HALF-YEARLY 2023

Belfius

Contents

Management report

Key figures and ratings

Consolidated statement of income

(In millions of EUR)	1H 2022[2]	1H 2023
INCOME	1,163	1,430
EXPENSES	(676)	(736)
GROSS INCOME	487	694
Impairments on financial instruments and provisions for credit commitments	13	(17)
Impairments on tangible and intangible assets	0	(1)
RESULT BEFORE TAX	500	676
Tax (expense) income	(105)	(196)
NET INCOME AFTER TAX	395	480
Non-controlling interests	0	1
NET INCOME GROUP SHARE	394	479
of which Bank[1]	321	364
Insurance[1]	73	115

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

Consolidated balance sheet

(In millions of EUR)	31/12/22[1]	30/06/23
TOTAL ASSETS	179,068	178,250
of which Cash and Balances with central banks	27,295	24,431
Loans and advances due from credit institutions	4,144	4,060
Loans and advances	110,203	112,351
Debt securities and equity instruments	26,997	27,117
Derivatives	5,893	5,489
TOTAL LIABILITIES	167,158	166,688
of which Cash and Balances from central banks	5,904	2,653
Credit institutions borrowings and deposits	1,870	3,207
Borrowings and deposits	108,447	106,931
Debt securities issued and other financial liabilities	29,899	33,268
Derivatives	8,249	7,693
TOTAL SHAREHOLDERS' EQUITY	11,378	11,034
of which Shareholders' core equity	10,776	10,873
Gains and losses not recognised in the statement of income	602	161
TOTAL EQUITY	11,910	11,563
of which Total shareholders' equity	11,378	11,034
Additional Tier-1 instruments included in equity	497	497
Non-controlling interests	35	31

(1) Pro forma IFRS 17 figures.

Ratios[1]

	31/12/22[3]	30/06/23
Return on equity (ROE)	8.9%	9.5%
Return on assets (ROA)	0.49%	0.57%
Cost-income ratio (C/I ratio)	47%	45%
Asset quality ratio	1.82%	1.91%
Coverage ratio	59.6%	56.7%
Liquidity Coverage Ratio (LCR)[2]	173%	156%
Net Stable Funding Ratio (NSFR)	135%	133%

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

Solvency ratios[1]

	31/12/22[3]	30/06/23
CET1 capital ratio[2]	16.4%	16.5%
Tier 1 capital ratio[2]	17.2%	17.3%
Total capital ratio[2]	19.8%	20.0%
Leverage ratio	6.2%	6.3%
Solvency II – ratio (before dividend)	205%	202%
Solvency II – ratio (after dividend)	193%	195%

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

Ratings of Belfius Bank as at 31 August 2023

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

(1) Intrinsic creditworthiness.

Highlights

The 1H 2023 results of Belfius demonstrated the resilience of its business model and the relevance of its revenue diversification strategy. Since more than a decade, Belfius keeps growing its business footprint in Belgium, living up to its purpose of being "Meaningful and Inspiring for Belgian society", a strategy that continues to result in dynamic commercial activities and sound growth pattern, even within the 2023 transforming macroeconomic and financial context. Inflation concerns continue to weigh on the purchasing power of Individuals and on the profitability of Entrepreneurs and Enterprises. Credit spreads are improving, although they suffered from the US banking crisis in March 2023. Equity markets have risen during the first half of 2023, following signs of economic recovery.

The **consolidated net income** 1H 2023 stood at EUR 479 million[(1)], which is EUR 85 million higher than in the first half of 2022 (EUR 394 million), the highest 1H net income since Belfius' origins. The main drivers for this material increase are primarily the very healthy commercial dynamics with total income[(2)] increasing by EUR 202 million vs 1H 2022 (from EUR 1,669 million to EUR 1,870 million), driven by net interest income, fee & commission, insurance contribution to income and other income, supported by solid ALM management, outweighing the increase of the Costs[(3)] by 9% due to higher workforce expenses related to inflation and investments in human capital to support commercial growth and operational resilience as well as continued investments in our data and digital transformation journey.

According to IFRS 17 reporting standards, Insurance Service Expenses (ISE) and Net Reinsurance Result (NRR) have been added to the income statement to reflect, on the one hand, the costs incurred in providing insurance services in the period[(4)] and, on the other hand, the costs linked to the reinsurance activities in the period. Insurance Service Expenses have decreased on an adjusted basis[(5)], this improvement is mainly attributable to Non-Life & Health.

The Cost of Risk translated into a net allowance of EUR -17 million compared to a net reversal of EUR 13 million in 1H 2022. The level of Pre-Provision Income, at EUR 694 million, increased with EUR 207 million vs 1H 2022.

Belfius Bank contributed EUR 364 million to the consolidated net profit. Belfius Insurance's contribution amounted to EUR 115 million.

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

- Sound production of EUR 11.8 billion of new long-term loans (including leasing), a decline of -7% vs 1H 2022. Overall, the stock of outstanding commercial loans reached EUR 112.0 billion as of end June 2023, a growth of +2.0% compared to December 2022;
- Our strategy "Bank for Investors" is also flourishing with the outstanding Savings & Investments growing to EUR 182.2 billion, thanks to a combination of organic growth effect in both on-balance sheet and off-balance sheet and of positive market effect;
- The insurance business continued to grow steadily, with Non-Life GWP (including Health) reaching EUR 451 million mostly thanks to a strong growth of the bancassurance channel (+9%), whereas Life GWP grew by +3%, with some shift from Invest Branch 23 towards Invest Branch 21 in light of higher interest rate environment.

(1) Belfius, as integrated bank-insurer, has released its 1H 2023 results in accordance with the new accounting standard IFRS 17 with regards to insurance activities. Consequently, the balance sheet and P&L figures, as well as specific ratios, have been changed or redefined. All these changes have been implemented with retroactive effect to the 2022 results.
(2) Excluding Insurance Service Expenses, which IFRS 17 accounts for as negative income.
(3) Including directly attributable costs for insurance contracts.
(4) Including incurred claims and any subsequent change in the liability for incurred claims (except for effect of time value of money and financial risk that is booked in Insurance Finance Income and Expenses).
(5) Insurance Service Expenses Adjusted equal to Insurance Service Expenses, plus Net Reinsurance Result, minus Operating Expenses allocated to Insurance Service Expenses.

Outstanding commercial activity for Enterprises in 1H 2023

Belfius has granted an amount of EUR 11.8 billion in new long-term financing to the Belgian economy, down by EUR -0.9 billion from EUR 12.6 billion in 1H 2022, the result of the strong contraction in Belgian mortgage loan market. Out of these EUR 11.8 billion, 60% (EUR 7.1 billion) went to Entrepreneurs and Enterprises with the latter accounting for EUR 5.0 billion. Belfius also granted EUR 1.4 billion of new long-term loans to the Public and Social sector and as such remains the reference partner for those clients. EUR 3.3 billion in new long-term financing went to Individuals, including EUR 2.6 billion in mortgage loans.

These overall sound commercial dynamics resulted in a continued solid increase of our outstanding stock of loans in most segments of the Belgian economy.

In 1H 2023, **Savings and Investments** benefitted from both positive organic growth and market effects amounting respectively to EUR +0.8 billion and to EUR +2.0 billion. In this transforming interest rates environment, the global Savings and Investments' organic growth has seen a major product shift from non maturing deposits towards term deposits and bonds. The solid EUR +7.0 billion organic growth in maturing deposits, Branch 21, Asset Management Services & Equity more than offset the contraction in non maturing deposits following the interest rates increase. Despite this challenging macroeconomic and financial context, the Savings & Investments outstanding has reached EUR 182.2 billion, a growth of +1.6% compared to end December 2022.

The Individuals (IND) segment displayed a noticeable increase of EUR +4.3 billion since end 2022, with strong organic growth (EUR +2.5 billion) and positive market effect (EUR +1.8 billion). Savings & Investments for the Entrepreneurs, Enterprises & Public (E&E&P) segment declined by EUR -1.4 billion since end 2022 with a negative organic growth (EUR -1.6 billion), driven by the (non-fully compensated) shift from non maturing deposits towards term deposits and bonds, and a slightly positive market effect (EUR +0.2 billion).

Within our Insurance activities, **Non-Life GWP** (including Health) reached EUR 451 million, a growth of +7% (y-o-y). This strong performance was mainly achieved in the Belfius Bank's distribution channel (+9%).

Life GWP reached EUR 544 million, a steady growth of +3% compared to 1H 2022, with some shift from Invest Branch 23 towards Invest Branch 21 in light of higher interest rate environment. Belfius Insurance was the first insurer to offer Branch 21 at higher guaranteed rates in 2022. At the same time, Life reserves have increased by +0.5% at EUR 13.8 billion compared to end 2022.

Belfius continues to perform well on the **digital** front. The number of active mobile users reached EUR 1.93 million at the end of June 2023, up +3% compared to year end 2022. Belfius offers a leading & award-winning mobile banking app. Belfius will continue to leverage its world-class mobile app as the cornerstone, including to offer inspiring and innovative **"beyond bank-insurance" solutions** to our customers.

In 2023, Belfius continues to take an active role in the **transition towards a sustainable future** of the Belgian society. Belfius is committed to making a difference in the social challenges and to encourage solutions that contribute to a more sustainable society in Belgium. Belfius' commitments for 2025 prove to be more relevant than ever as a guiding compass for its sustainability strategic goals. From reinventing mobility to the financing of meaningful infrastructure, from energy-efficient solutions to CO_2 neutral stance, Belfius positions itself as a leading actor in this field.

Solid financial performance in 1H 2023

Belfius' consolidated net income in 1H 2023 stood at EUR 479 million, driven by strong commercial dynamics and increasing income, and despite inflationary pressures on the cost side.

Total income amounted to EUR 1,870 million in 1H 2023, up +12% or EUR +202 million compared to 1H 2022 (EUR 1,669 million) thanks to:

- increase of the **net interest income bank** by +30% (EUR 1,050 million in 1H 2023 vs EUR 808 million in 1H 2022) in sharply rising interest rate environment, driven by overall improving interest margin on growing commercial activities and on Belfius' solid liquidity buffer. This overall growth of interest margin is somewhat softened by:
    - volume shift from non maturing deposits towards term funding,
    - pressure on new loan margins from general market delay between loan pricings and sharp increases of market interest rates, and
    - continued strong competition in the Belgian loan market;
- rather stable and resilient **net fee and commission income bank** from EUR 377 million in 1H 2022 to EUR 378 million in 1H 2023, mainly thanks to higher payment fees as well as continuously growing fees from growing Life and Non-Life insurance activities through the banking network;
- **lower insurance contribution to income** with decreasing **Life insurance income** (EUR 211 million in 1H 2023 vs EUR 234 million in 1H 2022) and growing **Non-Life insurance income** (EUR 409 million in 1H 2023 vs EUR 391 million in 1H 2022), thanks to portfolio growth and premium indexation to cover inflation impact on insurance service expenses;
- **other income** at EUR -177 million in 1H 2023 compared to EUR -141 million in 1H 2022, mainly stemming from higher bank levies in 1H 2023, partially offset by higher positive contribution from activities serviced out the dealing room stemming from higher interest rates.

Insurance Service Expenses adjusted for directly attributable costs for insurance contracts and reinsurance amount to EUR -334 million in 1H 2023 vs EUR -406 million in 1H 2022 mainly due to Non-Life thanks to the recalibration of the confidence interval to 77.5% and absence of natural catastrophes' claims in 1H 2023 while 1H 2022 was impacted by February 2022 storms and increased inflation assumptions on Best Estimate calculation.

Belfius continued to develop its strong footprint in operational, commercial and financial terms, by investing in human talent and digital capital. The first six months of 2023 have been marked by further investments in technology as well as in human capital. **Costs**[1] went up by +9% at EUR 843 million in 1H 2023 vs EUR 776 million in 1H 2022 due to inflationary pressures and these growth investments. However, thanks to the solid income evolution y-o-y, Belfius' C/I ratio further improved at 45% in 1H 2023 compared to 47% in 1H 2022. The C/I ratio, adjusted for linearization of bank levies both at bank and insurance side, remained stable at 42% in 1H 2023, compared to 43% in 1H 2022.

All in all, the combination of strong income dynamics and improved insurance service expenses adjusted, despite growing operating expenses as well as continuing investments in commercial activities, ESG, IT and digitalization, led to an increase in **pre-provision income** by +43%, to EUR 694 million in 1H 2023 (vs EUR 487 million in 1H 2022).

In 1H 2023, Belfius made again a detailed review of its credit risk portfolio and continued to calibrate its IFRS 9 provisions.

Belfius continues to evolve its credit risk provisioning in synchronization with such transforming context, where inflationary pressures currently still "win" from recession risk, and where economic growth continues to show more resilience than formerly anticipated in general.

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

- adjusted for improving economic outlooks;
- redirected from Covid-induced overlays for vulnerable sectors to Inflation and Energy related vulnerabilities.

This led in 1H 2023 to a **negative cost of risk** of EUR -17 million (net allowance) - compared to EUR +13 million or a net reversal in 1H 2022.

As a result, the **net income before taxes** amounted to EUR 676 million in 1H 2023 compared to EUR 500 million in 1H 2022.

The **tax expenses** amounted to EUR 196 million in 1H 2023 compared to EUR 105 million in 1H 2022, showing an effective tax rate (29%) above the statutory tax rate (25%). The higher IFRS taxes in 1H 2023 are mainly the result of a higher consolidated result before tax than in 1H 2022 and the limitation of the NTK[2] deductibility to 20% since the start of the year (compared to 100% the previous years).

As a consequence, **consolidated net income** 1H 2023 reached EUR 479 million compared to EUR 394 million in 1H 2022. This is Belfius' highest 1H net income since its origins, back in 2011.

(1) Including directly attributable costs for insurance contracts.
(2) Belgian tax on credit institutions.

Continued investment in the future, with a focus on sustainability

Favoring the transition to a low carbon, equitable Belgian economy and Society

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

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

- The launch of **CO_2rporate ESG Ambition**, a unique approach to motivate, accompany and reward Belgian companies through their entire ESG journey from strategy definition to implementation;
- The launch of the **new mortgage loans for energy-efficient housing**, with discounts for new nearly zero energy buildings (nZEB) and for the energy-renovation of buildings (in order to reduce energy consumption with at least 30%).

Furthermore, Belfius assisted its customers with the issuance of EUR 1.7 billion **Green, Social or Sustainable bonds** in the first 6 months of 2023. Belfius also issued its own, second Green Bond for EUR 750 million, that will be invested in eligible assets, under a framework aligned with the four core components of the Green Bond Principles 2018 and validated by Sustainalytics.

Next to this, Belfius is also proud that:

- Belfius' 2022 carbon baseline, including financed emissions, received limited assurance. This is another important step in our **decarbonization ambition and Science Based Targets initiative commitment**;
- Belfius Insurance increased its shareholder participation in **Inclusio**, a real estate company that provides good quality dwellings with affordable rents;
- Belfius Bike Insurance won a **2023 DECAVI Award**, as it already did in 2022. This market recognition supports Belfius' focus on assisting Belgian Society in its shift towards low carbon mobility;
- Belfius, with ELENA and SeGEC, contributes to the financing of meaningful infrastructure, i.e. **solar panels for catholic schools in Brussels and Wallonia**.

Sustainable solutions offered to Belfius' clients

Through its range of funds and digital solutions, Belfius promotes sustainable investments:

- **Funds of the future**: till end of June 2023, Belfius already launched nine funds dedicated to society-related themes: "Belfius Equities Cure" (dedicated to oncology), "Belfius Equities Climate" (environment), "Belfius Equities Wo=Men" (to promote gender equality), "Belfius Equities Be=Long" (dedicated to happy and healthy longevity), "Belfius Equity Move" (for a cleaner, safer and smarter mobility), "Belfius Equities Become" (focused on the development of children), "Belfius Equities Re=New" (focused on circular economy), "Belfius Virtu=all" (focused on the meta-verse economy) and "Belfius Innov=Eat" (focused on durable food production). As of June 2023, these nine funds of the future had already attracted EUR 2.4 billion, generating from shared commissions thereon EUR 4.8 million of donations to charities since inception;
- Belfius' innovative investment app **Re=Bel**: launched two years ago, this platform is fully integrated into our mobile app making 'investing with a cause' accessible to everyone. With a range of 40,000 shares and over 1,125 Trackers over 29 markets, Re=Bel is assisting our customers in their shift to sustainable investing and as such is in line with Belfius TAP[1]. Re=Bel onboarded around 82,000 customers since its start and executed EUR 590 million of buy and sell transactions during the first six months of 2023.

Solid solvency ratios and sound liquidity position[2]

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

- the CET1[3] ratio stood at 16.49%, up 5 bps compared to the CET1 ratio as of December 2022. The increase over 2023 is mainly the result of higher CET1 capital (EUR +160 million) compensated by higher regulatory risk exposures (EUR +778 million to EUR 64.9 billion);
- the total capital ratio stood at 20.05%[3] compared to 19.8% end 2022;
- the leverage ratio[3] increased by 12 bps to 6.3% compared to end December 2022. The increase is the result of the higher regulatory Tier 1 capital, and a slightly lower leverage exposure measure mainly driven by a slight decrease in the balance sheet;
- insurance activities also displayed continued solid solvency metrics, with a Solvency II ratio of 195% end of June 2023;
- end of June 2023, Belfius continued to show an excellent liquidity and funding profile with a LCR of 156% and a NSFR of 133%.

EBA Stress test 2023

The 2023 stress test conducted by the European Union has delivered its results. It once again confirms Belfius' strong financial solidity and resilience to material adversities, both in absolute terms and in perspective of the 70 largest participating banks. Even during such materially adverse simulated and hypothetical stress, Belfius remains able to maintain some dividend pay-out capacity and to combine that with a highly manageable fully loaded CET1 ratio depletion of -4.12% over the period (versus the average of -4.59% for the full sample of participating banks). At the start of this stress test exercise, the European Banking Authority (EBA) and the European Central Bank (ECB) stated that the adverse scenario for the 2023 exercise assumes for several macro-financial variables more severe shocks than in previous stress tests.

Starting from a strong CET1 fully-loaded ratio of 16.19% as at 31 December 2022 (corresponding to a CET1 ratio of 16.55% on a transitional IFRS 9 basis), Belfius has a sound CET1 fully-loaded ratio of 12.07% at the end of the stress period on 31 December 2025. This outcome also compares favorably to the average of the participating banks (10.38% for the full sample of participating banks). It confirms the strong solvency position of Belfius, its solid resilience towards adversities and the pertinence of having a sound financial & risk management as a cornerstone of its consistent long-term diversification strategy.

(1) The Transition Acceleration Policy (TAP) is Belfius' policy on controversial or "sensitive" sectors. It is applied to all Belfius' activities, with a double objective to both encourage and support economic actors in their shift towards more sustainable activities, and to reduce negative impact of our own activities by discontinuing or limiting support of non-sustainable activities.
(2) Unaudited.
(3) The pro forma takes into account the implementation of IFRS 17 as well as the IFRS 9 business model reassessment on 1 January 2023, where a reclassification of EUR 8.9bn has taken place from the Belfius Insurance portfolio of loans and debt securities measured at amortised cost to loans and debt securities measured at fair value through other comprehensive income.

Environmental, Social and Governance

As a Belgian bank-insurer, whose purpose is to be "Meaningful and Inspiring for Belgian Society. Together.", Belfius remains fully committed to its customers and their love, embedding sustainability in all aspects of its strategy.

Belfius' sustainability strategy is articulated around two guiding principles: "Walk the talk" in our own operations and " Putting customers in the driver's seat" of their sustainability ambition with an adapted range of meaningful solutions, products and services.

Belfius' six core commitments are:

1. Continuously reducing and compensating the shrinking footprint of our own operations
2. Opting for 100% green renewable electricity, a choice we have made since 2008
3. Supporting our society year after year through Belgian charities
4. Giving women every opportunity and guaranteeing equal pay
5. Going for a 100% meaningful investment offer
6. Giving absolute priority to future-proof infrastructure for Belgian society.

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

In line with this ambition, Belfius solicited and received limited assurance on its 2022 carbon footprint calculation which includes financed emissions according to the PCAF methodology. This is an important step in and serves as the baseline for the definition of our Paris-aligned science-based emission reduction targets and action plan according to the Science Based Targets initiative (SBTi) methodology. Moreover, for the first time, Belfius took the CDP questionnaire in 2023.

Belfius encourages customers to become more sustainable. Specifically,

- the newly launched CO_2rporate ESG Ambition is a unique approach to motivate, accompany and reward Belgian companies through their entire ESG journey from strategy definition to implementation;
- the Ambition Loans and Lease range enables financing of projects with climate or environmental targets, in the fields of real estate, mobility, energy and water & waste management. In addition to classic credit financing, Belfius assisted its customers with the issuance of EUR 1.7 billion Green, Social or Sustainable bonds in the first 6 months of 2023;
- the energy-efficient mortgage loans range offers discounts for new nearly zero energy buildings (nZEB), the purchase of energy-efficient homes (EPC <= 150 kWh/m^2/year) and for the energy-renovation of buildings (in order to reduce energy consumption with at least 30%);
- 68% of new orders for leasing cars at Belfius Auto Lease are Electric or Plug-in Hybrid or Hydrogen. Belfius further supports the shift towards low carbon mobility through its insurance products. Belfius Bike Insurance won a DECAVI Award in 2023 too.

Belfius also invites customers to invest in a meaningful way both through its actively advised investment offer (Branch 23 or thematic mutual funds) and through the execution-only brokerage platform Rebel, which enables investing with a cause. 77% of invested amounts through Rebel are TAP[1] compliant.

Furthermore, Belfius successfully issued its own, second Green Bond for EUR 750 million, that will be invested in projects or assets, in the following categories: Renewable Energy; Energy Efficiency; Clean Transportation; Green Real Estate; and Waste & Water Management. This Green Bond is issued under a framework aligned with the four core components of the Green Bond Principles 2018 and validated by Sustainalytics.

Belfius is committed to all segments of Belgian society: public and social sector actors, enterprises and entrepreneurs as well as individuals from the strongest to the most vulnerable. For instance, Belfius, with ELENA and SeGEC, contributes to the financing of meaningful infrastructure, i.e. solar panels for more than thousand catholic schools in Brussels and Wallonia, for a total value of some EUR 23 million over the next 4 years. Belfius Insurance recently increased its shareholder participation in Inclusio, a real estate company that provides good quality dwellings with affordable rents.

Finally, Belfius endeavors to increase inclusiveness. 41% of managers at Belfius are women. The Passwerk and TRplus companies, that employ people with autism spectrum profile are now among our preferred suppliers. Through its partnership with C'est Génial/Da's Geniaal, Belfius promotes diversity both within Belfius and in STEM – education (Science, Technology, Engineering, Mathematics).

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

Financial results

Preliminary notes to the consolidated financial statements

1. Changes to the scope of consolidation

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

2. Fundamentals of the consolidated financial statements

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

Analysis of the consolidated Balance Sheet

Total assets decreased by EUR -0.8 billion, or -0.5%, from EUR 179.1 billion for the year ending 31 December 2022, to EUR 178.3 billion as of 30 June 2023. The total assets are composed of EUR 162.7 billion for the Belfius Banking Group (compared with EUR 163.0 billion at 31 December 2022) and EUR 15.6 billion for the Belfius Insurance Group (compared with EUR 16.1 billion at 31 December 2022). These amounts represent the contribution of the Banking and Insurance Groups to the consolidation scope and do not reflect their respective stand-alone total assets.

