet	8,321	8,697
RETURN ON EQUITY (=A*2/B)		6.0%	8.3%

RETURN ON ASSETS (ROA)

Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. The return on assets is calculated as the annualized net income as a percentage of the average total assets (based on N and N-1 figures).

Calculation (in millions of EUR or %)	Reference	1H 2016	1H 2017
Net income group share (A)	Consolidated Income Statement	249	361
Average total assets (B)	Consolidated Balance Sheet	182,483	174,180
RETURN ON ASSETS (=A*2/B)		**0.27%**	**0.41%**

RETURN ON NORMATIVE REGULATORY EQUITY (RoNRE)

Return on Normative Regulatory Equity (RoNRE) for a segment is calculated as the annualized net income as a percentage of the average Normative Regulatory Equity, the Normative Regulatory Equity is defined as the CET 1 capital that is required to bring a segments to a CET 1 ratio (Fully Loaded) of 13.5%.

Calculation (in millions of EUR or %)	Reference	1H 2016	1H 2017
Net income group share RC (A)	Management report/ Segmentreporting	263	234
Average Normative Regulatory Equity RC (B)	Management report/ Segmentreporting	2,915	2,601
RoNRE (=A*2/B)		**18.0%**	**18.0%**

The RoNRE is also calculated for PC on a similar definition.

SOLVENCY II RATIO (INSURANCE)

The Solvency II ratio is calculated as the amount of own funds as a percentage of the solvency capital requirement.

Calculation (in %)	Reference	31/12/16	30/06/17
Solvency II ratio (before dividend)	Management report/ Capital Management	217%	234%
Solvency II ratio (after dividend)	Management report/ Capital Management	207%	228%

TOTAL SAVINGS AND INVESTMENTS

Total savings and investments allocated to the different business lines, are composed of total deposits, off-balance sheet investments and life insurance reserves.

Total savings and investments	Retail and Commercial		Public and Corporate	
(in billions of EUR)	31/12/16	30/06/17	31/12/16	30/06/17
A. Total deposits	62.0	63.5	22.9	22.1
B. Off-balance sheet investments	29.6	30.5	8.2	8.1
C. Life insurance reserves	10.9	10.3	0.6	0.6
TOTAL CUSTOMER ASSETS	102.5	104.3	31.7	30.8

A. The **total deposits** consist of:

Calculation of RC deposits	Retail and Commercial (RC)		
(in billions of EUR)	Reference	31/12/16	30/06/17
RC Savings accounts	Component of note 6.2. Customer borrowings and deposits	40.0	41.1
RC Current accounts	Component of note 6.2. Customer borrowings and deposits	10.4	11.7
RC Term accounts	Component of note 6.2. Customer borrowings and deposits	0.5	0.4
RC Savings certificates	Component of note 6.3. Debt securities	2.8	2.4
RC Bonds issued by Belfius	Component of note 6.3. Debt securities	3.6	3.1
	Component of note 6.4. Financial liabilities measured at FV in annual report (not in HYR)	4.8	4.8
TOTAL RC DEPOSITS		62.0	63.5

Calculation of PC deposits	Public and Corporate (PC)		
(in billions of EUR)	Reference	31/12/16	30/06/17
Public and Social	Component of note 6.2. Customer borrowings and deposits	16.9	15.6
Corporate	Component of note 6.2. Customer borrowings and deposits	6.1	6.5
TOTAL PC DEPOSITS		22.9	22.1

B. **Off-balance sheet investments** are customer assets products which are not on the balance of the bank nor are an insurance contract. Off-balance sheet investments contain:

→ Customer assets managed by "allied or own asset management companies" in the form of mutual funds or by advisory or discretionary mandates and
→ Customer assets managed directly by the customer (a.o. shares, bonds (not issued by Belfius)).

The size and the development of asset managed by allied or own asset management companies is a major contributor to the fee income (asset management fees, entry fees).

C. **Life insurance reserves** are composed on one hand of the Branch 21 investment products, or insurance products with a guaranteed income, with its mathematical reserves on the balance sheets of our insurance company; on the other hand there are the Branch 23 unit linked (investments) products, which are measured at fair value of the underlying assets (mainly off-balance). These products contribute to Belfius groups result by entry fees, commissions income on underlying assets, and net income on Branch 21 investment products.

TOTAL LOANS TO CUSTOMERS

Total loans allocated to the customers of the different business lines, are composed of loans granted to these customers.