The decrease in total balance sheet stems primarily from the maturity of part of Belfius' participation in the TLTRO III (EUR -3.4 billion), as well as decreasing fair values of debt and equity instruments (EUR -0.7 billion) and derivatives (EUR -0.4 billion) due to higher interest rates. At the liabilities side of the balance sheet, a decrease in borrowings and deposits measured at amortised cost (EUR -1.5 billion) is more than compensated by an increase in debt securities issued measured at amortised cost (EUR +2.8 billion), reflecting some change in overall customer deposits' profile in current interest rate environment: less non maturing deposits and more maturing deposits (the latter also in bonds and certificates of deposits format).

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

1. Assets

1.1. Cash and balances with central banks

Cash and balances with central banks decreased by EUR -2.9 billion, or -10.5%, to EUR 24.4 billion (31 December 2022: EUR 27.3 billion). The decrease is mainly linked to the maturity of part of Belfius' participation in the TLTRO III for EUR -3.4 billion, resulting also in a decrease of Belfius' deposit facility at the ECB. Belfius deposits part of its cash at the NBB/ECB within the framework of its liquidity management.

1.2. Loans and advances due from credit institutions

Loans and advances due from credit institutions decreased by EUR -0.1 billion, or 1.9%, to EUR 4.1 billion (31 December 2022: EUR 4.1 billion). The decrease stems from the decrease in cash collateral paid of EUR -0.3 billion, in line with the fair value movement of the derivatives, partially offset by an increase in reverse repos of EUR 0.2 billion.

Summarised consolidated balance sheet

(In millions of EUR)	31/12/22[1]	Contribution Bank into group[2]	Contribution Insurance into group[2]	30/06/23	Contribution Bank into group[2]	Contribution Insurance into group[2]	Evolution
TOTAL ASSETS	179,068	162,986	16,082	178,250	162,656	15,595	-818
Of which							
Cash and balances with central banks	27,295	27,295	0	24,431	24,431	0	-2,864
Loans and advances due from credit institutions	4,144	4,077	66	4,060	4,016	44	-83
A. Measured at amortised cost	4,144	4,077	66	4,060	4,016	44	-83
Loans and advances	110,203	105,507	4,697	112,351	108,033	4,318	+2,148
A. Measured at amortised cost	109,236	104,728	4,508	107,509	107,321	188	-1,727
B. Measured at fair value through other comprehensive income	171	0	171	4,119	11	4,109	+3,948
C. Measured at fair value through profit or loss	796	778	18	723	701	22	-73
Debt securities & equity instruments	26,997	13,897	13,100	27,117	14,230	12,887	+120
A. Measured at amortised cost	17,495	13,061	4,434	13,367	13,367	(0)	-4,128
B. Measured at fair value through other comprehensive income	4,041	221	3,820	8,230	231	8,000	+4,190
C. Measured at fair value through profit or loss	1,491	615	876	1,408	632	775	-83
D. Measured at fair value through profit or loss – unit linked products	3,970	0	3,970	4,111	0	4,111	+141
Derivatives	5,893	5,876	17	5,489	5,480	10	-404
TOTAL LIABILITIES	167,158	151,881	15,277	166,688	151,480	15,207	-471
Of which							0
Cash and balances from central banks	5,904	5,904	0	2,653	2,653	0	-3,251
Credit institutions borrowings and deposits	1,870	1,857	12	3,207	3,197	10	+1,338
A. Measured at amortised cost	1,870	1,857	12	3,207	3,197	10	+1,338
Borrowings and deposits	108,447	108,447	0	106,931	106,931	0	-1,517
A. Measured at amortised cost	108,428	108,428	0	106,911	106,911	0	-1,517
B. Measured at fair value through profit or loss	20	20	0	20	20	0	0
Debt securities issued and other financial liabilities	29,899	25,927	3,971	33,268	29,155	4,113	+3,369
A. Measured at amortised cost	18,517	18,516	1	21,364	21,363	1	+2,847
B. Measured at fair value through profit or loss	7,411	7,411	0	7,792	7,792	0	+381
C. Measured at fair value through profit or loss - unit linked products	3,970	0	3,970	4,111	0	4,111	+141
Derivatives	8,249	8,248	0	7,693	7,691	2	-556
Liabilities from insurance/reinsurance contracts	10,895	0	10,895	10,642	0	10,642	-253
A. Insurance contract liabilities	10,895	0	10,895	10,642	0	10,642	-253
Subordinated debts	1,547	1,547	0	1,822	1,822	(0)	+275
A. Measured at amortised cost	1,547	1,547	0	1,822	1,822	(0)	+275
TOTAL EQUITY	11,910	11,105	805	11,563	11,175	387	-347
Shareholders' core equity	10,776	10,570	206	10,873	10,668	205	+97
Gains and losses not recognised in the statement of income	602	38	565	161	10	152	-441
TOTAL SHAREHOLDERS' EQUITY	11,378	10,607	771	11,034	10,678	356	-344
Additional Tier-1 instruments included in equity	497	497	0	497	497	0	0
Non-controlling interests	35	0	34	31	0	31	-3
TOTAL LIABILITIES AND EQUITY	179,068	162,986	16,082	178,250	162,656	15,595	-818

(1) The comparative figures of 2022 are the restated IFRS 17 figures and exclude the impact of the IFRS 9 business model reassessment of financial assets of Belfius Insurance which occurred on 1 January 2023, we refer to the Accounting principles (note 3.3. "First time adoption IFRS 17") for more information.
(2) Information based on non-audited figures.

1.3. Loans and advances

Loans and advances increased by EUR 2.1 billion, or 1.9%, to EUR 112.4 billion (31 December 2022: EUR 110.2 billion), stemming from an increase in loans at Belfius Bank of EUR 2.5 billion in line with the continuous development of our commercial franchise, partially compensated by negative fair value adjustments of EUR -0.3 billion in the portfolio at Belfius Insurance. As a result of the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, a reclassification of EUR 4.5 billion has taken place from the Belfius Insurance portfolio of loans measured at amortised cost to loans measured at fair value through other comprehensive income.

Certain other loans do not pass the SPPI-test and are therefore measured at fair value through profit or loss. These mostly relate to loans to the public and social sector with specifically structured interest rate features. The outstanding volume thereof decreased by EUR -0.1 billion to EUR 0.7 billion end of June 2023, as a result of repayments, restructurings to loans passing the SPPI-test, and negative fair value adjustments.

The asset quality ratio, indicating the ratio between impaired (stage 3) loans and advances and the gross outstanding loans and advances, increased from 1.82% at 31 December 2022 to 1.91% at 30 June 2023 (see chapter on Risk Management for additional information).

1.4. Debt securities and equity instruments

The Belfius Banking Group contributed EUR 14.2 billion (31 December 2022: EUR 13.9 billion) to the debt securities and equity instruments portfolio and the Belfius Insurance Group contributed EUR 12.9 billion (31 December 2022: EUR 13.1 billion).

The debt securities measured at amortised cost decreased by EUR -4.1 billion, or -23.6%, to EUR 13.4 billion (31 December 2022: EUR 17.5 billion) due to the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, resulting in a reclassification of EUR 4.4 billion debt securities of the Belfius Insurance portfolio formerly measured at amortised cost to measured at fair value through other comprehensive income. The impact of the reclassification is partially offset by investments (EUR 1 billion) both in government and corporate bonds, partially compensated by maturities (EUR -0.8 billion) mainly in government bonds.

The financial assets measured at fair value through other comprehensive income increased by EUR 4.2 billion, or 103.7%, to EUR 8.2 billion (31 December 2022: EUR 4.0 billion). This is the result of the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, resulting in a reclassification of EUR 4.4 billion debt securities of the Belfius Insurance portfolio measured at amortised cost to measured at fair value through other comprehensive income. This increase is partially offset by negative fair value adjustments on bonds and equity instruments of which EUR -0.3 billion is related to the reclassification and EUR -0.1 billion stemming from higher interest rates compared with the 2022 year-end, as well as by disposals of some equity instruments (EUR -0.1 billion).

Debt securities measured at fair value through profit or loss decreased by EUR -0.1 billion, or -5.6%, to EUR 1.4 billion (31 December 2022: EUR 1.5 billion) mainly due to disposals in the fund portfolio, partially offset by an increasing temporary warehousing volume stemming from the Financial Markets' "client flow management" activity.

Debt securities measured at fair value through profit or loss – unit linked (Branch 23) increased by EUR 0.1 billion, or 3.6%, to EUR 4.1 billion (31 December 2022: EUR 4.0 billion) mainly resulting from positive fair value adjustments (EUR 0.2 billion), transfers of customer investments from maturing Branch 21 policies (EUR 0.1 billion), partially offset by net cash outflows (EUR -0.1 billion).

1.5. Derivatives

Derivatives decreased by EUR -0.4 billion, or -6.9%, to EUR 5.5 billion (31 December 2022: EUR 5.9 billion), mainly due to the impact of higher interest rates. The total impact of the offsetting for derivatives concluded with LCH amounted to EUR 7.5 billion end June 2023, compared with EUR 8.0 billion at the end of 2022.

2. Liabilities

Total liabilities decreased by EUR-0.5 billion, or -0.3%, to EUR 166.7 billion (31 December 2022: EUR 167.2 billion), mainly resulting from a decrease in "Cash and balances from central banks" and "Borrowings and deposits" mainly explained by a decrease in the TLTRO funding following maturities in 2023 (EUR -3.4 billion) and a decrease in payment and savings accounts (EUR -5 billion) partially offset by the growth in term deposits (EUR +3.5 billion). "Debt securities issued" increased as a result of the increase in certificates of deposits (EUR 1.1 billion) and the issuance of bonds (EUR 2.1 billion).

2.1. Cash and balances from central banks

Cash and balances from central banks decreased by EUR -3.3 billion to EUR 2.7 billion (31 December 2022: EUR 5.9 billion), resulting from the decrease in TLTRO funding (EUR -3.4 billion) following maturities. Belfius' remaining total TLTRO III participation amounts to EUR 2.65 billion as of 30 June 2023.

2.2. Credit Institutions borrowings and deposits

Credit Institutions borrowings and deposits increased by EUR 1.3 billion, or 71.6%, to EUR 3.2 billion (31 December 2022: EUR 1.9 billion), mainly as a result of an increase in repurchase agreements and borrowings within Belfius' short-term liquidity management.

2.3. Borrowings and deposits

Borrowings and deposits decreased by EUR -1.5 billion, or -1.4%, to EUR 106.9 billion (31 December 2022: EUR 108.4 billion), mainly due to the decrease in payment and savings accounts (EUR -5 billion), partially offset by an increase in term deposits (EUR +3.5 billion), in line with the higher interest rates environment.

2.4. Debt securities issued and other financial liabilities

Debt securities issued and other financial liabilities increased by EUR 3.4 billion, or 11.3%, to EUR 33.3 billion (31 December 2022: EUR 29.9 billion).

The debt securities issued measured at amortised cost increased by EUR 2.8 billion, or 15.4%, to EUR 21.4 billion (31 December 2022: EUR 18.5 billion), mainly due to an increase in certificates of deposits with EUR 1.1 billion, the issuance of a Green Senior Preferred bond (EUR 0.8 billion) and the issuance of debt securities by Belfius Financing Company (EUR 0.6 billion), and increased customer savings certificates (EUR 0.3 billion).

Debt securities measured at fair value through profit or loss increased by EUR 0.4 billion, or 5.1%, to EUR 7.8 billion (31 December 2022: EUR 7.4 billion), resulting from the issuance of debt securities by Belfius Financing Company (EUR 0.4 billion) and positive fair value evolutions (EUR 0.1 billion).

Debt securities measured at fair value through profit or loss – unit linked (Branch 23) increased by EUR 0.1 billion, or 3.6%, to EUR 4.1 billion (31 December 2022: EUR 4.0 billion) mainly resulting from positive fair value adjustments (EUR 0.2 billion), transfers of customer investments from maturing Branch 21 policies (EUR 0.1 billion), partially offset by net cash outflows (EUR -0.1 billion).

2.5. Liabilities from insurance/reinsurance contracts

The liabilities from insurance/reinsurance contracts decreased by EUR -0.3 billion, or -2.3%, to EUR 10.6 billion. The liabilities from insurance contracts decreased mainly due to the update of the mass lapse calibration as well as the impact of the update of the non-financial assumptions (mainly the downward revision of the inflation and expenses on the best estimate).

2.6. Derivatives

Derivatives decreased by EUR -0.6 billion, or -6.7%, to EUR 7.7 billion (31 December 2022: EUR 8.2 billion), mainly due to the impact of higher interest rates. The total impact of the offsetting for derivatives concluded with LCH amounted to EUR 7.5 billion end June 2023, compared with EUR 8 billion at the end of 2022.

2.7. Subordinated debts

Subordinated debts increased by EUR 275 million, or 17.8%, to EUR 1.8 billion (31 December 2022: EUR 1.5 billion) as a result of the issuance of EUR 0.5 billion Tier 2 notes in January 2023, partially offset by the call of EUR 0.2 billion Tier 2 notes in March 2023.

3. Equity

Total equity decreased by EUR -347 million, or -2.9%, to EUR 11.6 billion (31 December 2022: EUR 11.9 billion) mainly attributable to the decrease of EUR -441 million in gains and losses not recognised in the statement of income (mainly related to the IFRS 9 business model reassessment) and the decrease of EUR -3 million in non-controlling interests, partially compensated by the increase in shareholders' core equity of EUR 97 million.

3.1. Shareholders' core equity

Shareholders' core equity increased by EUR 97 million, 0.9%, to EUR 10.9 billion (31 December 2022: EUR 10.8 billion). This increase was due to the profit for the period of EUR 479 million and the realised results on equity instruments that are recognised directly in retained earnings (EUR 3 million after tax, mainly at Belfius Insurance), partially offset by the payment of the dividend over full year 2022 results of EUR 384.5 million. The coupon payment on Additional Tier 1 amounted to EUR 7 million after tax (considered as dividend under IFRS).

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

Gains and losses not recognised in the statement of income decreased by EUR -441 million, or -73.3%, to EUR 161 million (31 December 2022: EUR 602 million). The contribution of the Belfius Banking Group amounted to EUR 10 million (decrease of EUR -28 million) and of the Belfius Insurance Group to EUR 152 million (decrease of EUR -413 million).

When taking into account the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, the evolution of the gains and losses not recognised in the statement of income would then be limited to EUR +11 million (compared to an evolution of EUR -441 million when comparing to 31 December 2022). The impact of interest rate evolutions on the insurance liabilities (Belfius applies the OCI option under IFRS 17) and financial assets counterbalance each other in the gains and losses not recognised in the statement of income.

The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR -432 million, or 194.8%, to EUR -654 million (31 December 2022: EUR -222 million) mainly due to the IFRS 9 business model reassessment on 1 January 2023, resulting in an impact of EUR -464 million as financial assets (loans and advances and debt instruments) of the Belfius Insurance portfolio were reclassified from measured at amortised cost to measured at fair value through other comprehensive income, as well as by the impact of increased interest rates compared to year end 2022. The decrease is partially offset by slightly tightened credit spreads compared to year end 2022.

The fair value of equity instruments measured at fair value through other comprehensive income decreased by EUR -58 million, or -42.5%, to EUR 79 million (31 December 2022: EUR 137 million), due to decreasing fair values of quoted and non-quoted shares (mainly in the Belfius Insurance portfolio).

Gains (losses) on cash flow hedges decreased by EUR -25 million to EUR -138 million (31 December 2022: EUR -113 million), mainly due to the evolution of basis spreads on derivative positions in GBP and USD.

The remeasurement of the pension plans recognised in OCI (EUR +3 million) is mainly due to the positive return on plan assets (EUR +21 million) partially offset by a higher than anticipated actual inflation rate (EUR -12 million) and the decrease of the discount rate (EUR -7 million).

The total (re)insurance finance component recognised in other comprehensive income increased by EUR 72 million to EUR 752 million (31 December 2022: EUR 680 million) due to the impact of higher interest rates.

3.3. Additional Tier-1 instruments included in equity

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

Analysis of the consolidated statement of income

Summarised consolidated statement of income

(In millions of EUR)	30/06/22[1]	Contribution Bank into group[2]	Contribution Insurance into group[2]	30/06/23	Contribution Bank into group[2]	Contribution Insurance into group[2]	Evolution
INCOME	1,163	*1,035*	*128*	1,430	*1,236*	*195*	+267
Of which							
Net interest income	976	*808*	*168*	1,204	*1,050*	*154*	+228
Net fee and commission income	384	*377*	*7*	388	*378*	*10*	+4
Net insurance result	(80)	*0*	*(80)*	(16)	*0*	*(16)*	+63
Net income from financial instruments at fair value through profit or loss	27	*44*	*(17)*	64	*58*	*7*	+37
Net income on investments and liabilities	22	*9*	*13*	6	*6*	*(1)*	-16
Net other income and expense	(216)	*(223)*	*7*	(251)	*(273)*	*22*	-35
EXPENSES	(676)	*(640)*	*(37)*	(736)	*(692)*	*(44)*	+60
NET INCOME BEFORE TAX AND IMPAIRMENTS	487	*395*	*92*	694	*544*	*150*	+207
Impairments on financial instruments and provisions for credit commitments	13	*14*	*(1)*	(17)	*(19)*	*2*	-30
Impairments on tangible and intangible assets	(0)	*0*	*(0)*	(1)	*(0)*	*(1)*	-1
NET INCOME BEFORE TAX	500	*409*	*91*	676	*524*	*152*	+176
Total tax (expense) income	(105)	*(88)*	*(17)*	(196)	*(160)*	*(36)*	-91
Attributable to non-controlling interests	0	*0*	*0*	1	*0*	*0*	+0
NET INCOME GROUP SHARE	394	*321*	*73*	479	*364*	*116*	+85

(1) The comparative figures of 2022 are the restated IFRS 17 figures and exclude the impact of the IFRS 9 business model reassessment of financial assets of Belfius Insurance which occurred on 1 January 2023, we refer to the Accounting principles (note 3.3. "First time adoption IFRS 17") for more information.
(2) Information based on non-audited figures.

1. Income

Net income increased by EUR 85.0 million, or 21.6%, to EUR 479 million (30 June 2022: EUR 394 million). Belfius Banking Group contributed EUR 364 million (30 June 2022: EUR 321 million) and Belfius Insurance Group contributed EUR 116 million (30 June 2022: EUR 73 million).

1.1. Net interest income

Net interest income increased by EUR 228.4 million, or 23.4%, to EUR 1,204 million (30 June 2022 EUR 976 million), mainly resulting from the increase in contribution from the Belfius Banking group (EUR +242 million) due to increasing overall interest margin, partially offset by an increase in interest expense (EUR -12 million) at Belfius Insurance as a result the impact of increasing interest rates on short term liquidity management.

The interest expense on TLTRO III funding from ECB/NBB central bank and accounted for in 1H 2023 amounts to EUR -77 million (versus interest income amounting to EUR 77 million in 1H 2022).

1.2. Net fee and commission income

Net fee and commission income increased by EUR 3.9 million, or 1.0%, to EUR 388 million (30 June 2022: EUR 384 million). The increase is mainly attributable to an increase in commission income on payment services (EUR +12 million) as a result of increasing transaction volumes, and to an increase in commission income from private membership fees (EUR +2 million). Fee income on asset management services decreased (EUR -11 million) as a result of a decrease in investment transactions on mutual funds compared to 1H 2022.

1.3. Net insurance result

The net insurance result increased by EUR 63.4 million, or 79.4%, to EUR -16 million (30 June 2022: EUR -80 million). The increase is mainly related to activities measured under PAA (Non-Life and Health collective), going from EUR -8 million in 1H 2022 to EUR +71 million in 1H 2023, due to the reassessment of the risk adjustment (EUR +17 million), the downward revision of the inflation parameter, and absence of material natural catastrophes in 1H 2023. The net insurance result for GMM (Life and Health individual) deteriorated with EUR -16 million resulting from a higher negative impact of the interest accretion.

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

Net income from financial instruments measured at fair value through profit or loss increased by EUR 37.3 million to EUR 64.4 million (30 June 2022: EUR 27.1 million).

Net trading income increased by EUR +93 million to EUR 80 million in 1H 2023. This line includes the fair value changes of "economic hedges" (financial instruments that cannot be defined as accounting hedges under IFRS) for EUR 6 million (30 June 2022: EUR -52 million), including EUR -15 million results on swaps economically hedging accounting hedge inefficiencies.

The net income from (non-trading) financial instruments mandatorily measured at fair value through profit or loss increased by EUR 48 million to EUR -11 million in 1H 2023 mainly due to the impact of increasing interest rates, tightened credit spreads, and the evolution of the stock markets.

The net income of hedge accounting decreased by EUR -105 million to EUR -5 million in 1H 2023 and was negatively impacted, among other factors, by evolutions on certain basis spreads and basis risks. The net result of hedge accounting of 1H 2022 is related to the evolution of the real rates in 1H 2022 of the inflation linked bonds hedged by inflation linked swaps. The real rates stabilised in 1H 2023.

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

1.5. Net income on investments and liabilities

Net income on investments and liabilities decreased by EUR -16.1 million, or -74.1%, to EUR 6 million (30 June 2022: EUR 22 million).

Belfius realised capital gains on the sale of tangible fixed assets (EUR 5.5 million) in 1H 2023, mainly on the sale of a building in Namen (EUR 1.5 million) and on the sale of several buildings where bank agencies were located (EUR 4.5 million). In 1H 2022 Belfius realised capital gains of EUR 12.9 million on the sale of Alysea, a subsidiary that invested in a retirement home building in Luxembourg, as well as capital gains of EUR 8 million on tangible fixed assets from the sale of several buildings where bank agencies were located.

Furthermore, Belfius Insurance realised capital losses on the sale of bonds in 1H 2023 amounting to EUR -8 million, partially compensated by EUR 7 million capital gains (compared to no realised results from the sale of bonds and loans in 1H 2022).

1.6. Net other income and expenses

Net other income and expenses decreased by EUR -35.2 million, or -16.3%, to a loss of EUR -251 million (30 June 2022: a loss of EUR -216 million).

Belfius recognised an expense of EUR -287 million in 1H 2023 as levies (including the contribution to the Single Resolution Board), an increase of EUR -15 million compared to 1H 2022 due to increased sector levies and the option taken in 1H 2022 to book part (EUR -13 million) of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment, while Belfius did not opt for an Irrevocable Payment Commitment in 1H 2023. The total Irrevocable Payment Commitment included in off-balance sheet commitments amounts to EUR 30.5 million per 30 June 2023.

2. Expenses

Expenses increased by EUR -59.7 million, or 8.8%, to EUR -736 million (30 June 2022: EUR -676 million), mainly due to the impact of increased inflation and the continued investment in workforce and innovation.

Under IFRS 17, costs directly attributable to insurance contracts (EUR -106 million, of which EUR -48 million staff expense, EUR -50 million general and administrative expense and EUR -8 million depreciation and amortization of fixed assets) are no longer recognised within the income statement line “Expenses”, but are included in the present value of the insurance liabilities and as such included in the income statement line “Income”.

2.1. Staff expense

Staff expense increased by EUR -34.3 million, or 12.1%, to EUR -318 million (30 June 2022: EUR -284 million) due to an increase in the number of FTE and the wagedrift resulting from salary indexations.

2.2. General and administrative expense

General and administrative expense increased by EUR -15.0 million, or 6.3%, to EUR -254 million (30 June 2022: EUR -239 million), impacted by the inflation environment and in line with our continuous commercial growth requiring continued investments in additional external workforce, digital and automation.

2.3. Network costs

Network costs increased by EUR -7.6 million, or 7.2%, to EUR -114 million (30 June 2022: EUR -106 million), in line with the increased commercial activities. To note also that 1H 2022 was positively impacted by a partial reversal of a provision for network restructuring for EUR 4 million.

2.4. Depreciation and amortisation of fixed assets

Depreciation and amortisation of fixed assets increased by EUR -2.8 million, or 6.0%, to EUR -50 million (30 June 2022: EUR -47 million) driven by the increase in intangible assets resulting from the more insourced IT infrastructure services, and an accelerated amortisation of EUR -1.5 million on intangible assets of Jane.

3. Net income before tax and impairments

Net income before tax and impairments increased by EUR 207.2 million, or 42.6%, to EUR 694 million (30 June 2022: EUR 487 million). Belfius Banking Group contributed EUR 544 million (30 June 2022: EUR 395 million) and Belfius Insurance Group contributed EUR 150 million (30 June 2022: EUR 92 million).

4. Impairments

4.1. Impairments on financial instruments and provision for credit commitments

Impairments on financial instruments and provision for credit commitments increased by EUR -30.5 million to EUR -17 million (30 June 2022: EUR 13 million).

As reminder: in 1H 2022, Belfius updated the underlying macro-economic scenarios to take into account at that time the increased macro-economic uncertainties (due to amongst others second-round effects of the Covid-19 crisis, the inflationary environment, and the geopolitical situation) resulting in an increase of stage 1 and 2 impairments. The overlays for specific risk pockets and individual counterparts were also reassessed at that time, resulting in partial reversals of stage 2 impairments accounted for back in 2020. As customary, impairments were also recognised on a still, historically speaking, limited number of defaulted exposures (stage 3) during 1H 2022. Overall, this resulted in a net positive Cost of Risk of EUR 13 million in 1H 2022.

In 1H 2023, with the Belgian economy continuously showing strong resilience, Belfius is of the opinion that the macroeconomic prospects have improved, resulting in a reversal of provisions in stage 1 and 2 due to the update of the macroeconomic factors. Furthermore, the underlying nature of the vulnerable exposures has shifted completely from "Covid-driven" to "Energy & Inflation linked", which has led to a reassessment of these overlays and a slight reversal thereof.

Next to that, stage 3 impairments amounted to EUR -79 million. Many of these defaulting companies were impacted by the former Covid and current Energy & Inflation crisis, and present prolonged financial stress in their recovery. Overall, this resulted in a net negative Cost of Risk of EUR -17 million in 1H 2023. More detailed information is provided in the Credit Risk section of the management report.

4.2. Impairments on tangible and intangible fixed assets

Impairments on tangible and intangible fixed assets increased by EUR -0.8 million to EUR -0.9 million (30 June 2022: EUR -0.1 million).

Belfius reassessed its intangible and tangible assets, whereby an impairment of EUR -0.5 million was enacted on the inventory of Jane.

5. Net income before tax

Net income before tax increased by EUR 176.0 million, or 35.2%, to EUR 676 million (30 June 2022: EUR 500 million). Belfius Banking Group contributed EUR 524 million (30 June 2022: EUR 409 million) and Belfius Insurance Group contributed EUR 152 million (30 June 2022: EUR 91 million).

6. Tax expense

The tax expense, including deferred taxes, increased by EUR -90.8 million, or 86.6%, to EUR -196 million (30 June 2022: EUR -105 million) as a result of the higher consolidated result before tax and the limitation of the new tax on credit institutions (NTK) deductibility since 1 January 2023.

As such, an increase in the effective tax rate to 29.0% can be observed for 1H 2023, compared with 18.1% for 1H 2022.

Net deferred tax expense increased by EUR -17.9 million to EUR -39 million (30 June 2022: deferred tax expense of EUR -21 million), due mainly to temporary differences for impairments, insurance liabilities and fair value adjustments.

7. Net income group share

Total net income amounted to EUR 480 million. The net income attributable to Belfius amounted to EUR 479 million (30 June 2022: EUR 394 million).

8. Post balance sheet event

8.1. Merger Corona and Belfius Insurance

Corona and Belfius Insurance merged on 1 July 2023. The merger has been approved by the National Bank of Belgium and will be applied retroactively (for tax and accounting purposes) as from 1 January 2023. There is no impact on the consolidated financial statements as per 30 June 2023.

9. Solvency[1]

9.1. Solvency at Bank level

At 1H 2023, CET1 ratio amounted to 16.49%, an increase of 5 bps compared to 1 January 2023. The CET1 ratio takes into account the transitory add-back of IFRS 9 provisions, end June 2023 amounting to 13 bps (compared to 36 bps end 2022.

The increase in CET1 ratio is the result of positive effects from higher CET1 capital (+25 bps), partially compensated by the higher total regulatory risk exposure (-20 bps).

CET1 capital amounted to EUR 10,707 million, compared with EUR 10,547 million at 1 January 2023. The increase in CET1 capital of EUR 159 million resulted mainly from the increase in regulatory core own funds by EUR 97 million, the decrease in the deduction for foreseeable dividend (EUR 192 million, compared to EUR 384.4 million in 2022), and the increase of "gains and losses not recognised in the statement of income" for EUR 45 million, partially offset by the lower add-back of IFRS 9 provisions thanks to the transitional arrangements stated in the CRR for EUR 138 million (compared to EUR 216 million in 2022).

At the end of June 2023, regulatory risk exposure[2] of Belfius amounted to EUR 64,928 million, an increase of EUR 132 million compared to EUR 64,796 million at the end of 2022.

The credit RWA increased by EUR 1,672 million to EUR 50,943 million mainly due to the commercial growth in Franchise activities and particularly in the Corporate segment. All segments are currently showing a good resilience to the challenging economic environment.

(1) Unaudited.
(2) Total Risk Exposure Amount (TREA) also known as Risk Weighted Assets (RWA).

The RWA for the Danish Compromise decreased by EUR -445 million to EUR 8,112 million mainly due to the implementation of IFRS 17 (EUR -646 million) and the OCI evolution of Belfius Insurance during the period (EUR 201 million).

The market risk RWA decreased by EUR -1,082 million as the Var model change implemented in Q4 2022 delivered its full impact only in Q1 2023.

The regulatory operational risk exposure, based on the standardised approach, remained stable at EUR 3,667 million.

At the end of June 2023, the Tier 1 capital ratio amounted to 17.26%, an increase of 4 bps compared to 1 January 2023. This increase follows the evolution of the CET1 ratio since there are no new AT 1 elements.

The total capital ratio amounted to 20.05% at the end of June 2023, an increase of 29 bps compared to 1 January 2023.

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

9.2. Solvency at Insurer level

The Solvency II-ratio (before dividend) of Belfius Insurance stood at 202% at the end of June 2023, the Solvency II-ratio after dividend stood at 195%. It slightly increased compared to end 2022 (193% after dividend), mainly thanks to a decrease in SCR and a rather stable AFR including a foreseeable dividend of EUR 70 million.

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

Segment reporting(1)

(1) Belfius, as integrated bank-insurer, has released its 1H 2023 results in accordance with the new accounting standard IFRS 17 with regards to insurance activities. Consequently, the balance sheet and P&L figures, as well as specific ratios, have been changed or redefined. All these changes have been implemented with retroactive effect to the 2022 results. Next to this, please note that during 2023 a refinement of the segmentation occurred. This may implicate that there are some slight reclassifications compared to the published 2022 figures.

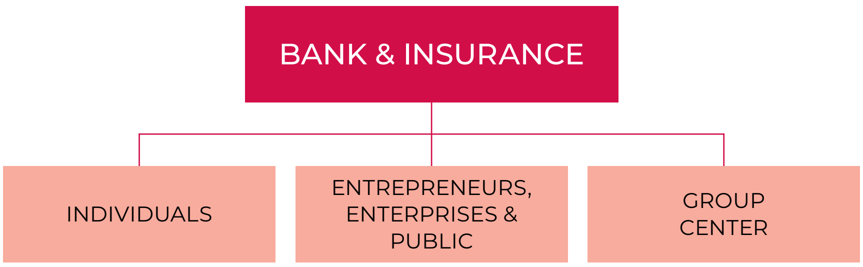
Analytically, Belfius splits its activities and accounts in three segments: Individuals (IND) and Entrepreneurs, Enterprises and Public entities (E&E&P) and Group Center.

Individuals (IND), managing the commercial relationships with individual customers both at bank and insurance level. Within the Individuals segment, we distinguish 4 subsegments: Savers, Investors, Private and Wealth.

Entrepreneurs, Enterprises and Public entities (E&E&P), managing the commercial relationships with public and social sector, business and corporate clients both at bank and insurance level.

Group Center (GC), containing the residual results not allocated to the two commercial segments. This mainly consists of results from central ALM (interest rate and liquidity) and Bond and Derivative portfolio management.

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



Key figures of the segment reporting[1] (unaudited)

Balance Sheet

	31/12/22		
(In billions of EUR)	Assets	Liabilities	Equity
Individuals (IND)	56.7	82.8	1.5
Entrepreneurs, Enterprises & Public (E&E&P)	63.8	43.9	5.5
Group Center (GC)	58.5	40.4	4.9
TOTAL	179.1	167.2	11.9
of which banking group[1]	163.0	151.9	11.1
of which insurance group[1]	16.1	15.3	0.8

	30/06/2023		
(In billions of EUR)	Assets	Liabilities	Equity
Individuals (IND)	57.5	82.8	1.5
Entrepreneurs, Enterprises & Public (E&E&P)	64.9	46.3	5.7
Group Center (GC)	55.9	37.6	4.4
TOTAL	178.2	166.7	11.6
of which banking group[1]	162.7	151.5	11.2
of which insurance group[1]	15.6	15.2	0.4

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

The assets and liabilities allocated to Individuals (IND) and Entrepreneurs, Enterprises and Public entities (E&E&P) reflect the commercial activities of those business lines. Where IND shows an excess of funding, E&E&P is more asset driven. As a whole, the commercial balance sheet shows a funding excess with a sound 90% loan to deposit ratio at the end of June 2023.

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

The equity allocated to Individuals and E&E&P is a normative regulatory equity, which is derived from the regulatory risk exposures of these business lines multiplied by 13.5% (Belfius' minimum operational CET1 ratio).

Key figures of the segment reporting (unaudited)

Statement of income

(In millions of EUR)	1H 2022 Individuals	Entrepreneurs, Enterprises & Public	Group Center	Total
INCOME	1,044	616	8	1,669
INSURANCE SERVICE EXPENSES ADJUSTED[1]	(292)	(114)	0	(406)
COSTS	(501)	(241)	(34)	(776)
of which directly attributable costs from insurance	(76)	(24)	0	(100)
GROSS OPERATING INCOME	251	262	(26)	487
Cost of risk	(3)	18	(2)	13
Impairments on (in)tangible assets	(1)	1	0	0
NET INCOME BEFORE TAX	247	280	(27)	500
Tax (expense) income	(53)	(63)	12	(105)
NET INCOME AFTER TAX	193	217	(16)	395
Non-controlling interests	0	0	1	0
NET INCOME GROUP SHARE	193	217	(17)	394
of which banking group[2]	113	229	(21)	321
of which insurance group[2]	81	(12)	5	73

(In millions of EUR)	1H 2023 Individuals	Entrepreneurs, Enterprises & Public	Group Center	Total
INCOME	1,133	737	1	1,870
INSURANCE SERVICE EXPENSES ADJUSTED[1]	(251)	(83)	0	(334)
COSTS	(532)	(270)	(41)	(843)
of which directly attributable costs from insurance	(81)	(26)	0	(106)
GROSS OPERATING INCOME	350	384	(40)	694
Cost of risk	(2)	(11)	(5)	(17)
Impairments on (in)tangible assets	0	0	0	(1)
NET INCOME BEFORE TAX	348	373	(46)	676
Tax (expense) income	(93)	(95)	(7)	(196)
NET INCOME AFTER TAX	255	278	(53)	480
Non-controlling interests	1	0	0	1
NET INCOME GROUP SHARE	254	278	(53)	479
of which banking group[2]	153	271	(60)	364
of which insurance group[2]	101	7	7	115

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

Individuals (IND)

Commercial performance IND in 1H 2023

At 30 June 2023, **total savings and investments** amounted to EUR 120.6 billion, an increase of 3.7% compared with the end of 2022. The organic growth in 2023 amounted to EUR 2.5 billion, stemming mainly from the large increase in maturing deposits (term deposits and bonds), which benefit from transfer of non maturing deposits and from solid performances in mutual funds & My Portfolio while the organic growth of non maturing Deposits decreased by EUR 1 billion.

Non maturing deposits totalled EUR 61.5 billion at 30 June 2023, down -1.6% from the end of 2022. The current and savings accounts outstanding reached EUR 13.7 billion (-1.5%) and EUR 47.8 billion (-1.6%) respectively at the end of June 2023.

Maturing deposits and Branch 21 amounted to EUR 15.6 billion, strong increase of 18.3% compared to the end of 2022. Mainly thanks to term deposits which benefit from higher interest rates and amounted to EUR 2.9 billion at the end of June 2023 coming from EUR 1.3 billion at the end of 2022. Bonds volumes increased by 9.3% to EUR 8.6 billion.

Asset Management Services and Equity investments increased by +7.1% compared to the end of 2022, to EUR 40.0 billion. The increase in Asset Management Services (EUR 2.5 billion) stems mainly from positive market effect of EUR +1.8 billion and positive organic growth of EUR +0.6 billion, particularly in My Portfolio in 1H 2023.

Total loans to customers rose (+2.2%) to EUR 49.6 billion at 30 June 2023. Mortgage loans, which account for 90% of all loans for Individuals, amounted to EUR 44.7 billion at 30 June 2023 (+1.8% compared to the end of 2022), while consumer loans and other loans to Individuals stood at EUR 1.8 billion and EUR 3.1 billion respectively.

Individuals (Unaudited)

(In billions of EUR)	31/12/22	30/06/23	Evolution
TOTAL SAVINGS AND INVESTMENTS	116.4	120.6	+3.7%
NON MATURING DEPOSITS	**62.5**	**61.5**	**-1.6%**
Savings accounts	48.6	47.8	-1.6%
Current accounts	13.9	13.7	-1.5%
MATURING DEPOSITS AND BRANCH 21	**13.2**	**15.6**	**+18.3%**
Term/Straight Deposits	1.3	2.9	+123.7%
Bonds	7.9	8.6	+9.3%
Savings certificates	0.4	0.8	+67.5%
Branch 21	2.5	2.3	-8.6%
Branch 23 Funding	1.0	1.0	+1.2%
ASSET MANAGEMENT SERVICES AND EQUITY	**37.3**	**40.0**	**+7.1%**
Asset Management Services	34.2	36.7	+7.1%
Equity	3.1	3.3	+7.0%
OTHER SAVINGS AND INVESTMENTS	**3.3**	**3.5**	**+6.8%**
Pension Insurance	1.9	1.8	-1.5%
Others[1]	1.4	1.7	+17.7%

(1) Including Third-Party products.

Individuals (Unaudited)

(In billions of EUR)	31/12/22	30/06/23	Evolution
TOTAL LOANS TO CUSTOMERS	48.6	49.6	+2.2%
Mortgage loans	44.0	44.7	+1.8%
Consumer loans	1.7	1.8	+3.5%
Other loans[1]	2.9	3.1	+7.5%

(1) Mainly Professional loans.

Individuals (Unaudited)

(In millions of EUR)	31/12/22	30/06/23	Evolution
TOTAL PREMIUMS RECEIVED	659	685	+4.0%
Life	344	350	+1.6%
Non-Life & Health	315	336	+6.5%

Individuals (Unaudited)

(In billions of EUR)	31/12/22	30/06/23	Evolution
TOTAL LIFE INSURANCE RESERVES[1]	9.8	9.8	0.0%
Protection	0.6	0.7	+7.7%
Invest	5.9	5.9	-0.1%
Pension and Endowment	3.3	3.2	-1.5%

(1) Investment products and insurance products.

New long-term loans granted to Individuals clients during 1H 2023 amounted to EUR 3.3 billion compared to EUR 5.3 billion in 1H 2022. In 1H 2023, the new production of mortgage loans decreased to EUR 2.6 billion due to the contraction of the Belgian mortgage market. During the same period, EUR 0.4 billion in consumer loans and EUR 0.3 billion in new long-term business loans were granted.

The **total insurance premiums (GWP)** from customers in the Individuals segment amounted to EUR 659 million in 1H 2023, compared with EUR 685 million in 1H 2022, an increase of +4.0%. **Non-Life & Health insurance premiums (GWP)** in 1H 2023 stood at EUR 336 million, up 6.5% compared to 1H 2022, continuously boosted by the bank distribution channel (+9.5%), thanks to both portfolio growth and premium indexation to compensate for inflation pressure on claims and costs

The mortgage loan cross-sell ratio for credit balance insurance increased to 136% (measured as capital insured/mortgage amount) at the end of 1H 2023. The mortgage loan cross-sell ratio for property insurance remained stable at 88% compared to end December 2022.

Total Life insurance reserves, in the Individuals segment, amounted to EUR 9.8 billion, stable compared to end December 2022.

Belfius continues to set the pace in **mobile banking** in Belgium and further developed its digitally supported business model. At 30 June 2023, Belfius apps for smartphones and tablets had 1.93 million users (+3% compared to end 2022) and were consulted by Individuals customers on average 36.6 times per month. The high satisfaction figures show that continuous innovation, focused on user-friendliness and valuable utility for the customer pays off.

Belfius continues to extend the functionalities of its direct channels. In 1H 2023, 73% of the new pension saving contracts, 43% of the new credit cards and 42% of the new savings accounts were subscribed via direct channels.

Financial results IND in 1H 2023

Individuals net income after tax Group Share increased by 31.4% from EUR 193 million in 1H 2022 to EUR 254 million in 1H 2023.

In 1H 2023, **total income** amounted to EUR 1,133 million, up 8.5% compared to 1H 2022, demonstrating the resilience of Belfius Individuals business model in the context of challenging market.

Net interest income amounted to EUR 392 million, a strong increase of +36.2%, mainly thanks to the global effect of higher interest rates.

Net fee and commission decreased slightly by 1.9% and amounted to EUR 311 million, mainly due to lower entry fees in Asset Management and despite increased revenues from Payments and Insurances.

The **Life insurance income** amounted to EUR 167 million, down 11.7% compared to 1H 2022, mainly due to lower financial income due to loss of carry from repo and lower dividend income after de-risking.

The **Non-Life insurance income** strongly increased by 6.7% and amounted to EUR 326 million following portfolio growth, also driven by premium indexation to cover higher costs & claims charges due to inflation.

The **other income** amounted to EUR -63 million in 1H 2023 compared to EUR -55 million in 1H 2022, more negative than last year, mainly stemming from higher bank levies DGS in 1H 2023.

The **Insurance Service expenses adjusted** amounted to EUR -251 million in 1H 2023, less negative compared to 1H 2022 (EUR -292 million), mainly due to absence of Natural Catastrophe claims in 1H 2023 vs February 2022 storms last year, negative inflation impact on best estimate in 1H 2022 and the recalibration of the Non-Life best estimate confidence interval to 77.5%.

In 1H 2023, **costs** amounted to EUR 532 million, an increase of EUR 31 million or +6.1% compared to 1H 2022 mainly due to high inflation.

As a result, **gross operating income** increased to EUR 350 million in 1H 2023, up EUR 99 million or +39.6% compared to 1H 2022.

The **cost of risk** amounted to EUR -2 million in 1H 2023, close to the level of 1H 2022 (EUR -3 million).

The **impairments on (in)tangible assets** amounted to EUR -0,4 million.

Pre-tax income stood at EUR 348 million, up EUR 101 million or +41.1% compared to 1H 2022.

Tax expenses amounted to EUR 93 million in 1H 2023 compared to EUR 53 million in 1H 2022. This increase is mainly due to higher profit before taxes and the up to 80% limited deductibility of one bank levy since begin 2023.

As a result, **Individuals net income Group share** increased by 31.4% and amounts to EUR 254 million in 1H 2023.

The **adjusted net income Individuals** amounted to EUR 261 million in 1H 2023.

The Individuals **cost-income ratio** amounted to 47.0%, compared to 48.0% in 1H 2022. The Return on Normative Regulatory Equity (RoNRE) stood at 31.7%.

Financial Results IND

(In millions of EUR)	1H 2022	1H 2023
INCOME	1,044	1,133
Net interest income bank	288	392
Net fee and commissions bank	317	311
Life insurance income	189	167
Non-Life & Health insurance income	305	326
Other income	(55)	(63)
INSURANCE SERVICE EXPENSES ADJUSTED(1)	(292)	(251)
COSTS	(501)	(532)
of which directly attributable costs from insurance	(76)	(81)
GROSS INCOME	251	350
Cost of Risk	(3)	(2)
Impairments on (in)tangible assets	(1)	0
RESULT BEFORE TAX	247	348
Tax (expense) income	(53)	(93)
NET INCOME AFTER TAX	193	255
Non-controlling interests	0	1
NET INCOME GROUP SHARE	193	254
ADJUSTED NET INCOME GROUP SHARE(2)	190	261

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

Ratios(1)

(In %)	1H 2022	1H 2023
Cost-income ratio(2)	48.0%	47.0%

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

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

Commercial performance E&E&P in 1H 2023

As of 30 June 2023, **total savings and investments** amounted to EUR 61.6 billion, decreasing with -2.2% compared to the end of 2022. The non maturing deposits (savings and current accounts) decreased strongly from EUR 39.6 billion to reach EUR 33.8 billion in June 2023, showing an important shift towards the maturing deposits, which increased from EUR 6.3 billion end 2022 to EUR 10.2 billion as of end June 2023. Asset Management Services and Equity investments remained stable around EUR 9 billion, if compared to 2022. Other Savings and Investments increased by EUR 0.4 billion to EUR 8.5 billion, explained by the increase of Commercial Paper volumes.

Entrepreneurs, Enterprises & Public (Unaudited)

(In billions of EUR)	31/12/22	30/06/23	Evolution
TOTAL SAVINGS AND INVESTMENTS	63.0	61.6	-2.2%
Non maturing deposits	39.6	33.8	-14.5%
Maturing deposits and Branch 21	6.3	10.2	+60.3%
Asset Management Services and Equity	9.0	9.1	+1.3%
Other savings and investments[1]	8.1	8.5	+5.1%

(1) Commercial Paper and others.

Total outstanding loans increased to EUR 62.4 billion (+1.9% vs end 2022). Most of the increase stems from the Corporate customers' outstanding loans (+EUR 1.1 billion) which reached EUR 23.4 billion due to high production on roll-over loans. The remaining increase has come from the Business customers reaching EUR 15.2 billion in outstanding, while in Public & Social Banking, the outstanding loans remained stable around EUR 24 billion when compared to 2022.