Calculation (in billions of EUR)	Reference	31/12/16	30/06/17
Mortgage loans	Component of note 5.3. Loans and advances to customers	28.8	29.7
Consumer loans	Component of note 5.3. Loans and advances to customers	1.4	1.4
Other retail loans	Component of note 5.3. Loans and advances to customers	0.5	0.5
Business loans	Component of note 5.3. Loans and advances to customers	11.4	11.8
TOTAL LOANS TO CUSTOMERS RC		42.1	43.4

Calculation (in billions of EUR)	Reference	31/12/16	30/06/17
Public and Social	Component of note 5.3. Loans and advances to customers	28.8	28.8
Corporate	Component of note 5.3. Loans and advances to customers	9.5	10.3
TOTAL LOANS TO CUSTOMERS PC		38.3	39.2

THE ALM LIQUIDITY BOND PORTFOLIO

Total ALM Liquidity bond portfolio is part of Belfius Banks' total LCR liquidity buffer

Calculation (in billions of EUR)	Reference	31/12/16	30/06/17
Bonds	Component of note 5.3. loans and advances to customers	0.5	0.5
	Component of note 5.4. Investments held to maturity	4.4	4.5
	Component of note 5.5. Financial assets available for sale	3.3	3.1
TOTAL ALM LIQUIDITY BOND PORTFOLIO		8.2	8.1

THE ALM YIELD BOND PORTFOLIO

Total ALM Yield bond portfolio is used to manage excess liquidity

Calculation (in billions of EUR)	Reference	31/12/16	30/06/17
Bonds	Component of note 5.3. loans and advances to customers	4.1	3.8
	Component of note 5.5. Financial assets available for sale	0.3	0.3
	Component of note 5.7. Financial assets measured at fair value through profit or loss in annual report (not in HYR)	0.4	0.3
TOTAL ALM YIELD BOND PORTFOLIO		4.8	4.4

THE CREDIT DERIVATIVE PORTFOLIO

The credit derivatives refer to the intermediation transactions whereby, on different types of reference obligations, the former Dexia Bank sold credit protection to a financial counterpart and purchased credit protection with monoline insurers.

Calculation (in billions of EUR)	Reference	31/12/16	30/06/17
Credit derivatives	Component of mainly note 8.2. Guarantees and note 5.6. Derivatives	4.6	4.2
TOTAL CREDIT GUARANTEES		**4.6**	**4.2**

FUNDING DIVERSIFICATION AT BELFIUS BANK

(in billions of EUR)	31/12/16	30/06/17
A. Commercial funding	84.9	85.6
B. Secured funding	13.9	16.4
C. Wholesale unsecured funding	5.2	4.9
D. Net unsecured interbank funding	4.6	5.0

A. Commercial funding

The total deposits collected within the commercial Franchise (RC and PC) – *see total savings and investments.*

B. Secured funding

Funding for which specific collateral has been provided as (additional) security

Calculation (in billions of EUR)	Reference	31/12/16	30/06/17
ECB: (T)LTRO	Component of note 6.1. Due to banks	3.0	4.0
Repo	Component of note 6.1. Due to banks	0.9	2.7
LT secured funding	Mainly component of note 6.2. Customer borrowings and deposits	1.6	1.3
Covered bonds	Component of note 6.3. Debt securities	8.4	8.4
TOTAL SECURED FUNDING		**13.9**	**16.4**

C. Wholesale unsecured funding

Funding obtained in the wholesale market for which no specific collateral has been provided.

Calculation (in billions of EUR)	Reference	31/12/16	30/06/17
LT senior unsecured funding	Mainly Component of note 6.3. Debt securities	3.9	3.7
LT subordinated funding	Note 6.6. Subordinated debts	1.3	1.2
TOTAL WHOLESALE UNSECURED FUNDING		**5.2**	**4.9**

D. Net unsecured interbank funding

Calculation (in billions of EUR)	Reference	31/12/16	30/06/17
Net ST unsecured funding	Mainly component of note 6.3. Debt securities	4.6	5.0
TOTAL NET UNSECURED INTERBANK FUNDING		**4.6**	**5.0**

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

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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 15/14
Boulevard Pachéco 44
B-1000 Brussels
E-mail: *claim@belfius.be*

If you are not satisfied with the response you receive, you can turn to the Negotiation department of Belfius Bank

Belfius Bank
Negotiation department – RT 15/14
Boulevard Pachéco 44
B-1000 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
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Fax : +32 2 545 77 79
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For insurance products, you can take your complaint to the Insurance Ombudsman.

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Contact

For further general info over Belfius Bank & Insurance, feel free to visit *www.belfius.com* or *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).

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