Entrepreneurs, Enterprises & Public (Unaudited)

(In billions of EUR)	31/12/22	30/06/23	Evolution
OUTSTANDING LOANS	61.2	62.4	+1.9%
Business	15.0	15.2	+1.4%
Public and Social	23.9	23.8	-0.4%
Corporate	22.3	23.4	+4.6%
OFF-BALANCE SHEET COMMITMENTS	28.5	29.0	+1.8%

In 1H 2023, Belfius granted EUR 8.4 billion (+14% vs 1H 2022) in **new long-term loans** in the Belgian economy to Business, Corporate and Public and Social sector clients.

By the end of June 2023, EUR 2.1 billion in new long-term loans to business clients were granted. Belfius assisted 44,104 starters of 3 years or less of which 13,261 are starters of less than 1 year.

The production of long-term loans for Corporate customers amounted to EUR 5 billion (+29% increase compared to June 2022), confirming Belfius' position as one of the top four banks in the segment. Its market share in terms of loans reached an estimated 19% at the end of June 2023.

During the first half of 2023, Belfius granted EUR 1.4 billion of new long-term financing to the public sector. Belfius remains the undisputed leader in this market and responds to every financing tender from public bodies, to which it offers sustainable financing conditions. Belfius manages the cash flow of virtually all local authorities and was awarded 58% (in volume on production) of the public sector financing files put out to tender in 1H 2023.

Belfius also confirmed its leading position in the Debt Capital Markets (DCM) for (semi-)public and private companies. During the first half of 2023, Belfius placed EUR 1.14 billion in new long term bond issues and Medium Term Notes for third party issuers. At the end of June 2023, total outstanding in short-term commercial paper amounted to EUR 4.54 billion. This brings the total amount of innovative short-term and long-term DCM funding solutions for Belgian third party issuers in 1H 2023 at EUR 5.68 billion.

The E&E&P segment's commercial results in insurance increased in terms of underwriting volumes, in particular for:

- Non-Life & Health GWP E&E&P: increase of +7.0% compared to 1H 2022 to EUR 115 million, mostly driven by premium indexation to compensate inflation pressure, but also improving thanks to portfolio growth for Business Insurance (mainly DVV);
- Life GWP E&E&P: increase of +4.6% compared to 1H 2022 to EUR 195 million.

Entrepreneurs, Enterprises & Public (Unaudited)

(In millions of EUR)	30/06/22	30/06/23	Evolution
TOTAL PREMIUMS RECEIVED	294	310	+5.5%
Life	186	195	+4.6%
Non-Life	108	115	+7.0%

Entrepreneurs, Enterprises & Public (Unaudited)

(In billions of EUR)	31/12/22	30/06/23	Evolution
TOTAL LIFE INSURANCE RESERVES[1]	4.0	4.0	+1.8%
Protection	0.0	0.0	1,251.2%
Invest	0.3	0.2	-19.3%
Pension and Endowment	3.7	3.8	+3.4%

(1) Investment products and insurance products.

Financial results E&E&P in 1H 2023

Net income after tax Group share increased from EUR 217 million in 1H 2022 to EUR 278 million in 1H 2023 mainly due to an important increase of interest income in 2023.

In 1H 2023, **total income** E&E&P amounted to EUR 737 million, up EUR 121 million or +19.6% compared to 1H 2022.

E&E&P Net interest income of the bank amounted to EUR 531 million, up +21.0% compared to 1H 2022. This is thanks to the increasing interest rate environment.

E&E&P **Net fee and commission income** of the bank increased in 1H 2023 to EUR 73 million (EUR +8 million) mainly thanks to the increase in payment, loan and insurance fees. This increase was partially offset by a decrease in Savings & Investment which was negatively impacted by the market evolution in 2022.

Life Insurance Income amounted to EUR 44 million in 1H 2023, 2.6% lower than in 1H 2022, mainly explained by lower insurance revenue.

Non-Life insurance Income decreased by 3.5% to EUR 83 million in 1H 2023 (vs EUR 86 million in 1H 2022).

The **Insurance Service expenses adjusted** amounted to EUR -83 million in 1H 2023 compared to EUR -114 million in 1H 2022, mainly due to absence of Natural Catastrophe claims in 1H 2023 vs February 2022 storms last year, negative inflation impact on best estimate in 1H 2022 and the recalibration of the Non-Life best estimate confidence interval to 77.5%.

In 1H 2023, **costs** amounted to EUR 270 million, an increase compared to 1H 2022 (+12.0%) explained by the workforce reinforcement and wage-drift effect.

As a result, **gross operating income** was EUR 384 million in 1H 2023, an increase of EUR 122 million, or +46.7% compared to 1H 2022.

The **cost of risk** amounted to EUR -11 million in 1H 2023 (compared to EUR +18 million in 1H 2022), and is explained by lower reversals in stage 1 and stage 2 impairments than in 1H 2022 and additional allowances for specific provisions for defaulted loans.

As a result, **Pre-tax income** amounted to EUR 373 million, which was EUR 93 million higher than in 1H 2022 (or +33.2%).

The **tax charge** amounted to EUR 95 million in 1H 2023 while it was EUR 63 million in 1H 2022.

As a result, the E&E&P **net income Group share** reached EUR 278 million in 1H 2023, an increase of EUR 61 million compared to 1H 2022.

There is **no special item** in E&E&P in 1H 2023, so the **adjusted net income E&E&P** amounted to EUR 278 million in 1H 2023 compared to EUR 217 million adjusted net income in 1H 2022.

The **cost-income ratio** of the E&E&P segment was 36.6% in 1H 2023. The **Return on Normative Regulatory Equity** (RoNRE) was 8.3% in 1H 2023.

Financial Results E&E&P

(In millions of EUR)	1H 2022	1H 2023
INCOME	616	737
Net interest income bank	439	531
Net fee and commissions bank	65	73
Life insurance income	45	44
Non-Life & Health insurance income	86	83
Other income	(19)	6
INSURANCE SERVICE EXPENSES ADJUSTED(1)	(114)	(83)
COSTS	(241)	(270)
of which directly attributable costs from insurance	(24)	(26)
GROSS INCOME	262	384
Cost of Risk	18	(11)
Impairments on (in)tangible assets	1	0
RESULT BEFORE TAX	280	373
Tax (expense) income	(63)	(95)
NET INCOME AFTER TAX	217	278
Non-controlling interests	0	0
NET INCOME GROUP SHARE	217	278
ADJUSTED NET INCOME GROUP SHARE(2)	217	278

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

Ratios(1)

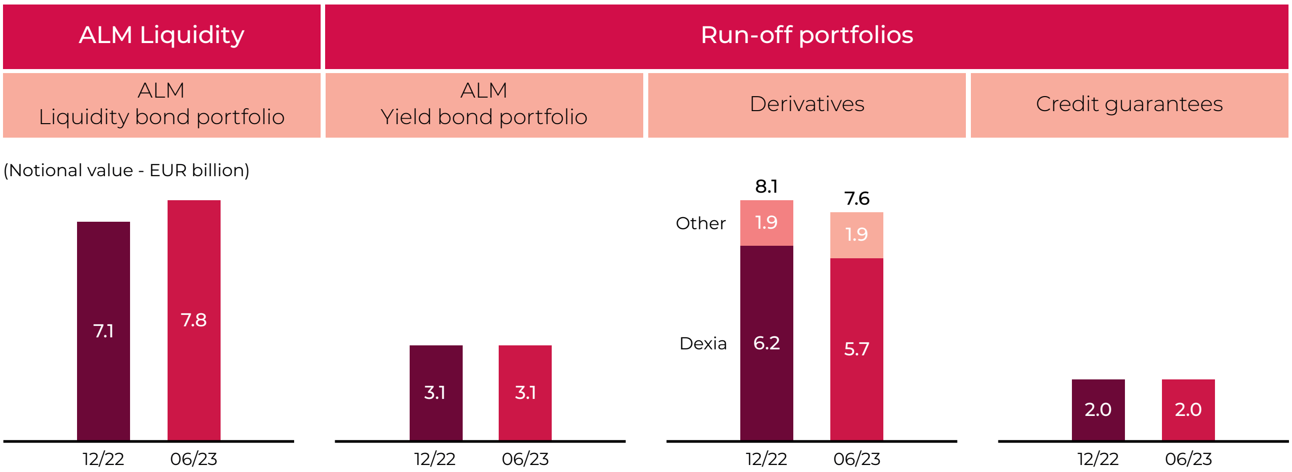
(In %)	1H 2022	1H 2023
Cost-income ratio(2)	39.1%	36.6%

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

Group Center

Group Center operates through two sub-segments:

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



ALM Liquidity bond portfolio

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

At the end of 1H 2023, the ALM Liquidity bond portfolio stood at EUR 7.8 billion[1], up EUR 0.7 billion, or 9.6%, compared with December 2022. At the end of 1H 2023, the portfolio was composed of sovereign and public sector bonds (60%), covered bonds (33%), corporate bonds (7%) and asset-backed securities (<1%). Belgian and Italian government bonds in the ALM Liquidity bond portfolio amounted to EUR 1.5 billion[1] and EUR 0.9 billion[1] respectively.

At the end of 1H 2023, the ALM Liquidity bond portfolio had an average life of 7.2 years, and an average rating of A (100% of the portfolio being investment grade) compared with A- at year-end 2022.

(1) Nominal amount.

ALM Yield bond portfolio

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

At the end of 1H 2023, the ALM Yield bond portfolio stood at EUR 3.1 billion[1], down 1.8%, compared with December 2022, and was composed of corporates (79%), sovereign and public sector (11%), asset-backed securities (7%), and financial institutions (4%). Most corporate bonds, composed mainly of long-term inflation-linked bonds, are issued by highly regulated UK hospitals, infrastructure companies and utilities such as water and gas distribution companies. These bonds are of investment grade credit quality and the majority of these bonds are covered by credit protection from a credit insurer (monoline insurer) that is independent from the bond issuer.

At the end of 1H 2023, the ALM Yield bond portfolio had an average life of 19.2 years. The average rating of the ALM Yield bond portfolio stood at A-. 95% of the portfolio was investment grade.

Derivatives with Dexia entities and foreign counterparties

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

The total outstanding notional amount of derivatives with Dexia entities and interest rate derivatives with international counterparties amounted to EUR 7.6 billion[1] at the end of 1H 2023, down EUR 0.5 billion, or -7%, compared with EUR 8.1 billion at the end of December 2022.

Derivatives with Dexia entities decreased by 7% (or EUR -0.4 billion) to EUR 5.7 billion at the end of 1H 2023. This decrease is due mainly to amortisations. Derivatives with international counterparties decreased by EUR 0.1 billion (or -5%) to EUR 1.9 billion at the end of 1H 2023.

The fair value of Dexia and international counterparty derivatives amounted to EUR 0.5 billion and EUR 0.2 billion respectively at the end of 1H 2023. The Dexia derivatives are collateralised while the international counterparty derivatives are generally not collateralised. The Exposure At Default (EAD) amounted to EUR 0.7 billion.

At the end of 1H 2023, the average rating of the total portfolio stood at A- and the average life of the portfolio stood at 10.7 years[2].

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

Credit guarantees

At the end of 1H 2023, the credit guarantees portfolio amounted to EUR 2.0 billion[1], flat compared with December 2022. It relates essentially to Financial Guarantees (booked in Amortised Cost), and Credit Default Swaps (booked in Fair Value Through P&L) issued on corporate/public issuer bonds (97%) and ABS (3%). The good credit quality of the underlying reference bond portfolio, additional protection against credit risk incorporated in the bond itself and the protections purchased by Belfius, mainly from various monoline insurers resulted in a portfolio that is 97% investment grade in terms of credit risk profile.

At the end of 1H 2023, the average rating of the portfolio stood at A- (compared with A- at year end 2022). The average life of the portfolio stood at 11.4 years.

Other Group Center activities

Other activities allocated to Group Center include:

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

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

Financial results GC in 1H 2023

GC **net income after tax Group Share** stood at EUR -53 million in 1H 2023, compared to EUR -17 million in 1H 2022.

In 1H 2023, **total income** amounted to EUR 1 million, that is EUR 8 million less than in 1H 2022. This evolution stems from the other income (positive impact from reversal of the provision for potential settlements of ongoing disputes with third parties in 1H 2022) while the net interest income has increased (better transformation).

Costs increased from EUR 34 million in 1H 2022 to EUR 41 million in 1H 2023.

The **gross operating income** decreased from EUR -26 million in 1H 2022 to EUR -40 million in 1H 2023.

The **cost of risk** stood at EUR -5 million in 1H 2023, compared to EUR -2 million in 1H 2022. In 1H 2023, the cost of risk was mainly impacted, in our bonds portfolio, by a downgrade on a position and a management decision to transfer another position from stage 1 to stage 2. In 1H 2022, the cost of risk was mainly impacted by a downgrade on a position in our bonds portfolio.

There is no **impairment** on (in)tangible assets in 1H 2023 as in 1H 2022.

Pre-tax income stood at EUR -46 million in 1H 2023 compared to EUR -27 million in 1H 2022.

Taxes amounted to EUR -7 million in 1H 2023 compared to EUR +12 million in 1H 2022. In 1H 2023, the negative impact despite the negative income before tax is mainly due to the limitation of the deductibility of the Belgian tax on credit institutions to 20% since beginning 2023; as the bank levies to be supported by the metiers are paid at the beginning of the year within GC and are progressively allocated to these ones following a linear pattern, the half of the tax on credit institutions amount to be allocated to the metiers is still allocated to GC at end H1. In 1H 2022, the effective tax rate is negatively impacted by the tax impact of the result of our Irish subsidiary, which was then positive, with no recognition of DTA on the fiscal loss of this subsidiary.

As a result, Belfius' GC **net income group share** amounted to EUR -53 million in 1H 2023, compared to EUR -17 million in 1H 2022.

Excluding special items, the **adjusted net income GC** stood at EUR +66 million in 1H 2023, compared to EUR +87 million in 1H 2022.

Financial Results GC

(In millions of EUR)	1H 2022	1H 2023
INCOME	**8**	**1**
Net interest income bank	81	127
Net fee and commissions bank	(5)	(6)
Other income	(67)	(120)
COSTS	**(34)**	**(41)**
GROSS INCOME	(26)	(40)
Cost of risk	(2)	(5)
Impairments on (in)tangible assets	0	0
RESULT BEFORE TAX	(27)	(46)
Tax (expense) income	12	(7)
NET INCOME AFTER TAXES	(16)	(53)
Non controlling interests	1	0
NET INCOME GROUP SHARE	(17)	(53)
ADJUSTED NET INCOME GROUP SHARE[1]	87	66

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

Capital management

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

Capital Management at the Bank (unaudited)

1. Prudential supervision

1.1. Minimum Requirement

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

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

Minimum CET1 ratio Requirement

(In %)	2022	1H 2023
Pillar I minimum	4.50%	4.50%
Pillar II requirement	1.198%	1.204%
Capital conservation buffer	2.50%	2.50%
Buffer for (other) domestic systemically important institutions	1.50%	1.50%
Countercyclical buffer	0.06%	0.08%
Sectoral systemic risk buffer	0.30%	0.29%
MINIMUM CET1 CAPITAL RATIO REQUIREMENT	**10.051%**	**10.074%**
Pillar II guidance	0.75%	0.75%
MINIMUM CET1 CAPITAL RATIO GUIDANCE	**10.801%**	**10.824%**

Following the annual "Supervisory Review and Evaluation Process" finalised at the end of 2022, Belfius has to comply with a minimum CET1 ratio for 1H 2023 of 10.074% (before Pillar 2 Guidance):

- a Pillar 1 minimum of 4.5%;
- a Pillar 2 Requirement (P2R) of 1.204% (after split of 2.14% P2R);
- a capital conservation buffer (CCB) of 2.5%;
- a buffer for (other) domestic systemically important institutions (O-SII buffer) of 1.5% (imposed by the National Bank of Belgium);
- a sectoral systemic risk buffer of 0.29%;
- a countercyclical capital buffer (CCyB) of 0.08%.

Note that in line with the resilience of Belfius in the EBA stress test, the Pillar 2 Guidance (P2G) is set at 0.75% on the CET1 ratio so far. As a result, Belfius has to comply with a minimum CET1 ratio of 10.824% for 1H 2023 (to compare with 10.801% in 2022).

The consolidated CET1 ratio of Belfius at the end of June 2023 stood at 16.49%, well above the 2023 applicable CET1 capital requirement of 10.074%.

Further to these regulatory requirements, Belfius stated in its Risk Appetite Framework that, in normal market circumstances and under stable regulations, it would strive to respect a minimum operational CET1 ratio of 13.5%, on solo and consolidated levels.

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

1.2. Applied methodology

Following the amendments of CRR article 473a in 2020, Belfius requested and was granted by the ECB the application of transitional measures for the first time adoption impact and all subsequent impacts of IFRS 9 on the expected credit loss model as from 31 December 2020 onwards. As a result, the solvency metrics are referenced as "transitional" for both the CET1 capital and the risk exposure amounts.

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

In addition to the CRR/CRD IV regulations, Belfius is considered as a financial conglomerate with significant banking and insurance activities and is required to comply with the Financial Conglomerate Directive (FICO 2002/87/EC). For this purpose, specific reporting requirements with financial statements, regulatory capital, risk concentration, intragroup transactions and leverage ratio are sent to the regulator. These calculations and reports are made on the consolidated position of the Bank and Insurance group. At the end of June 2023, Belfius complied with all requirements requested from a financial conglomerate point of view.

2. Regulatory own funds on consolidated level

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

Note that here we compare with the situation as of 1 January 2023, so including the impact of IFRS 17 as well as the reassessment of the business models under IFRS 9 for Belfius Insurance.

At the end of June 2023, the starting point for the regulatory core own funds amounted to EUR 10,873 million, the increase of EUR 97 million compared with 1 January 2023 is stemming mainly from the integration of the 1H 2023 result of EUR 479 million and the realised result on equity instruments, mainly at Belfius Insurance, amounting to EUR 22 million (compared to EUR 19 million end 2022), partially offset by the dividend payment over the net result of 2022 amounting to EUR 384.5 million, the payment on additional Tier 1 coupon amounting to EUR -7 million (after tax, compared to EUR -14 million end 2022) and changes in the consolidation scope impacting the consolidation reserves for EUR 6.5 million.

CET1 capital amounted to EUR 10,707 million, compared to the CET1 capital of EUR 10,547 million at 1 January 2023. The increase in CET1 capital of EUR 159 million results mainly from increase in regulatory own funds as explained above, the decrease in the foreseeable dividend at the end of June 2023 (EUR 192 million compared to EUR 387 million in 2022) and the increase of "gains and losses not recognised in the statement of income" for EUR 45 million partially offset by the decreasing impact of the transitional measure of IFRS 9 on impairments for EUR -138 million.

The deduction for foreseeable dividends, as stipulated in article 3 of the CRR, amounts for 1H 2023 to EUR 192 million, the sum of EUR 189 million based on the pay-out ratio of 40% on the result of 1H 2023 and the correction for the Additional Tier 1 cost (accounting wise to be treated as dividend) which remained stable at EUR 3 million.

Furthermore, a decrease of EUR 138 million of the transitional measure IFRS 9 on impairments can be noted mainly due to the degressive character of the transitional measures and the decrease of the current stock of impairments.

The increase of "gains and losses not recognised in the statement of income" of EUR 45 million is related to the increase of the positive (re)insurance finance component partially offset by the increase of negative fair value revaluations on assets at Belfius Insurance.

The remeasurement of defined benefit pension plans increased with EUR 3 million mainly due to the positive return on plan assets, partially compensated by a higher than anticipated inflation and a decrease of the discount rate.

Regulatory own funds

(In millions of EUR)	31/12/22[1]	30/06/23
STARTING POINT FOR THE REGULATORY CORE OWN FUNDS	10,776	10,873
DEDUCTION OF FORESEEABLE DIVIDEND	(387)	(192)
TRANSITIONAL MEASURES ON IFRS 9 PROVISIONS	216	78
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	251	299
Remeasurement defined benefit plans	120	123
OCI reserves - portfolios measured at FVTOCI	131	176
Other reserves	(113)	(138)
Prudential filter on the fair value reserves related to gains and losses on cash flow hedges on financial instruments	113	138
DEDUCTIONS AND PRUDENTIAL FILTERS	(308)	(351)
Changes in the value of own credit standing	(11)	(9)
Value adjustments due to the requirements for regulatory prudent valuation	(64)	(77)
Intangible fixed assets	(74)	(86)
Goodwill	(104)	(104)
Shortfall of provisions over expected losses for IRB portfolios	(2)	(2)
Defined Benefit Pension Plan assets	(8)	(15)
Payment Commitments IPC	(31)	(31)
NPE insufficient loss coverage	(15)	(28)
COMMON EQUITY TIER 1 CAPITAL (CET1 CAPITAL)	10,547	10,707
Additional Tier 1 capital instruments	497	497
TIER 1 CAPITAL	11,045	11,204
Tier 2 capital instruments	1,281	1,436
Excess of provisions over expected losses for IRB portfolios	185	226
General credit risk adjustments SA (standard approach)	165	152
TIER 2 CAPITAL	1,632	1,813
REGULATORY OWN FUNDS (AFTER APPROBATION OF RESULT)	12,676	13,017

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

In addition, the deductions increased by EUR 43 million to EUR 351 million mainly following:

- a higher Irrevocable Payment Commitment of EUR 13 million;
- a higher deduction for software assets related to recently activated software for EUR 17 million; and
- the deduction for regulatory wise NPE insufficient loss coverage related to existing non-performing loans entering in the scope of the NPE regulation for EUR 14 million.

Tier 1 capital amounted to EUR 11,204 million, compared to EUR 11,045 million at 1 January 2023 and it includes the Additional Tier 1 issue of EUR 500 million (nominal value) dated February 2018.

Tier 2 capital increased to EUR 1,813 million compared to EUR 1,632 million at 1 January 2023. The increase of EUR 182 million is mainly related to the issuance of EUR 500 million Tier 2 notes in January 2023 offset by the call of EUR 200 million Tier 2 notes and the decreased regulatory value of existing instruments and foreign exchange effects.

At the end of June 2023, the total regulatory own funds amounted to EUR 13,017 million, compared to EUR 12,676 million at 1 January 2023.

3. Regulatory risk exposure on consolidated level

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

(In millions of EUR)	31/12/22	30/06/23	Evolution
Regulatory credit risk exposure	49,271	50,943	1,672
Regulatory CVA exposure	321	307	(13)
Regulatory market risk exposure	2,980	1,899	(1,082)
Regulatory operational risk exposure	3,667	3,667	0
Danish Compromise(1)	7,911	8,112	201
REGULATORY RISK EXPOSURE	**64,150**	**64,928**	**778**

(1) Pro forma Danish Compromise under IFRS 17 per 31.12.2022.

At the end of June 2023, regulatory risk exposure of Belfius amounted to EUR 64,928 million, an increase with EUR 778 million compared to EUR 64,150 million at the end of 2022.

The credit RWA increased by EUR 1,672 million to EUR 50,943 million mainly due to the commercial growth in Franchise activities and particularly in the Corporate segment. All segments are currently showing a good resilience to the challenging economic environment.

The RWA for the Danish Compromise increased by EUR 201 million to EUR 8,112 million mainly due to the OCI evolution of Belfius Insurance during the period, taking into account the pro forma IFRS 17 calculated per end December 2022 (EUR -646 million).

The CVA RWA decreased by EUR -13 million.

The market risk RWA decreased by EUR -1,082 million as the Var model change implemented in Q4 2022 delivered its full impact only in Q1 2023.

The regulatory operational risk exposure – based on the standardized approach – remained stable at EUR 3,667 million.

4. Solvency ratios for Belfius Bank on consolidated level

At the end of June 2023, CET1 ratio amounted to 16.49%, an increase of 5 bps compared to 1 January 2023.

The increase in CET1 ratio is mainly the result of an increase in prudential CET capital (+25 bps) and the higher total regulatory risk exposure (-20 bps).

At the end of June 2023, Tier 1 capital ratio amounted to 17.26%, an increase of 4 bps compared to 1 January 2023 (17.22%).

The total capital ratio amounted to 20.05%, an increase of 29 bps compared to 1 January 2023 (19.76%).

Note that if the IFRS 9 transitional measures were not applied, the fully loaded CET1 ratio, Tier 1 capital ratio and Total Capital ratio would decrease by 13 bps.

CRR 2/CRD 5	31/12/22 Transitional(1) DANISH COMPROMISE	DEDUCTION METHOD	30/06/23 Transitional DANISH COMPROMISE	DEDUCTION METHOD
Common Equity Tier 1 capital ratio (CET1-capital ratio)	16.44%	16.91%	16.49%	16.97%
Tier 1-capital ratio (T1-capital ratio)	17.22%	17.47%	17.26%	17.51%
Total Capital Ratio	19.76%	19.64%	20.05%	19.97%

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

Applying the deduction method for capital instruments of Belfius Insurance (equity participation deducted from CET1 capital and subordinated debt instruments deducted from Tier 2 capital) instead of the current application of "Danish Compromise" would have the following impacts: an increase of 48 bps on the CET1 ratio, an increase of 25 bps on the Tier 1 ratio and a decrease of 8 bps on the Total Capital ratio.

5. Solvency ratios for Belfius Bank on statutory level

At the end of June 2023, CET1 ratio on Belfius Bank statutory level amounted to 15.79% compared to 15.49% end 2022, an increase due to the increased prudential capital partially offset by higher credit risk exposures.

At the end of June 2023, the available distributable items on statutory level amounted to EUR 5,250 million.

6. Leverage ratios for Belfius Bank on consolidated level

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

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

(In millions of EUR)	31/12/22 Transitional(1)	30/06/23 Transitional
TIER 1 CAPITAL	**11,045**	**11,204**
Total assets	178,604	178,250
Deconsolidation of Belfius Insurance (equity method)	(14,865)	(14,920)
Adjustment for derivatives	(6,248)	(5,658)
Adjustment for securities financing transactions exposures	3,194	2,937
Adjustment for prudential corrections in calculation of Tier 1 capital	13	(157)
Off-balance sheet exposures	18,282	17,746
LEVERAGE RATIO EXPOSURE	**178,980**	**178,198**
LEVERAGE RATIO (in %)	6.17%	6.29%

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

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

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

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

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

At the end of June 2023, the Belfius transitional leverage ratio stood at 6.29% (an increase of 12 bps compared with 1 January 2023 (6.17%), above the minimum pillar 1 requirement of 3%.

The increase is the result of the higher regulatory Tier 1 capital (see above), and a slightly lower leverage exposure measure mainly driven by a slight decrease in the balance sheet.

Please note that the leverage ratio excluding the transitional measures for IFRS 9 provisions would decrease with 4 bps.

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

On 20 December 2022, the NBB notified Belfius that going forward it has to execute the SRB MREL instruction regarding the minimum requirement own funds and eligible liabilities at the consolidated level of Belfius Bank under BRRD2. For Belfius Bank, the MREL requirement on a consolidated basis is set at 23.23% of Total Risk Exposure Amount (TREA) and 6.87% of Leverage Ratio Exposure (LRE).

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

The SRB MREL instruction also defines a subordination requirement: Belfius Bank must meet at least 15.83% of TREA and 6.87% of LRE by means of subordinated MREL. Own funds used to meet the combined buffer requirement (CBR) set out in Directive 2013/36/EU (at 4.37% of TREA for Belfius currently) are not eligible to meet the requirements expressed in TREA. Belfius Bank must comply with this subordination requirement by 1 January 2024, subject to an intermediate target of 15.25% of TREA and 6.84% of LRE by 1 January 2022.

Belfius already meets its expected BRRD2 MREL requirements end 1H 2023. Indeed, expressed in TREA, Belfius MREL realised of EUR 19.4 billion amounts 29.96% to be compared with 27.6% of the 2024 final binding target (including CBR).

In the same way, Belfius MREL subordination of EUR 15.3 billion amounts 23.53% of TREA to be compared with EUR 20.2% of the binding target (including CBR). Expressed in LRE, Belfius MREL subordination of 8.57% stands in excess of 6.87% MREL requirement.

Capital management at Belfius Insurance (unaudited)

1. Prudential supervision

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

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

2. Regulatory own funds

The own funds of Belfius Insurance are determined according to the valuation and eligibility principles defined in the Solvency II regulation, Directive 2009/38/EU, implemented in order to better protect insurance clients and to restore the confidence in the financial sector.

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

The regulatory own funds of Belfius Insurance amounted to EUR 2,045 million at the end of June 2023. It was composed for 79% of the highest quality capital (Tier 1). Tier 2 capital equalled EUR 340 million and consisted mainly of two subordinated loans. Tier 3 (Deferred tax assets) amounts to EUR 89 million.

Belfius Insurance consolidated

(In millions of EUR)	31/12/22	30/06/23
AVAILABLE FINANCIAL RESOURCES BEFORE FORESEEABLE DIVIDEND	2,169	2,115
Tier 1	1,570	1,515
IFRS Equity	1,827	1694
Valuation difference (after tax)	(257)	(179)
Restricted Tier 1	171	171
Tier 2	336	340
Subordinated debt	325	329
Others	11	11
Tier 3	92	89
DTA	92	89
AVAILABLE FINANCIAL RESOURCES AFTER FORESEEABLE DIVIDEND	2,043	2,045
AFR before foreseeable dividend	2,169	2,115
Foreseeable dividend	126	70

Compared to December 2022 (EUR 2,043 million), the regulatory own funds of Belfius Insurance increased with EUR 2 million. The annual review of the liability projection assumptions and the EUR 70 million of foreseeable dividend already deducted from the AFR, led to this small increase of the own funds.

3. Solvency requirement

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

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

The required capital amounted to EUR 1,050 million at the end of June 2023, which is EUR 10 million lower compared to end 2022 (EUR 1,060 million. Market risk dropped given the performance of our equity portfolio and equity transactions during the second quarter which allowed us to have a stable positive evolution of the SII ratio related to equity risk. The SCR linked to interest rate risk is rather limited thanks to ALM management, targeting a limited global duration mismatch between assets and liabilities. The Life insurance risk decreased during the first semester of 2023 mainly due to the annual review of the liability projection assumptions.

(In millions of EUR)	30/12/22	30/06/23
SOLVENCY II CAPITAL REQUIREMENT	**1,060**	**1,050**
Market Risk	664	637
Credit Risk	111	114
Insurance Risk	843	844
Operational Risk	80	91
Diversification	(544)	(543)
Loss absorbing capacity of technical provisions and deferred taxes	(94)	(94)

4. Solvency ratios for Belfius Insurance

The Solvency II ratio after dividend at 30 June 2023 amounted to 195%, higher than the Solvency II ratio at year-end 2022 (193%), and remains strong and above the risk appetite trigger of 160%.

Solvency II-ratio

(In %)	31/12/22	30/06/23
Solvency II ratio (before dividend)	205%	202%
Solvency II ratio (after dividend)	193%	195%

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

	Shock	**Solvency II Ratio** (in %)
Base case (after dividend)		195%
Stress scenarios		
Interest rate	-50 bps	198%
Equity	-30%	183%
Credit Spread		
Credit spread on corporate bonds	+50 bps	188%
Credit spread on government bonds	+50 bps	184%
Credit spread on corporate & government bonds	+50 bps	177%
Real Estate	-15%	186%
No Volatility Adjustment (VA)		175%
Ultimate forward rate (UFR) @ 3%		192%

Capital adequacy

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

1. Economic capital

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

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

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

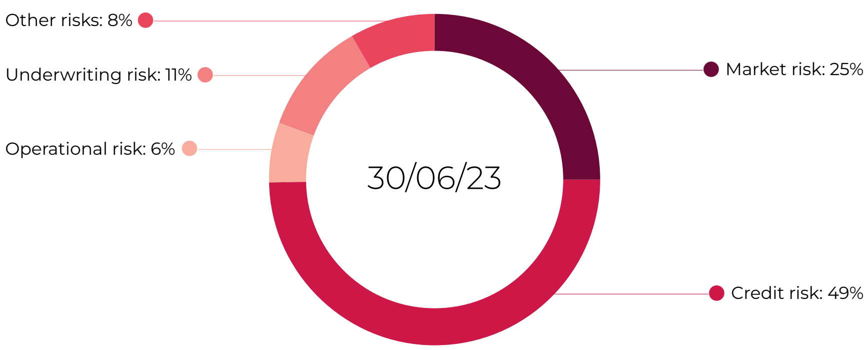
The economic capital is central in the context of Belfius' risk appetite and is also complementary to the Stress Tests framework for Internal Capital Adequacy Assessment Process (ICAAP) purposes.

2. Economic capital adequacy

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

Belfius' economic capital was EUR 6,636 million at the end of June 2023 (against EUR 5,745 million at the end of 2022). The increase was primarily stemming from higher economic capital allocated to funding and interest rate risks.

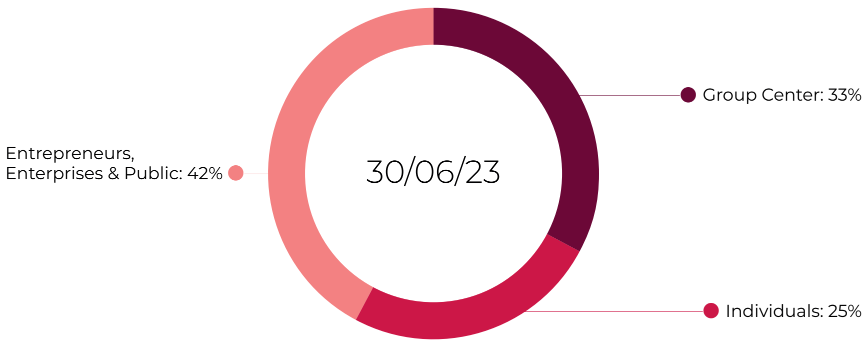
Breakdown of economic capital by type of risk



Credit risk represented 49% of the economic capital and rea the main contributor; market risk (inter alia including interest rate risk, foreign-exchange rate risk, spread risk and equity risk) was 25%, underwriting risk 11%, operational risk 6% and other risks (prepayment, funding…) 8%.

By business line, the economic capital was allocated as follows: Individuals and Entrepreneurs, Enterprises & Public represented 25% and 42% respectively of Belfius' economic capital; the balance was made up of 33% allocated to the Group Center (mainly for the Belfius' general balance sheet management in terms of interest and funding risks, including the bonds investment portfolios and for the portfolios of derivatives and run off credit guarantees).

Breakdown of economic capital by business line



Risk management

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

Risk management governance and data are more in detail described in Belfius' bank report and Belfius risk report 2022 which both are available at *www.belfius.com*.

Introduction

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

To manage adequately these risks, Belfius has a robust risk framework (including a strict governance) and a clear risk culture in place.

1. Macroeconomic environment in the first half of 2023

GDP growth in the eurozone slowed down over the course of 2022 as the war in the Ukraine and high energy prices dampened demand. However, the eurozone economy weathered the energy crisis better than expected thanks to the rapid diversification of supply and a sizeable fall in consumption. Annual GDP growth in 2022 was 3.5%, in Belgium it was 3.2%.

The euro area economy has stagnated heading into 2023, amid a drop in private and public consumption, but net trade contributed positively to growth. In the eurozone, GDP fell 0.1% in the first quarter of 2023 while Belgian GDP showed quarterly growth of 0.4%. The ECB's monetary policy tightening is increasingly feeding through to the real economy, with higher interest rates weighing on consumption and investment.

1.1. Firms and investment

Business confidence in the euro area in the first half of 2023 was robust in the service sector but remains very weak in the manufacturing sector, especially in Germany. Order books, outstanding business and production expectations in the capital goods sector declined overall in the second quarter. However, corporate profits are still relatively robust. Business investment rebounded in the first quarter as companies were generally successful in passing on higher production costs to consumers, supporting their operating margins.

Excluding Spain, the increase in bankruptcies in the euro area has been fairly contained. The number of monthly bankruptcies in Belgium has risen this year but is still below the pre-Covid pace.

Investment in housing, which is particularly sensitive to interest rates, has weakened considerably in many countries of the euro area, but has held up well so far in Belgium.

1.2. Private Consumption

Private consumption in the euro area contracted in the first quarter of 2023 amid a drop in spending on goods. In contrast, household consumption of services increased, still benefiting from lingering reopening effects. Retail sales were down 2.9% in May compared to a year before. On the contrary, spending and retail sales data has remained strong in Belgium, as real income growth is supported by the system of automatic wage indexation.

The labour market remains a source of strength in the euro area. Almost a million new jobs were added in the first quarter of the year and the harmonised unemployment rate stood at a historical low of 6.5% in May for the euro area and at 5.7% in Belgium.

1.3. Inflation

Headline inflation has fallen in the first half of 2023 as energy prices have eased significantly. According to Eurostat's flash estimate, harmonised consumer price inflation in the euro area has declined from 9.2% in December 2022 to 5.5% in June 2023. In Belgium, harmonised consumer price inflation, which is traditionally very sensitive to energy price movements, peaked at more than 13% in October 2022, before falling back to 1.6% in June 2023. Underlying inflationary pressures, especially in services, remain strong however on the back of resilient labour markets and strong wage growth.

1.4. International context

The re-opening of the Chinese economy following years of lockdowns and restrictions provided a boost to the global economy at the start of the year. Global activity has been mainly driven by the services sector, whereas manufacturing output remains soft. Recently, activity in the Chinese manufacturing and service sector has cooled substantially, dimming the prospects for a return to stronger global trade. Geopolitical uncertainty due to the ongoing war in Ukraine and rising US-China tensions also remains high.

The fallout from the US banking sector woes in early March led to a period of stress in global financial markets. Most asset classes have recovered the losses recorded during this period but the banking turmoil could prompt a more pronounced tightening of lending standards as banks are more risk averse.

1.5. Fiscal policy

According to the June 2023 EU projections, the euro area fiscal outlook continues to improve as fiscal support is progressively withdrawn. The euro area budget deficit is projected to decline to 3.2% of GDP in 2023. The ratio of euro area government debt to GDP is projected to decline to around 89% of GDP in 2023. The improvement in public finances notwithstanding, deficit and debt ratios are expected to remain well above pre-pandemic levels.

In Belgium, government debt landed at 105% of GDP in 2022 and the government budget deficit at 3.9% of GDP, reflecting the further unwinding of pandemic-related spending and the continuation of the economic recovery. In 2023, the government deficit is forecast to increase again as the expenditure ratio is set to rise due to the automatic indexation of public sector wages and social benefits and due to rising interest payments in 2023.

1.6. Monetary policy

The European Central Bank raised its policy rates at several meetings during the first half of 2023, taking the deposit rate to 3.50% in June. Due to high core inflation, ECB officials still sound hawkish, pointing to potential for further monetary tightening.

Past rate increases are being transmitted forcefully to financing conditions and are gradually having an impact across the economy. Borrowing costs have increased steeply and the growth in loans is slowing.

2. Ratings

Between 1 January 2023 and 31 August 2023, the rating agencies took the following decisions:

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

Ratings of Belfius Bank as at 31 August 2023

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

(1) Intrinsic creditworthness.

Fundamentals of credit risk 1H 2023

The Belgian economy performed resiliently well in the first half of 2023, with economic growth showing a positive pace, although at a slower rhythm. Inflation and price pressures moderated and were combined with the sharp fall of natural gas prices. The lifting of the zero-Covid policy in China contributed to the further normalisation of global supply chains providing some breathing room for the economy.

The Belgian business environment remains mostly fueled by the services industry, with the manufacturing industry somewhat lagging. In a context of labour market tightness and despite higher wage costs, most companies maintained or expanded their workforce in the second quarter. Investment plans do not seem to have been strongly reduced.

With consumer confidence clearly restoring over the past couple of months, household consumption growth is expected to remain solid throughout the year. This is, of course, also induced by the increase of household purchasing power this year, boosted by the impact of automatic wage indexation.

At international level, the global economic environment faced some headwinds. Economic slowdown in Germany and other countries was evidenced. In order to drive back longer-term inflation expectations central banks continued tightening monetary policies. Higher interest rates affected lending growth and slowed demand, in particular on real estate markets. The financial turmoil caused by the liquidity problems of some US financial institutions, had no lasting impact on financial markets and did not trouble the economic upturn.

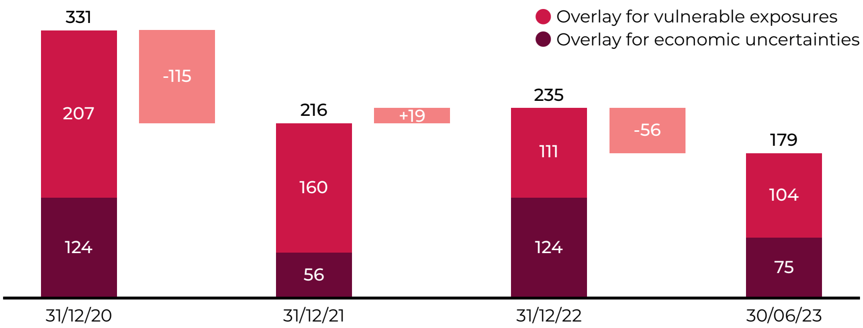
The Belfius 1H 2023 Cost of Risk (CoR) amounts to EUR -17 million, compared to a positive CoR of EUR +13 million in 1H 2022.

Belfius has updated the macroeconomic parameters and perspectives for IFRS 9 expected credit loss calculations with scenario weights shifting to a neutral scenario, simultaneously reducing pessimistic and stress scenarios. These more favorable macroeconomic perspectives impacted the CoR positively for EUR +49 million in the first half year.

The overlay for vulnerable exposures was reduced by EUR +7 million. Vulnerable exposures linked to Covid-19 have been phased out and from 1H 2023 onwards the overlay for vulnerable exposures merely serves to cover for an anticipation of potential recession effects, in sectors vulnerable to inflation and higher energy prices.

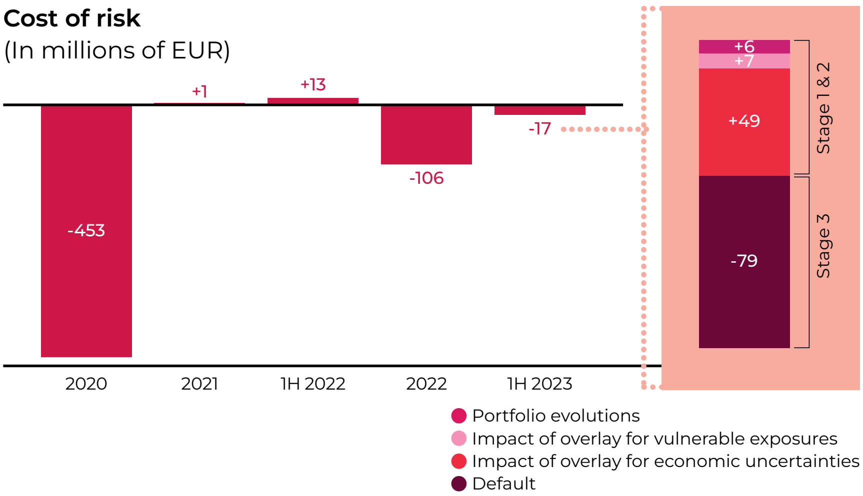
The provision for macroeconomic uncertainties and the overlay for vulnerable exposures combined form Belfius 'Overlay for economic uncertainties and vulnerable exposures', of which the stock as of end 1H 2023 amounts to EUR 179 million (from EUR 235 million end 2022).

Overlay
(In millions of EUR)



The specific provisions for loans in default (stage 3) contributed to EUR -79 million for the first six months of 2023. Origins of these stage 3 provisions can often be found in Covid-19 and/or energy and inflation impacts, combined with additional financial pressure, that is caused by demand effects or interest cost increases. With Belfius' anticipative provisioning methodology, the credit losses on these companies have typically been anticipated to a certain extent by stage 2 expected credit losses, constituted during the past years.

Cost of risk
(In millions of EUR)



The Belfius loan portfolios continue to demonstrate a strong resilience with risk indicators that remain robust. The credit quality of the portfolio and production stay solid, payments arrears and NPL's remain under control. Bankruptcy levels, particularly for small businesses, show a slightly increasing trend but levels remain below the historically observed levels for the Belgian market. Also some other early warning indicators for small businesses (payments arrears, utilisation of credit lines) show a moderate increase during the first half of 2023.

In an international perspective, commercial real estate is becoming a source of increasing concern from an industry, banking and regulatory point of view, as the sector is confronted with modified market dynamics, due to increased interest rates and building costs, combined with a low investment appetite. These factors are resulting in an increased funding risk for this sector caused by a delay in sales uptake and reduced financial markets' appetite to provide financing and capital to the sector. Although a recent assessment has not revealed negative risk trends or indicators in the Belfius loan portfolio, an increased monitoring and a strengthened follow-up have been put in place for the commercial real estate segment.

1. The economy shows resilience amid crises, but some uncertainty lingers

The European and Belgian economy weathered the energy crisis well due to a swift diversification of supply and a sizeable fall in energy consumption. Where last year a recession seemed almost unavoidable as monetary policy tightened in rapid fashion to curb the inflationary spiral, this year the economic situation is slightly less gloomy. Economic growth outperformed the expectations in the first part of this year. Inflationary pressure seems to be weakening and the interest rate hikes might be reaching a pause or plateau. These tentative optimistic signals lead to some regained confidence at both investors and households in the (Belgian) economy.

However, given that the situation on the ground in Ukraine remains unpredictable and seems to be heading towards a prolonged phase of combat, one has to view these positive signals within a context of continued uncertainty. It is probably too early to already conclude that we are in a scenario of a soft landing. The less rapid than expected recovery of the Chinese economy and the variability in future monetary policy are also among the main drivers behind such persistent uncertainty.

Individuals

The first half year of 2023 has been marked by gradual increases in interest rates, aimed at taming inflationary forces. This has led to higher financing costs for the consumer and lower demand for residential mortgage loans, resulting in a decrease in production at Belfius by around one third. The decrease is primarily observable in the non-First Time Buyers (FTB) loans. Young FTB's (< 35 years old) increase their share in the mortgage loan production, partially mitigating the higher debt service payments by opting for longer maturities. Borrowers also continue to prefer fixed interest rate loans (99% of the newly originated loan amount), hedging themselves against (even) higher rates in the future. Also due to some seasonal effects, the PD of Mortgage loans portfolio has decreased and is currently at 0.46%, compared to 0.50% at the end of 2022. Despite tighter credit conditions, Belfius remained largely compliant with the NBB measures (financial collateral included).

Belfius continued to monitor its mortgage loans portfolio in light of inflation and higher energy costs. The deferral of principal payment scheme initiated at the end of 2022 has ended in March of this year with a relatively small number of requests. Currently, as energy prices are lower again and as government interventions are being phased out, we can say that the impact of energy prices on our mortgage loans portfolio has been limited.

Belfius is committed to reducing emissions, greening its mortgage loans portfolio and lowering the risk associated with climate change. To this end it has increased its effort in collecting data on and monitoring the energy efficiency of the loan portfolio. Moreover, clients can apply for energy renovation loans, with additional measures for those with limited financial means.

All in all, so far Belfius has weathered relatively well the risks associated with inflation and higher energy costs. We remain cautious regarding further developments in the energy markets and are actively looking for solutions which can help our clients and further de-risk our portfolio from an energy transition point of view.

Entrepreneurs & Enterprises

The effects of the energy crisis are fading and - with the notable exception of the food processing industry - post-pandemic supply chains problems have largely been resolved. The pass-through of costs to sales prices has increased but remains partial. Most firms feel that it is becoming increasingly difficult to raise further prices, which could lead to a further easing of inflation in the near term. Business managers confidence, that was picking up since end 2022, stabilized in the course of Q2 2023, mainly driven by some softening expectations on the order book and the employment rate. This is particularly the case in the manufacturing industry: the demand for manufacturing goods is slowing down and perspectives and order books are under pressure. Prospects for the longer term remain more uncertain with companies pointing to worsening cost competitiveness. The services industry however continues to perform strongly. Whereas the labour market was booming towards the end of the Covid-pandemic, the job-growth has slowed down since the start of 2023; the unemployment showed an increase in the beginning of the year, with an interim market, traditionally a leading indicator, that was starting to slacken. Recent figures tend to be more positive again, despite higher wage costs, as most companies maintained or expanded their permanent workforce in the second quarter and prospects for the coming months are mostly stable. Due to structural labour market tightness, firms are reluctant to lay off employees. Industries show various trends of economic performance, with e.g. the transportation and the construction sector showing signs of financial weaknesses (lower level of activity, higher level of bankruptcies).

Against this background, the credit monitoring mechanisms and procedures, that were put in place during the pandemic and continued in the period of galloping inflation, were gradually re-focused on the risk-sensitive and vulnerable companies, while maintaining a disciplined overall portfolio monitoring.

This monitoring also considered high-level sector evolutions from a macroeconomic point of view as well as bottom-up input by bankers and credit analysts. For the time being, the manufacturing, construction and transport sectors remain the most sensitive ones. This sensitivity is reflected in the recent evolution of bankruptcies levels for construction and transport sectors, and in the deteriorated business confidence indicator for manufacturing.

At this moment, we do not observe a significant deterioration of early warning indicators, nor an important inflow of defaults, while at the same time the credit quality of firms in manufacturing and services sectors remains stable. The average PD of the E&E portfolio remained stable (1.59% end 1H 2023 compared to 1.58% at the end of 2022).

Concerning the Commercial Real Estate portfolio, Belfius is highly vigilant to the specific risks the increasing interest rates have created. The Covid-19 pandemic and the war in Ukraine caused a significant price increase of construction materials. This was followed by an increase in interest rates. As a result, the real estate values came under pressure, financing conditions became more difficult and expensive, and real estate companies are confronted with refinancing needs at higher costs. At the same time, cash flow generation from projects and asset disposals became more complicated. Sales to individuals are running less smoothly because rising interest rates are affecting their overall budget. Institutional investors such as insurers and pension funds shun real estate as they have new alternatives such as bonds. Property developers are thus forced to look for other ways to reduce their cash outflows and costs in anticipation of a new interest rate equilibrium. An awareness campaign for this type of risks to business and corporate bankers and credit analysts has been launched to keep track on clients who are not able to have a sufficient liquidity buffer to counter the adverse market effects.

Public & Social Banking

The first half of 2023 showed a weakening of the upward inflationary pressure and an end to the energy crunch of last winter. These tentative optimistic signals might indicate that the (labour) cost increase for public entities is coming to a halt. However, the interest hikes will affect the cost of borrowing which will in turn put some strain on the borrowing capacity of some of these entities.

Belfius assesses these evolutions and its impacts on the clients within the Public Social Banking segment through a macro-economic analysis. Among these clients are: hospitals, nursing homes, municipalities and intermunicipal companies.

In 2022, the municipalities have seen a significant increase of their operational expenditure. Their wage costs have increased due to the inflationary pressure, while energy costs have almost doubled due to the energy crunch related to the Russian – Ukrainian war. Fortunately, this has been met with an equal increase in operational revenue. The main driver behind this surge in operational revenue is the indexation of receipts. The beneficial effect of this indexation will continue into 2023 (despite the softening inflation) as some time lag is present.

The financial situation of most of the regions and communities is however expected to experience further pressure in 2023. The public debt burden also grows heavier on a federal level. While this does not pose a significant threat yet, interest rate hikes will worsen the debt burden and cost of capital for the public sector.

1.1. Cost of risk in 1H 2023

1.1.1. IFRS 9 impairment methodology at Belfius

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

- Belfius Bank and its subsidiaries recognise loss allowances for ECL on financial instruments at amortised cost or at fair value through OCI;
- ECL are measured through a loss allowance that depends on the financial instrument's status:
  - for performing exposures (i.e. instruments that have not incurred a significant increase in credit risk since origination), referred to as stage 1, a 12-month ECL is calculated;
  - for underperforming exposures (i.e. instruments that have incurred a significant increase in credit risk since origination), referred to as stage 2, Lifetime ECL are calculated;
  - non-performing exposures (i.e. exposures that become credit-impaired) are classified in stage 3 and the ECL reflect the remaining exposure after a best-estimate of future recoveries;

- ECL are probability-weighted estimates of credit losses. This is expressed as the present value of cash shortfalls i.e. the difference between the cash flows that are due to the entity in accordance with the contract and the cash flows that the entity expects to receive.
  ECL calculations use probability of default (PD) and loss given default (LGD) parameters. Point-in-time PDs are used that inter alia incorporate forward-looking macroeconomic information through the use of four different macroeconomic scenarios. These scenarios are built upon internal information delivered by the Belfius Research department, who uses external and internal information to generate a forecast "neutral" scenario of relevant economic variables along with a representative range of other possible forecast scenarios. The external information includes economic data and forecasts published by governmental bodies and monetary authorities;
- Belfius assigns probabilities to the four forecast scenarios (neutral, optimistic, pessimistic and stress) and makes the link between macroeconomic variables and credit risk and credit losses through identified and documented relationships between key drivers of credit risk and credit losses for each portfolio of financial instruments on the one hand and statistical analysis of historical data on the other hand.

Adjustments to the impairment methodology related to the Covid-19 pandemic, the Russia/Ukraine conflict and the risks related to the energy and inflation crisis

In the context of the Covid-19 pandemic, Belfius' basic principles for ECL computations have remained fundamentally unchanged, however some adjustments to the aforementioned approach were required in order to maintain an adequate coverage for potential risks.

With the Russia/Ukraine conflict and the resulting energy crisis, adjustments were extended in 2022 to the emerging risks related to the increased inflation and the rising energy prices:

- expected credit loss calculations were based on a long-term average (initially 2009-2022, extended to 2009-2024) for the relevant macroeconomic factors, with a backward and a forward-looking approach;
- to calculate ECL, Belfius still defines four probability weighted forward-looking scenarios each with their own macroeconomic parameters to build optimistic, neutral, pessimistic and stress cases;
- the results of the portfolio analysis and monitoring processes with respect to the increased inflation, rising energy prices and the war in Ukraine gained importance in the provisioning process.

In 1H 2023, entering into a post-Covid era, Belfius:

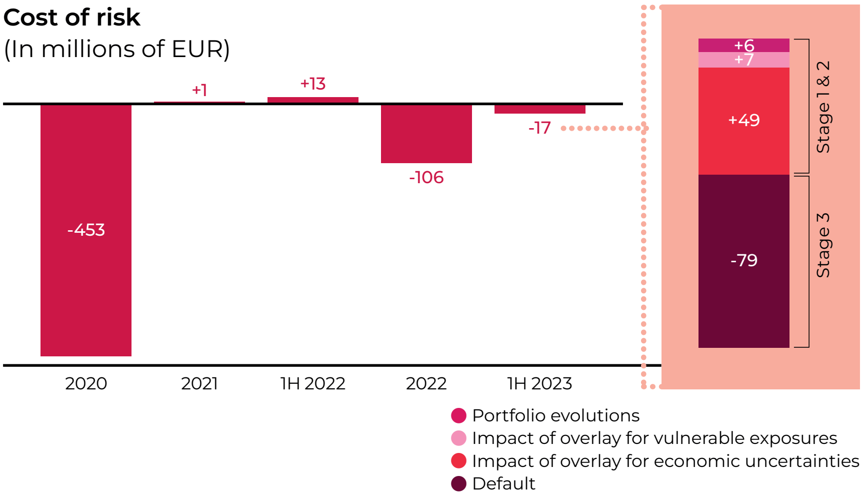
- has decided to abandon the long term average of historic data in the calculation of the macroeconomic factors, and only use 2022-2024 macroeconomic data;
- maintains the system of four probability weighted forward-looking scenarios each with their own macroeconomic parameters to build optimistic, neutral, pessimistic and stress cases. Yet, the scenarios have been adapted to the updated macroeconomic environment;
- continues its portfolio analysis and monitoring process, in order to determine and keep up to date the sectors and/or clients vulnerable to inflation and energy price risks.

Given that ECL estimates are complex and to a certain extent judgmental, the afore-mentioned mechanical approach is completed by management judgment through "management call" layers as authorised by the IFRS 9 accounting references. These layers can be positive or negative and aim to include any elements entering in the ECL computation which have not been taken into account by the mechanical computation on an individual level or a (sub)portfolio level.

1.1.2. Drivers of the cost of risk in 1H 2023

The 1H 2023 Cost of Risk amounts to EUR -17 million and is composed of EUR +49 million allowances due to the update of the macroeconomic factors and perspectives, EUR +7 million reversals following the reassessment of the overlay for vulnerable exposures, EUR -79 million specific provisions for loans in default and EUR +6 million reversals for portfolio evolutions.

Cost of risk
(In millions of EUR)



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

Macroeconomic factors used in 1H 2023 ECL calculations

- The macroeconomic factors and perspectives were updated in line with Belfius Research expectations.
  The economic picture for 1H 2023 is quite ambivalent, with the economic environment showing strong resilience. The effects of the energy crisis are fading out and - with the notable exception of the food processing industry - post-pandemic supply chains problems have largely been resolved. The pass-through of costs to sales prices has increased but remains partial. Most firms feel that it is becoming increasingly difficult to raise further prices, which could lead to a further easing of inflation in the near term.
  Statistics about the economic performance of the Eurozone are divergent. The EC first revised its GDP forecast upwards to 1.2% in 2023 and 1.4% in 2024, but based on the GDP figures with negative growth for Q4 2022 and Q1 2023, the Eurozone entered (technically) into a light recession. In Belgium, the economic growth keeps its positive pace, although at a slower rhythm, and is hence outperforming most of the European countries. Notwithstanding this strong resilience, several evolutions (economic slowdown in Germany and other EU countries, the rising interest rates,...) could become factors of risk.

- At the same time, there are also signs of a potential decay. Whereas the labour market was booming towards the end of the Covid-pandemic, the job-growth has slowed down since the start of 2023; the unemployment showed an increase in the beginning of the year, with an interim market, traditionally a leading indicator, that was starting to slacken. Recent figures tend to be more positive again: despite higher wage costs, most companies maintained or expanded their permanent workforce in the second quarter and prospects for the coming months are mostly stable. Due to structural labour market tightness, firms are reluctant to lay off employees.
- The GDP forecasts improved for 2023-2024, whereas consumer price and house price inflation are expected to decrease in 2023. Belfius' neutral scenario includes a Belgian GDP growth of +0.9% for 2023 (compared to +0.1% as expected by end 2022), followed by a +1.2% growth rate in 2024.
- For 2023, inflation is expected to decrease somewhat more than formerly estimated at the end of 2022.
- The Belgian unemployment rate for 2023 in the neutral scenario has been revised downwards from 8.8% towards 8.2%, and is expected to slightly decrease and then remain stable in the upcoming years. As from 2020 onwards, the unemployment figure includes the exceptional temporary unemployment that is expected to be, to a certain extent, converted into a structural unemployment.

Macroeconomic parameters[1] used for IFRS 9 ECL calculations

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

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

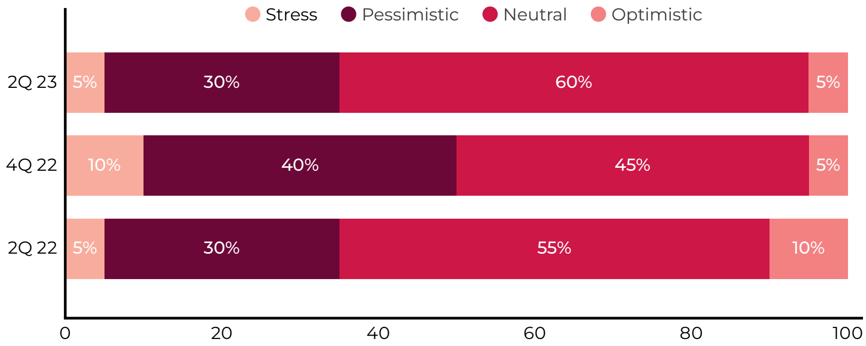
Macroeconomic scenarios GDP BE (% YoY)

	As of end 2022			As of 2Q 2023		
	2022	2023	2024	2022-R	2023	2024
SCENARIOS						
Optimistic	3.4	0.7	2.2	3.1	1.5	1.8
Neutral	2.8	0.1	1.6	3.1	0.9	1.2
Pessimistic	1.7	-1.6	0.5	3.1	-0.2	0.1
Stress	1.2	-1.6	-0.1	3.1	-0.8	-0.5

- The neutral case is complemented with an optimistic, a pessimistic and a stress scenario. The table above illustrates the Belgian GDP growth assumptions, as of 2Q 2023, under the four scenarios.

- The scenario weights were changed by shifting more weight to a neutral scenario (from 45% to 60%), simultaneously reducing pessimistic (from 40% to 30%) and stress (from 10% to 5%) scenarios.

Scenario weights (in %)



- Consequently, the favourable macroeconomic perspectives impacted the CoR positively for EUR +49 million in the first half year.

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

The following table provides an overview of the stage 1 & 2 impairments sensitivity to the weight of macroeconomic scenarios. The most relevant macroeconomic factors are GDP and Unemployment assuming the current IFRS 9 method is unchanged. Note that the sensitivity is not linear and cannot be simply extrapolated.

(In millions of EUR)	What if 85% optimistic(1)	Weighted average scenario 2Q23	What if 85% pessimistic(1)	What if 85% stress(1)
Impairment stock stage 1 & 2	752	874	988	1,130
% change vs weighted average scenario	-14%	0%	13%	29%
		Optimistic 5% Neutral 60% Pessimistic 30% Stress 5%		

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

Overlays for vulnerable exposures

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

Concretely, one or more IFRS 9 parameters have then been stressed when computing the ECL. For mortgages a stressed LGD value has been applied, while for companies vulnerable to inflation and energy price risk, an add-on has been applied on the mechanically computed expected credit loss, reflecting the characteristic of the risk pocket; the add-ons correspond to an increased expected credit loss, equivalent to a 1 to 2 notch rating downgrade. This approach feeds the formal quarterly impairment process and results into shifts of individual files or risk pockets from stage 1 to 2 and into the application of the Expected Credit Loss levels that are deemed adequate to cover the increased credit risk.

In 2020 and 2021, the scope of the overlay was defined by Covid-events. Credit exposures to individuals and companies with payment moratoria and companies in sectors that were hit by the pandemic and the sanitary measures were included.

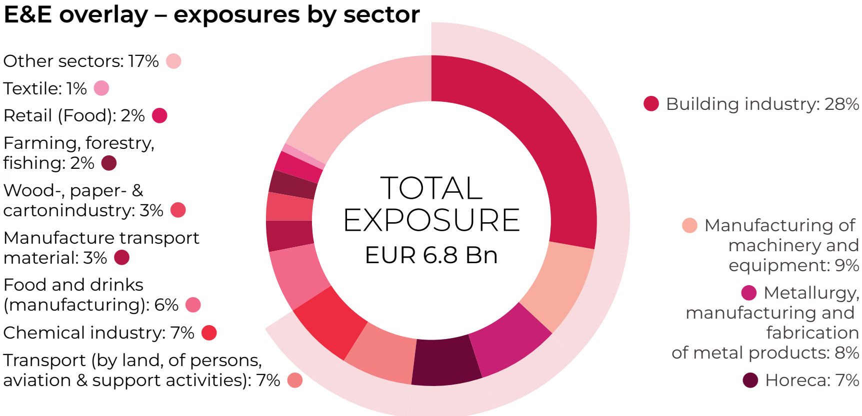
In 2022, the driver of risk gradually shifted also to sectors with a sensitivity to the effects of inflation and energy price increases.

In 2023, the Covid-related exposures completely disappeared from the overlay. The scope of the overlay was only linked to exposures with an energy & inflation vulnerability. The definition of the scope did not change in 1H 2023; the evolution of the provisions was only driven by exposure evolutions and rating migrations.

The overlay for vulnerable exposures was reduced by EUR +7 million in 1H 2023. Vulnerable exposures with an initial Covid-effect phased out and so the overlay merely serves to cover for potential risks caused by inflation and higher energy prices.

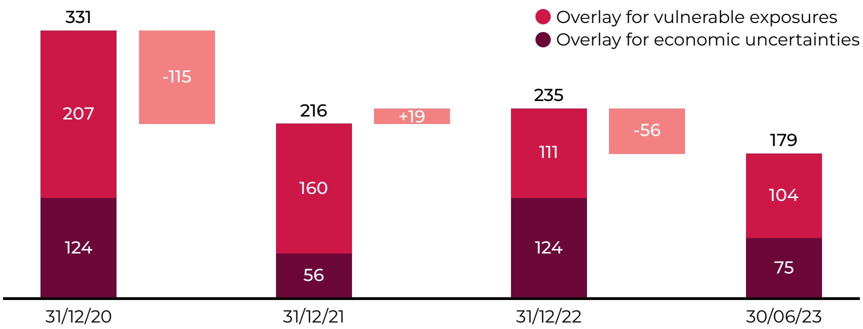
Belfius' exposure towards these vulnerable sectors or counterparts is limited to 3.5% of the total portfolio and can be split as follows:

E&E overlay – exposures by sector



The provision for macroeconomic uncertainties and the overlay for vulnerable exposures combined form Belfius "Overlay for economic uncertainties and vulnerable exposures", of which the stock as of end 1H 2023 amounts to EUR 179 million (from EUR 235 million end 2022).

Overlay
(In millions of EUR)



2. Exposure to credit risk

The definition of Full Exposure at Default "FEAD" is determined as follows:

- for balance sheet assets (except for derivatives): the gross carrying amounts (before credit risk adjustments);
- for derivatives: the exposure at default calculated under the standardised approach for counterparty credit risk (SA-CCR);
- for Securities Financing Transactions: the carrying amount as well as the excess collateral provided for repurchase agreements;
- for off-balance sheet commitments: either the undrawn part of credit facilities or the maximum commitment of Belfius for guarantees granted to third parties.

FEAD for instance provides a consistent metric to present a combined view of the Bank and Insurance respective exposures to credit risk.

The figures in the table below are after elimination of intra-group exposures but with inclusion of credit exposure of trading activities and counterparty credit risk.

Exposures are allocated to the final counterparty. This means that if substitution is applied to a certain exposure to a borrower guaranteed by another party, the exposure is shifted to the region, type of exposure and rating of the guaranteeing party.

As of 30 June 2023, the total credit risk exposure within Belfius slightly decreased to EUR 207.5 billion, a decline of EUR 1.6 billion or 0.8% compared to the end of 2022, primarily stemming from FEAD decline to EU Central Bank partly offset by the increase in FEAD to Corporates and Retail.

At bank level, the credit risk exposure declined with 0.4% to EUR 193.4 billion. At the level of Belfius Insurance, the credit risk exposure declined by 6% to EUR 14 billion on 30 June 2023.

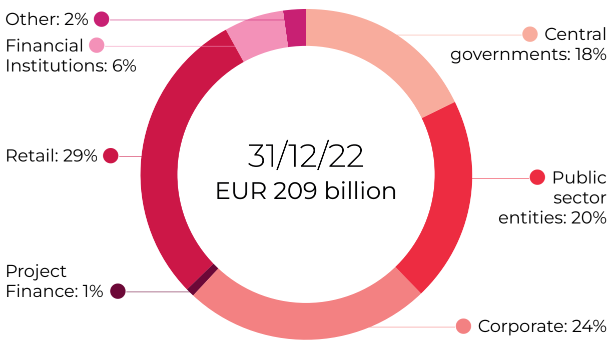
The decline by EUR 3 billion observed on the segment central governments is mostly due to the reduction of liquidity reserve deposited at the NBB/ECB. Nearly half (46%) of the government bonds portfolio is invested in Belgian government bonds at the Group level. While at bank level the Belgian government bonds represent 42% of the total government bond portfolio, the relative proportion at Belfius Insurance stands at 49%.

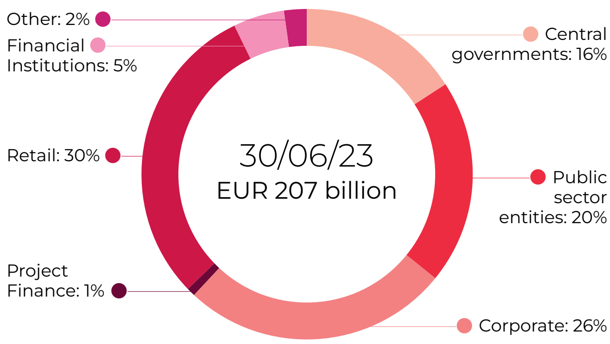
Breakdown of credit risk by counterparty

	31/12/21	31/12/22	30/06/23	Of which	
(FEAD, in millions of EUR)				Bank	Insurer
Central governments	42,442	37,236	34,181	29,665	4,516
of which government bonds	9,146	8,082	7,789	3,761	4,029
of which EU Central Bank	31,628	27,283	24,418	24,418	0
Public sector entities	42,237	41,084	40,465	39,051	1,414
Corporate	47,941	50,921	53,216	51,251	1,965
Project Finance	2,956	2,341	2,399	2,399	0
Retail	58,228	61,703	62,635	58,621	4,014
Financial Institutions	13,703	11,856	11,060	9,468	1,592
Other	6,334	3,937	3,496	2,932	564
TOTAL	213,840	209,078	207,451	193,387	14,065

(1) Other include a.o. deferred tax assets, tangible and intangible assets and gains and losses on the hedged item in portfolio hedge of interest rate risk.

Breakdown of credit risk by counterparty





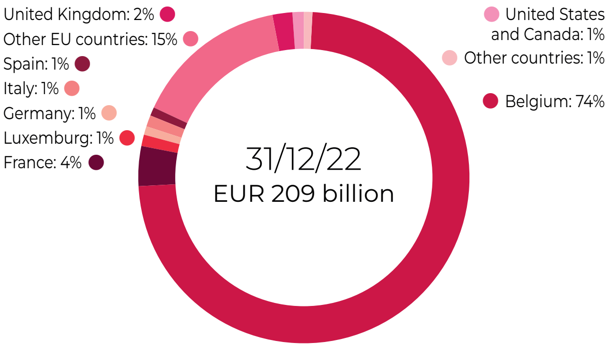
The credit risk exposure on individuals, self-employed and SMEs (30% of the total) increased by EUR 0.9 billion reflecting Belfius' strategy to support the Belgian economy.

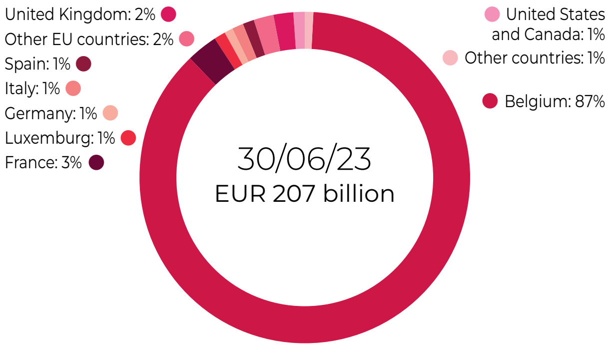
The credit risk exposure on corporates (25.6% of the total) increased by EUR 2.3 billion.

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

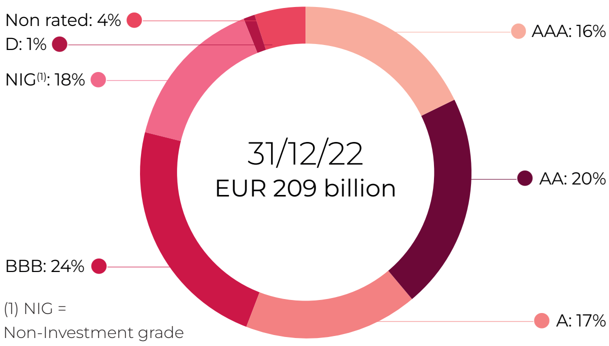
The credit risk exposure on financial institutions slightly declined by EUR 0.8 billion during the first half of 2023.

Breakdown of credit risk by geographical region

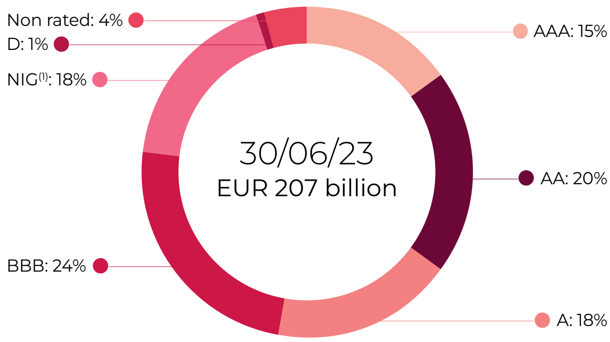




Breakdown of credit risk by rating



(1) NIG = Non-Investment grade



Belfius' positions are mainly concentrated in the European Union: 95% or EUR 183.8 billion at bank level and 95% or EUR 13.4 billion for Belfius Insurance. The total relative credit risk exposure on counterparties situated in Belgium is 86.7% as of 30 June 2023 with the increase from 74% at the end of 2022 explained by the change in classification of the deposits held at the NBB/ECB (of EUR 24.4 billion as of June 2023) from EU Other countries to Belgium. Furthermore, total relative credit risk exposure on counterparties situated in France is 3.4%, 2.5% in the United Kingdom, 1.3% in the United States and Canada, 1.1% in Luxemburg, 0.8% in Spain, 0.6% in Germany and Italy.

The credit risk exposure to counterparties in the United Kingdom amounted to EUR 5.1 billion. About 60% of this credit risk exposure relates to bonds belonging to the ALM-yield portfolio.

On 30 June 2023, 77% of the total credit risk exposure had an internal credit rating of investment grade (IG).

3. Asset quality

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

3.1.1. Forbearance

Forbearance measures boil down to the granting of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments. These concessions may take the form of modifications to the loan contract or some refinancing.

They apply to all loans and debt securities that are on-balance sheet and also to some off-balance sheet commitments. They do not apply to debt securities held for trading exposures.

Specific criteria are established for each business segment. These provide a practical interpretation of the concepts of "financial difficulties" and "concession". When granting a concession, the Bank is always led by a number of mainly business-related and economic factors. The fact that concessions are made is one of the Watchlist indicators at Belfius and lead to a transfer of the exposures from stage 1 to stage 2 under IFRS 9.

At the end of June 2023, an amount of EUR 1,642 million of loans at Belfius complied with the forbearance definition, of which EUR 67 million related to Belfius Insurance, compared to respectively EUR 1,826 million and EUR 97 million at the end of 2022. The most relevant contributors are Corporate (EUR 641 million) and Business customers (EUR 466 million) with a forbearance status.

As from Q2 2022 onwards, the downward trend is the result of outflows mainly driven by moratoria granted in a Covid context which have reached their probation period of 2 years and were eligible for out of forbearance classification.

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

3.1.2. Watchlist

The Watchlist Guideline defines internal and external (early warning) indicators to identify a significant increase of credit risk that may lead to an intensive follow-up and/or management of credit files. This allows the Bank to closely monitor increasing credit risks and to take adequate credit mitigation measures in order to reduce credit risks.

This is also reflected in the provisioning policy by applying a stage 2 for the majority of these exposures. On a quarterly basis, dedicated Risk Committees identify the files requiring a higher level of monitoring.

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

3.1.3. Default

A transversal default definition is applied within the entire Belfius Group and on all market segments in line with the EBA Guideline.

As of mid-March 2020 Belfius implemented the EBA updated definition of default. Main impacts of this new regulation are the materiality threshold for obligations past due that are now composed of both an absolute and a relative threshold, and the introduction of a probation period of 3 months before reclassification to a non-defaulted status.

A default status is assigned to the debtors who satisfy either one or both of the following criteria:

- the debtor has material exposures which are more than 90 days past due;
- the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless the existence of any past due amount or the number of days past due.

Belfius Default guideline provides in-depth description of indicators used to categorize an exposure in default. The Default Committee within the Risk department is competent to define the default status.

3.1.4. Impairments

At the end of June 2023, the total impairment stock (stage 1-2-3) amounted to EUR 2,142 million compared to EUR 2,166 million at the end of 2022 (pro forma IFRS 17). This decrease of EUR 24 million is mainly explained by reversals performed on stage 1 and 2 driven by the updated macro-economic factors and perspectives.

3.2. Asset quality ratio

At the end of June 2023, the amount of impaired loans added up to EUR 2,171 million, a +7.2% increase compared to year end 2022. During the same period, the gross outstanding loans to customers increased by +2.0% and amounted to EUR 113,402 million. As a consequence, the asset quality ratio evolved to 1.91% at the end of June 2023. The stage 3 impairments slightly increased by +2.0%. The coverage ratio on impaired loans is 56.7%, compared to 59.6% end of 2022.

Asset Quality(1)

(In millions of EUR, except where indicated)	31/12/22(4)	30/06/23
Gross outstanding loans and advances to customers (measured at amortised cost and fair value through OCI)	111,218	113,402
Impaired loans and advances to customers (measured at amortised cost and fair value through OCI)	2,026	2,171
Stage 1 impairments on loans and advances to customers	178	163
Stage 2 impairments on loans and advances to customers	425	379
Stage 3 impairments on loans and advances to customers	1,208	1,232
Asset quality ratio(2)	1.82%	1.91%
Coverage ratio(3)	59.6%	56.7%

(1) Belfius Insurance included.
(2) The ratio between impaired loans and advances to customers and the gross outstanding loans and advances to customers.
(3) The ratio between the Stage 3 impairments and impaired loans and advances to customers.
(4) Pro forma IFRS 17 figures.

Market risk

1. Overview

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

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

Market risk of Belfius Insurance is separately managed by its ALCo. Belfius Insurance's strategic ALCo makes strategic decisions affecting the balance sheets of the insurance companies and their financial profitability, taking into consideration the risk appetite as pre-defined with the Belfius Bank and Insurance group (i.e. directional ALM position in interest rate risks, equity and real estate risks, volatility and correlation risks).

Although markets were very volatile in 1H 2023, mainly due to banking turmoil in the US and bail-out of Credit Suisse, rising interest rates, the P&L of financial market activities was very resilient. Most trading desks are at or above the budget and increased client activity has led to significant increases in Sales and Structuring activities.

Existing hedges on CVA/FVA, in place since 1H 2020, perform well, keeping the P&L volatility to a minimum. Further analysis highlighted possible improvement to credit spread macro hedges which will be adapted in H2 2023. Consequently, only a limited number of non-hedgeable risks remain. The most relevant one being the Belfius' own funding spread, where the positive evolution of interest rates has made the XVA's less sensitive to this parameter.

Market risk RWA decreased markedly since end 2022 (EUR -1.1 billion) because of delayed impact of a model change with part of the 60 days average at EOY still on the old model.

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

2. Structural & ALM risk

2.1. Interest rate risk of the banking activities

In respect to the interest rate risk, Belfius Bank pursues a risk management of its interest rate positions in the Banking book within a well-defined internal and regulatory limit framework, with a clear focus on generating stable earnings and preserving the economic value of the balance sheet and this in a macro-hedging approach, thoughtfully considering natural hedges available in the Bank balance sheet.

The management of non-maturing or 'on demand' deposits (such as payment and savings accounts) and non-interest-bearing products use portfolio replication techniques. The underlying hypotheses concerning expected duration, rate-fixing period and tariff evolution are subject to constant monitoring and, if necessary, they are adjusted by the ALCo. Implicit interest rate options like prepayment risk are integrated through behavioural models. All ALM models are following the three lines of defence.

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

Banks' ALM objective gives priority to protect the net interest income from downward/upward pressures in the current volatile interest rate environment, while respecting the risk appetite limits on the variation of economic value.

Economic value indicators capture the long-term effect of the interest rate changes on the economic value of the Bank. Interest rate sensitivity of economic value measures the net change in the ALM balance sheet's economic value (at run off balance sheet assumption) if interest rates move by 10 bps across the entire curve. The long-term sensitivity of the ALM perimeter was EUR -72 million per 10 bps on 30 June 2023 (compared to EUR -59 million per 10 bps on 31 December 2022), excluding interest rate positions of Belfius Insurance and of the pension funds of Belfius Bank.

The Earnings at Risk indicators capture the more shorter-term effect of the interest rate changes on the earnings of the Bank (under a stable balance sheet assumption). Therefore, indirectly through profitability, interest rate changes can also have a shorter-term solvency impact. A 95 bps increase of interest rates has an estimated impact on net interest income (before tax) of EUR +40 million of the next book year and an estimated cumulative impact of EUR +72 million over a three year period, whereas a 95 bps decrease would lead to an estimated impact of EUR -22 million over the next book year and an estimated cumulative impact of EUR -95 million over a three year period (compared to EUR +32 million, resp. EUR +87 million for a similar rate shock of +50 bps and EUR +8 million, resp. EUR +2 million for a rate shock of -50 bps end of last year).

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

The continued increase in interest rates over the first half of 2023 has an overall positive impact on the Bank's standard transformation model. On the one hand, the interest to receive on new production of commercial loans starts to increase and the interest paid to depositors still remained close to zero for payment accounts and is only gradually increasing for savings accounts and term funding for the time being. On the other hand, refinancings and prepaying mortgages have become less interesting for the customers. Furthermore, this increase in rates has further improved the net collateral cost for derivative contracts used to hedge the Bank's exposure to interest rate risk. The ALCo will remain attentive to a volatile interest rate environment with primary objective to respect the Risk Appetite Framework (RAF). ALM conventional models are regularly reviewed at the light of the macro-economic environment and prevailing interest rates. During the first half of 2023, the continued increase in interest rates has modified the expected interest rate sensitivities of the 'on demand' (or non-maturing) deposits, which triggered additional hedging to remain within Belfius' risk appetite.

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 1.4 million per 10 bps as of 30 June 2023 relatively stable compared to EUR 0.4 million as of Q4 22. The earnings have a low sensitivity to interest rates for the next years, thanks to good matching in terms of duration.

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

2.3. Aggregate interest rate risk for Belfius Group

The figures below show the impact on the Belfius group Net Asset Value and the Earnings at Risk for the next book year of a parallel upward shift of the yield curve of 10 bps, resp. 95 bps.

(In thousands of EUR)	31/12/22	30/06/23
BELFIUS BANK		
Sensitivity (+10 bps)	(58,734)	(71,887)
Earnings at risk (+95 bps)[1]	31,980	39,831
BELFIUS INSURANCE		
Sensitivity (+10 bps)	382	1,378
Earnings at risk (+50 bps)	4,392	(989)

(1) For 2022, an EaR of +/- 50 bps was calculated.

3. Trading market risk

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

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

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

3.1. Market risk exposure

At the end of June 2023, the global VaR level of Financial Market activities amounted to EUR 11.8 million, a decrease of EUR 1.5 million compared to end 2022. Although the VaR was volatile – as historic scenarios contain a lot of volatility – overall it remained far from the limit. Only one sub-VaR (CO_2) exceeded its limit after an update of the VaR shocks was performed. This exceeding was temporarily approved following the update and actions have permit to reduce the VaR well within limits.

The market RWA decreased by EUR 1.1 billion up to EUR 1.9 billion. The main decrease is linked to the model change implemented in H2 2022. As market risk RWA is calculated based on the last 60 days average, the end of year figures were still including effects related the old model which behaved too conservatively with the rate increase.

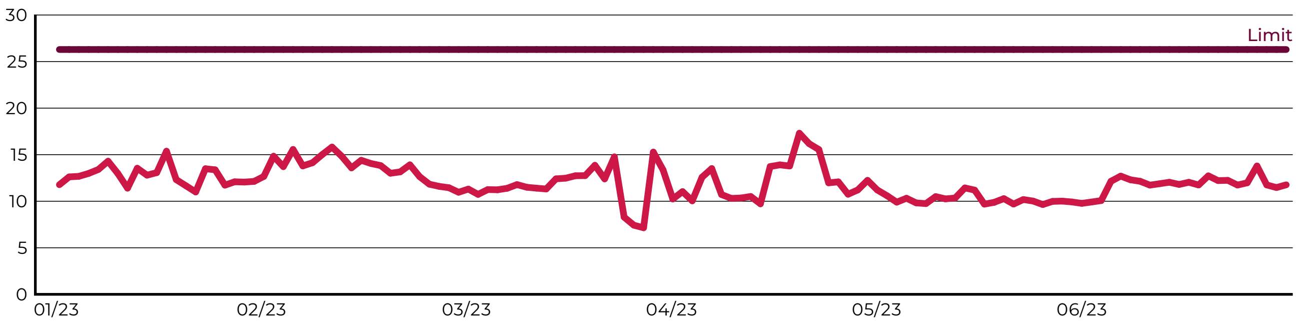
Value-at-risk by activity

VaR(1) (99% 10 days) (In millions of EUR)	31/12/22				30/06/23			
	IR(2) & FX(3)	Equity	Spread	Other risks(4)	IR(2) & FX(3)	Equity	Spread	Other risks(4)
By activity								
Average	7.5	4.6	1.1	0.4	6.0	4.3	1.1	0.8
End of Year	6.3	5.8	0.8	0.4	7.0	3.0	1.2	0.6
Maximum	17.5	12.0	2.3	0.8	8.9	7.9	1.7	3.8
Minimum	3.7	2.2	0.2	0.4	3.5	2.3	0.7	0.4
Global								
Average	13.6				12.0			
End of Year	13.3				11.8			
Maximum	25.3				17.3			
Minimum	7.8				7.1			
Limit	26.3				26.3			

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

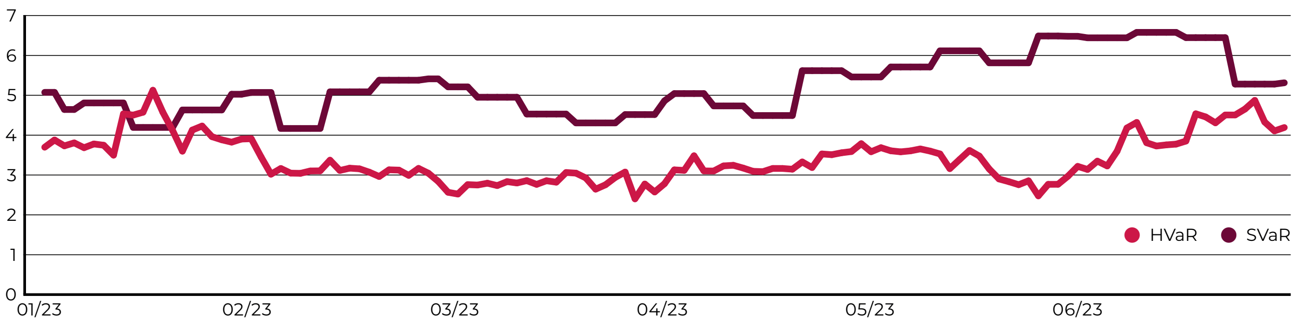
Evolution of global VaR in 1H23

In millions of EUR



Evolution HVaR and SVaR (internal model) in 1H23

In millions of EUR



Liquidity risk

1. Liquidity risk at Belfius Bank

1.1. Liquidity management framework

Belfius Bank manages its liquidity with a view to comply with internal and regulatory liquidity ratios. In addition, limits are defined for the balance sheet amount that can be funded over the short term and on the interbank market. These limits are integrated in the Risk Appetite Framework (RAF) approved by the Board of Directors and reported on a quarterly basis while the monitoring takes place on a daily basis. Available liquidity reserves also play a key role: at any time, Belfius Bank ensures it has sufficient quality assets to cover a temporary liquidity shortfall, both in normal markets and under stress scenarios. Belfius Bank defined specific guidelines for the management of LCR eligible bonds and non LCR eligible bonds, both approved by the Management Board. All this is laid down in liquidity guidelines, approved by the ALCo.

Asset and Liability Management (ALM), a division situated within the scope of the Chief Financial Officer (CFO), is the front-line manager for the liquidity requirements of Belfius Bank. ALM analyses and reports on current and future liquidity positions and risks. It defines and coordinates funding plans and actions under the operational responsibility of the ALCo and under the general responsibility of the Management Board. The funding plan is approved together with the financial plan by the Board of Directors, which delegates its execution to the ALCo. The ALCo also bears final operational responsibility for managing the interest rate risk contained in the banking balance sheet via the ALM department.

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

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

ALM reports on a daily basis to the CFO and CRO and on a quarterly basis to the Board of Directors about the Bank's liquidity situation.

Second-line controls for monitoring the liquidity risk are performed by the Risk department, which ensures that the reports published are accurate, challenges the retained assumptions and models, realises simulation over stress situations and oversees compliance with limits, as laid down in the Liquidity Guidelines.

1.2. Exposure to liquidity risk

The liquidity risk at Belfius Bank is mainly stemming from:

- the variability of the amounts of commercial funding collected from individuals and business customers, small, medium-sized and large companies, public entities and similar customers and allocation of these funds to customers through loans;
- the volatility of the collateral that is to be deposited at counterparties as part of the CSA framework for derivatives and repo transactions (so called cash & securities collateral);
- the value of the liquid reserves which allow Belfius Bank to collect funding on the repo market and/or from the ECB;
- the capacity to obtain interbank and institutional funding.

1.3. Consolidation of the liquidity profile

During the first half of 2023, Belfius preserved its diversified liquidity profile by:

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

The participation of Belfius Bank in the ECB TLTRO III funding programme for an amount of EUR 15.65 billion, was reduced to EUR 6 billion end of 2022, and in June 2023 another EUR 3.3 billion was repaid. This leads to a residual funding through TLTRO of EUR 2.7 billion, that will continue to expire.

Belfius Bank reached end of June 2023 a 12-month average Liquidity Coverage Ratio (LCR) of 156%. This decrease since end of December 2022 (173%), is mainly explained by the repayment of the TLTRO and a continued strong growth in commercial loans. Without the additional TLTRO at more advantageous conditions to compensate for the pressure on the Bank's standard transformation model, the LCR remained within our driving range during the first half year of 2023. The High Quality Liquid Assets (HQLA) end of June 2023 are composed of 73% Level 1 cash, 24% Level 1 bonds, 2% Level 2A bonds and 1% Level 2B bonds.

The Net Stable Funding Ratio (NSFR), based on the binding CRR2 rules and calculated according to EBA templates, stood at 133% end of June 2023, a decrease also explained by the repayment of the TLTRO and growth in commercial loans.

1.4. Liquidity reserves[1]

At the end of June 2023, Belfius Bank had readily realisable liquidity reserves of EUR 45.0 billion. These reserves consisted of EUR 24.2 billion in cash, EUR 8.5 billion in ECB eligible bonds and EUR 12.3 billion in other assets eligible at the ECB (of which EUR 10.4 billion in bank loans).

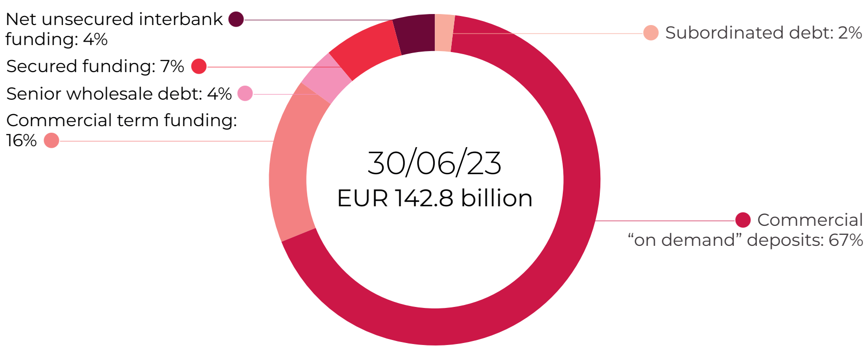
These liquidity reserves represent 6.7 times the Bank's institutional funding outstanding end of June 2023 and having a remaining maturity of less than one year.

1.5. Funding diversification at Belfius Bank[1]

The total funding of Belfius Bank amounted to EUR 142.8 billion as at 30 June 2023 compared to EUR 143.6 billion as at end December 2022.

Belfius Bank has a stable funding profile that consists of mainly commercial funding (84%), senior wholesale funding (4%), secured funding (7%), and net unsecured ST interbank funding (4%).

Belfius' main funding sources



(1) Unaudited.

As a universal bank, the main part of funding comes from its commercial activity (EUR 119.4 billion), of which 74% are sticky deposits from individuals and business customers and 47% concern insured deposits (DGS). Although the commercial funding remained quite stable since end of 2022, Belfius Bank observed a shift from 'on demand' deposits (payment and savings accounts) to term funding.

The loan-to-deposit ratio, which indicates the proportion between assets and liabilities of the commercial balance sheet, increased from 87% at the end of December 2022 towards 90% at the end of June 2023.

Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 6.5 billion from covered bonds, EUR 3.6 billion from preferred senior unsecured, and EUR 2.7 billion in TLTRO funding from ECB as at 30 June 2023.

The Non-Preferred Senior Bonds of EUR 2.0 billion enable Belfius to respect the regulatory requirement of MREL Subordinated.

Note that during 2023, Belfius Bank issued EUR 0.5 billion covered bonds, EUR 0.5 billion Tier 2 and EUR 0.75 billion preferred senior under green format.

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

As a result of derivative contracts to cover interest rate risk of its activities, Belfius Bank has an outstanding position in derivatives for which collateral must be posted and is being received (cash & securities collateral). Against the background of historical still low interest rates, in net terms, Belfius Bank posts more collateral than it receives. With the strong increase in interest rates, however, this net cash collateral position has continued to improve from EUR 6.1 billion end of December 2022 to EUR 5.9 billion end of June 2023.

1.6. Encumbered assets

According to the EBA guideline based on the median values of the encumbrance reportings of the last four quarters, the encumbered assets at Belfius Bank level amount to EUR 26.0 billion in June 2023 and represent 15.4% of total bank balance sheet and collateral received under securities format. This represents a decrease of the encumbrance ratio of -6.9% compared to end 2022, this decrease being mainly explained by the repayment of TLTRO and the decrease in derivatives.

Belfius is active on the covered bond market since the set-up of the first covered bond program in 2012. In June 2023 (point in time), the total amount issued was EUR 6.5 billion. End June 2023, the assets encumbered for this funding source are composed of commercial loans (public sector and mortgage loans) and amount to EUR 7.9 billion (stable since end 2022).

The Bank is also collecting funding through repo markets and other collateralised deposits. End June 2023, the total amount of assets used as collateral for this activity amounts to EUR 5.6 billion, of which EUR 4.2 billion linked to the ECB funding. The exceptional drawing on the TLTRO III, allowing Belfius to generate additional P&L and capital to sustain the Belgian Economy, has led to a higher than normal Asset Encumbrance Ratio.

The balance of encumbered assets is also linked to collateral pledged (gross of collateral received) for the derivatives exposures for EUR 4.5 billion point in time (decrease of EUR -0.2 billion compared to end 2022), 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.

The repayment of the TLTRO III, and the decrease in net collateral to post thanks to the increase in interest rates, has strongly reduced the Asset Encumbrance Ratio.

2. Liquidity risk at Belfius Insurance

As an insurance company in terms of liquidity management, Belfius Insurance engages mainly in Life insurance liabilities at relatively long term that are largely stable and predictable. Consequently, funding requirement is quite limited. The premiums paid by policyholders are placed in long-term investments in order to guarantee the insured capital and committed interests at the contract's maturity date. Our liquidity indicators demonstrate that Belfius Insurance constantly holds enough liquid assets to cover its commitments on the liability side of the balance sheet.

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

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

In addition, Belfius Insurance also holds a significant amount of unencumbered assets (mainly in governments bonds) eligible for repos in the context of its liquidity management.

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

Operational risk – Non-Financial Risk (NFR)

1. Non-Financial Risk Management Framework

Non-Financial Risk (NFR) must be understood as a broad umbrella covering all risks except "financial risks" (the latter encompassing market, ALM, liquidity, credit and insurance risks). NFR covers among others operational risks (including fraud, HR, IT, IT-security, business continuity, outsourcing, data-related, privacy…) as well as reputational, compliance, legal, tax, ESG… risks.

The NFR management framework determines the principles that ensure an effective management of the non-financial risks. The principles are further elaborated in specific policies and guidelines adapted to the business activities. These general principles are following the applicable legal and regulatory requirements.

The framework is based on the following pillars:

- a risk mapping and taxonomy in order to ensure consistency within the organisation, including a regular review of this mapping and taxonomy to identify emerging risks;
- clear roles and responsibilities, as well as a well-defined way of working together for all the risks based on the three LoD (3 LoD) model (decentralised responsibility);
- a strong governance/committee structure involving the appropriate level of management;
- a Risk Appetite Framework (RAF) definition and monitoring;
- transversal risk processes and dedicated risk management frameworks, which are structured into the following main domains: Change Risk Management, Integrated Risk Management, Risk Culture & Governance, Operational Resilience, Fraud Risk Management & 2 LoD Audit, Information Security and Data Privacy (see further).

This framework provides comprehensive risk management and sound risk governance, to ensure an effective and efficient identification, assessment, mitigation and monitoring of non-financial risks.

The NFR department acts as an independent internal control function with a 2nd LoD role, and reports directly to the Chief Risk Officer. The NFR departments also includes the specific functions of Anti-Fraud Officer, Data Protection Officer (DPO) and Chief Information Security Officer (CISO).

2. Transversal risk processes

2.1. NFR domain - Change Risk Management

2.1.1. Change Risk Management

Being and staying "Meaningful and Inspiring for Belgian society" implies continuous innovation. In that context, change risk management is a corner stone of the global risk management framework, with the New Product Approval Process (NPAP) and Project Risk Management as the main contributions.

2.1.2. New Product Approval Process

The process of developing or changing a function (product, service, activity, process or system) involves a sound (ex-ante) risk assessment, the so-called New Product Approval Process (NPAP). Its purpose is to ensure that all risks related to any new or changed function are assessed by relevant experts and addressed accordingly and that they are overseen by a dedicated steering committee.

It is a risk-based process with special attention to the due implementation of binding conditions.

2.1.3. Project Risk Management

The capacity to deliver projects with high quality standards within the foreseen timeframe is a key success factor. In that context, a Project Risk Management (PRM) framework has been developed in order to correctly and timely identify the risks and put in place the necessary controls and mitigating plans following a risk-based approach. Basically, this framework consists of:

- different qualitative and quantitative assessment techniques to derive both the criticality and risk performance of the projects; and
- a tiering system to focus efforts and attention to the most risky ones.

2.2. NRF domain - Integrated Risk Management

2.2.1. Incident Management

The systematic collection and control of data on operational incidents is one of the main requirements of the Basel Committee regarding operational risk management.

The reporting mechanisms ensure that the responsible parties are notified quickly when incidents. Major incidents are investigated thoroughly and are reported to the CRO/ Management Board. Such incidents are also subject to specific action plans and appropriate follow-up, under the responsibility of the concerned line management, for avoidance, mitigation or limitation of the related risk.

The main areas of operational losses remain essentially due to incidents associated with external fraud and incidents in relation to execution, delivery and process management. Other categories remain limited in amount but not necessarily in number of events. The most important part of the financial impact resulting from operational incidents comes from the Bank's retail business.

2.2.2. Self-Assessment of Risks and Internal Controls

Another important task of risk management is the analysis of the overall main potential risks and related key controls, performed within Belfius Group's main entities. This is achieved through a bottom-up Self-Assessment of Risks and Internal Controls (SARIC) in all departments and subsidiaries, using the COSO methodology to determine the internal control level. These exercises may result in the development of additional action plans to further reduce potential risks. They also provide an excellent overview of the main risk areas in the various businesses. They are conducted annually, and the results are submitted to the respective Boards of Directors through the reports regarding the assessment of internal control. Belfius Bank also submits the senior management report on the assessment of the internal control to its regulators.

2.2.3. Managing insurance policies

The possible financial impact of Belfius' operational risks is also mitigated by taking insurance policies, principally covering professional liability, fraud, theft, and interruption of business and cyber risk. This is standard practice in the financial services' industry.

2.2.4. Outsourcing risk

Belfius is aware that outsourcing & third-party risk must be addressed adequately and fully assumes its responsibilities, including but not limited to overseeing and managing the concerned arrangements and the risks involved. The Outsourcing Risk & Material Arrangements Policy is compliant with the "Final Report on EBA Draft Guidelines on Outsourcing Arrangements". In particular, the policy provides for the appointment of the outsourcing function and the setup of the Outsourcing Management (steering) Committee (OMC). Its mission consist in ensuring a well governed and coordinated outsourcing strategy in line with Belfius strategy, risk appetite and regulatory requirements.

2.2.5. Permanent control

It is difficult to envisage risk management without taking special attentions to internal control systems. To this regard, permanent control functions have been further deployed in order to provide ongoing assurance on the adequacy & effectiveness of the Belfius' control environment.

2.3. NFR domain – Risk Culture & Governance

2.3.1. Risk Appetite

The formal definition of a Risk Appetite Framework (RAF) is the key reference for the group Risk Management practice covering both financial and non-financial risks.

The RAF for NFR contains quantitative elements (target values or ratios) and qualitative elements (statements) and is articulated around three concepts on which limits are defined:

- "Risks": What are the risks? How to appreciate the risk level (past and forward looking)?
- "Risk management capacity": What is the capacity to manage the risks?
- "Loss tolerance": What are the potential P&L and future RWA impacts Belfius tolerates?

The RAF covers a.o. loss tolerance, management capacity, fraud risk, data privacy risk, outsourcing & third-party risk, resources risk, project/transformation risk, information security.

The RAF is continuously updated and improved regarding RAF indicators, with constant challenging at the governance level and improving level of maturity.

In order to further strengthen the conglomerate dimension, the RAF is also rolled out in the Belfius' subsidiaries. Their respective RAF is based on the RAF at group level, reflecting and monitoring their own (financial and non-financial) vulnerabilities and risks.

2.4. NFR domain – Operational Resilience

2.4.1. Business continuity & crisis management

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

The supporting process, the business continuity and crisis management, is aligned with the ISO22301 standard and the BCI Good Practice Guidelines. It is applied in a uniform way at all Belfius entities and relies on a.o. threat analysis, business impact analysis, reallocation strategies (dual office, remote and homeworking, etc.), effective management reporting, business continuity plans as well as exercise and maintenance programs. In that way, Belfius has also demonstrated its resilience to the Covid-19 situation.

As the Covid-19 situation allowed a more normal way of working, room is now available to exercise in order to test our ability to react.

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

Belfius has a very low appetite for physical security and workplace safety risk and strives to provide a safe environment for its staff, clients, guests, and assets by ensuring that its physical security measures and procedures meet high standards. To meet this goal, a Physical Security Steering Committee with all stakeholders systematically monitors the overall situation by means of a dashboard. It also acts as a forum to reflect and to dialogue on actual incidents, and to envisage action plans to reduce the risk to acceptable levels.

2.5. Fraud Risk Management & 2 LoD audit

2.5.1. Fraud risk

Belfius applies a zero-tolerance policy for all forms of fraud (internal, external, and mixed fraud schemes), monitors the threats continuously and manages these risks based on a global anti-fraud policy as defined and steered by senior management. The roles and responsibilities have been clearly defined with business and support lines as the first risk managers. The CRO and NFR team, including the Anti-Fraud Officer as expert, have a clear 2nd LoD role.

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

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

2.5.2. Branch audit

Branch Audit, as part of the Risk function and from a 2nd LOD perspective, focusses specifically on traditional "physical" distribution channels for which it provides through on site reviews an assurance on the degree of control of the risks generated during human intervention in the distribution process and which require a physical presence on site in order to be assessed. Branch Audit also formulates advices in order to improve the functioning of the internal control system.

2.6. Information Security Management

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

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

In order to guarantee the information security within Belfius, the Information Security Steering (ISS) Committee, managed by the Chief Information Security Officer (CISO) and chaired by the Chief Risk Officer, ensures a well governed and coordinated information security strategy whereby an adequate system of "prevention", "detection", "protection" and "reaction" is put in place, in line with regulatory requirements for information security. The steering of

Belfius information security is relying on a combination of qualitative statements, tangible figures and quantitative statements: deviations from the risk appetite are challenged to mitigate the risks to an acceptable level. Large security projects are grouped together in a security roadmap which typically spans the course of two years.

The first half-year 2023 was characterized by the release of a first set of KRI related to the Information Security Management System (ISMS), based on ISO27001 that we are currently deploying into the company. The deployment of ISMS controls has continued with a focus on controls linked to information security risks rated as high. The update of the ISMS policies that should be done every three years has begun in 2023 too.

The publication of the regulatory technical standards for the DORA regulation has marked a milestone in information security as they now have to get integrated into our ISMS deployment effort.

Another milestone is the announcement of a stress test imposed by the ECB that takes as a start point a cyber incident that makes the core system (including the core database) of banks unavailable because all preventive tools in place have failed. This ECB stress test thus takes as a central scenario a cyber incident affecting Belfius information. The ECB made clear this stress test has an exploratory nature without the usual actions to be undertaken in case of unsatisfactory results.

The call for consultation about the ECB stress test scenario and methodology has run to 15 August. We took part to the consultation. The ECB stress test will be launched in 2024.

2.7. Data Privacy Management

Respect for privacy and customer satisfaction

The respect for privacy and the protection of personal data is a key commitment at Belfius, which is translated into a sound internal governance and principles to be followed in the respect of GDPR.

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

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

The Data Privacy Officer (DPO) is part of the 2nd line of defence. A network of privacy correspondents, active in each department, work closely with the DPO to continuously raise awareness, control, and monitor processes and activities being in line with GDPR.

GDPR conformity, including a risk assessment for the rights and freedom of the owners whose personal data is treated, is integrated into every process to offer (existing, adapted, and new) products, innovative digital tools, services, and information sharing to its clients.

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

Data subject rights can be executed by data subjects via multiple possibilities, including the Belfius' online and mobile applications.

ESG risk[1]

2020	2021	2022
SET UP OF AN ESG FRAMEWORK	DRAFTING OF AN ESG ACTION PLAN	IMPLEMENTATION OF ESG ACTION PLAN

After laying out the foundations, designing a roadmap and creating an ESG Risk Competence Center, Belfius is now actively working on the implementation of its ESG action plan. Belfius is further embedding environmental, social and governance risks (particularly climate-related risks in a first instance) into its existing risk management framework with the goal to adequately manage those risks to ensure its long term resilience and profitability.

The main progress achieved during the first semester of 2023 relates primarily to the carrying out of comprehensive climate and environmental risks materiality assessments, the implementation of its ESG scoring model for corporates and the expansion of the internal ESG KRI dashboard.

1. Risk identification and assessment

Belfius is combining two approaches:

- A top-down approach where climate-related risks (and opportunities) are assessed at portfolio level and potential risk pockets are identified.
- A bottom-up approach where climate-related risks are assessed at counterparty and/or asset level, vulnerable assets are identified and quantified and scores are assigned to counterparties.

Belfius is currently in the process of assessing the magnitude of the potential (financial) impact of relevant climate and environmental risk drivers on its solvency, liquidity and profitability, considering its specific (sectoral) exposures and risk profile:

- This exercise is based on regional and sectoral heatmaps, drafted with the help of an external climate specialist, evaluating the likelihood of occurrence of climate and environmental risk drivers and the expected severity of the socio-economic impact of those events.
- The level of exposure of Belfius' counterparties/assets/activities to those risk drivers is then assessed under several scenarios and time horizons and across various risk dimensions (covering credit, market, liquidity, operational and strategic risks).

(1) Unaudited.

This comprehensive exercise is complemented by the finetuning of the climate risk assessment and simulation tool for mortgage loans, aimed at projecting possible evolutions of the mortgage loan portfolio in the long term (up to 2050).

Belfius has also started implementing its in-house ESG assessment methodology for corporates, which aims at:

- capturing data about the global ESG profile of corporate counterparties through an engagement process with clients;
- evaluating their current performance and practices, historical trends and future plans;
- supporting their transition to a low carbon economy in order to get a win-win situation in which the customer improves its profile and Belfius reduces its risks.

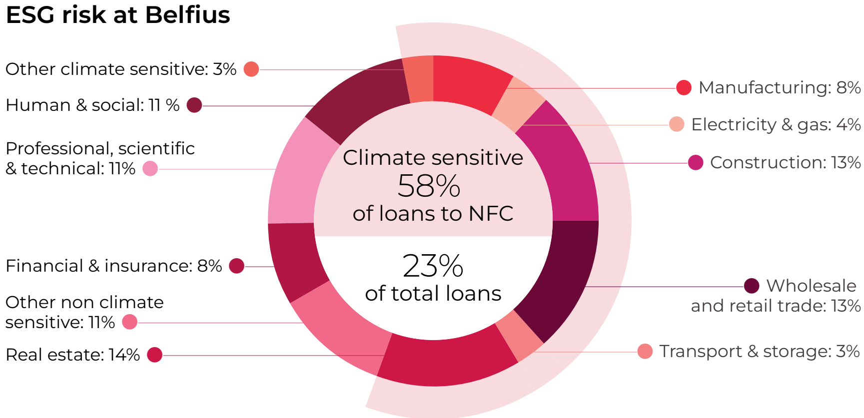
Leveraging on the results of the materiality assessments, the simulation tool for mortgage loans and the assessment methodology for corporates, Belfius will investigate the need to perform deep dives, design additional stress test scenarios, define new key risk indicators and limits, set further mitigation measures in place, etc.

2. Quantification, Metrics and Monitoring

Belfius' sensitivity to climate and environmental risks should remain fairly limited as it relies on the overall sound composition and risk profile of its balance sheet to mitigate credit and market impacts, as evidenced by the follow up of the main key risk indicators in this field which show that:

- Belfius holds only minor exposures to fossil fuel activities;
- the share of climate sensitive exposures (defined at sectoral level) remains reasonable with low exposures toward the most sensitive sectors (such as agriculture and mining);
- the share of mortgage loan production collateralised by buildings with a very low EPC score remains within the risk appetite;
- the share of mortgage loan production collateralised by buildings located in a high-medium flood risk zone is still very limited.

ESG risk at Belfius



Corporate governance

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

1. Management Board

On 30 June 2023, the Management Board of Belfius Bank consisted of six members:

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

2. Board of Directors

On 30 June 2023, the Board of Directors had sixteen members, six of whom are members of the Management Board. Two new directors (Estelle Cantillon and Olivier Gillerot) will take office on 27 September 2023.

The Ordinary General Meeting of Shareholders of 26 April 2023:

- acknowledged that the director's mandate of Mr. Bruno Brusselmans, Mrs. Carine Doutrelepont, Mrs. Martine De Rouck and Mrs. Diane Rosen – Zygas ended immediately after the Ordinary General Meeting of Shareholders of 26 April 2023;
- appointed Mr. Bram Somers as director, member of the Management Board, for a term of four years, to end immediately after the Ordinary General Meeting of Shareholders in 2027;
- renewed the director's mandate of Mr. Georges Hübner for a term of four years, to end immediately after the Ordinary General Meeting of Shareholders in 2027;
- appointed Mrs. Colette Dierick, Mrs. Hélène Goessaert and Mr. Daniel Falque as independent directors for a term of four years, to end immediately after the Ordinary General Meeting of Shareholders in 2027;
- appointed Mrs. Estelle Cantillon and Mr. Olivier Gillerot with effect as of 27 September 2023 as independent directors for a term of four years, to end immediately after the Ordinary General Meeting of Shareholders in 2027;
- renewed the director's mandate of Mrs. Marianne Collin, member of the Management Board, and of Messrs Olivier Onclin and Johan Vankelecom, members of the Management Board, for a term of four years, to end immediately after the Ordinary General Meeting of Shareholders in 2027.

BOARD OF DIRECTORS OF BELFIUS BANK (30/06/23)	MAIN FUNCTION	Non-executive director	Member of the Management Board	Independent director	Audit Committee	Nomination Committee	Remuneration Committee	Risk Committee	Intra-group Committee	Technology Committee
CHRIS SUNT	Chairman of the Board of Directors of Belfius Bank SA	★		■		■	■		★	
MARC RAISIÈRE	Chairman of the Management Board of Belfius Bank SA		★							
MARIANNE COLLIN	Member of the Management Board of Belfius Bank SA Chief Risk Officer, responsible for Risk Management & Compliance		■							
DIRK GYSELINCK	Member of the Management Board of Belfius Bank SA Responsible for Wealth, Entreprises & Public		■							
OLIVIER ONCLIN	Member of the Management Board of Belfius SA Responsible for Private, Business & Retail Banking		■							
BRAM SOMERS	Member of the Management Board of Belfius Bank SA Chief Technology Officer		■							
JOHAN VANKELECOM	Member of the Management Board of Belfius Bank SA Chief Financial Officer, Responsible for Accounting, ALM, Legal, Tax, Research, Strategic Planning and Performance Management (SPPM)		■							
PAUL BODART	Director of companies and non-profit organisations	■		■	■					★
ESTELLE CANTILLON(1)	FNRS Research Director at the Université Libre de Bruxelles (ULB)	■		■				■(1)		
COLETTE DIERICK	Director of companies	■		■	■				■	
DANIEL FALQUE	Director of companies and non-profit organisations	■		■		■	■			■
OLIVIER GILLEROT(1)	Director of companies and non-profit organisations	■		■					■(1)	■(1)
HÉLÈNE GOESSAERT	Director of companies	■		■	■			■		
PETER HINSSEN	Entrepreneur, keynote speaker and author	■		■						■
GEORGES HÜBNER	Full Professor at the HEC Liège, Liège University	■		■	★			■		
ISABEL NEUMANN	Chief Investment Officer at Shurgard Self Storage	■		■						
LUTGART VAN DEN BERGHE	Emeritus extraordinary professor at the University of Ghent and emeritus part-time professor at the Vlerick Business School	■				★	★			
RUDI VANDER VENNET	Full Professor in Financial Economics and Banking at the University of Ghent	■						★		

★ Chairman

(1) As from 27 September 2023.

Material litigation

Belfius (Belfius Bank and its consolidated subsidiaries) is involved as a party in a number of litigations in Belgium, arising in the ordinary course of its business activities, including those where it is acting as an insurer, capital and credit provider, employer, investor and taxpayer.

Belfius recognises provisions for such litigations when, in the opinion of its management taking into account all available elements, including an analysis by its company lawyers and external legal advisors as the case may be:

- a present obligation has arisen as a result of past events;
- it is probable that Belfius will have to make a payment; and
- the amount of such payment can be estimated reliably.

With respect to certain other litigations against Belfius, of which management is aware, no provision has been made according to the principles outlined here above, as the management is of the opinion, after due consideration of appropriate advice, that, while it is often not feasible to predict or determine the ultimate outcome of all pending litigations, such litigations are without legal merit, can be successfully defended, or that the outcome of these actions is not expected to result in a significant loss.

In the opinion of Belfius, the most important cases are listed below, regardless of whether a provision has been made or not. Their description does not deal with elements or evolutions that do not have an impact on the position of Belfius. If the cases listed below were to be successful for the opposite parties, they could eventually result in monetary consequences for Belfius. For litigations for which no provision has been made, such impact remains unquantifiable at this stage. Note that, apart from the cases listed below, continued vigilance can be observed in the prevention of money laundering (AML) in the Belgian financial sector. In this context, as is customary, Belfius is collaborating with the Belgian authorities and monitors this closely.

1. Arco - Cooperative shareholders

Various parties, including Belfius Bank, have been summoned by Arco - Cooperative shareholders in three separate procedures, i.e.:

- A procedure before the Dutch speaking Commercial Court of Brussels (Procedure C.C. Deminor)
- A procedure before the Court of First Instance of Brussels (Procedure C.F.I. ArcoClaim 2018)
- A procedure before the Court of First Instance of Brussels (Procedure C.F.I. Deminor 2022)

Procedure C.C. Deminor

On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) initiated (with support of Deminor) proceedings against the Arco entities and Belfius Bank before the Dutch speaking Commercial Court of Brussels (the "Deminor Proceedings"). On 19 December 2014, 1,027 additional shareholders of the Arco entities joined in the Deminor Proceedings. On 15 January 2016, 405 additional shareholders of the Arco entities joined the Deminor Proceedings, resulting in a total of 2,169 plaintiffs. On 16 November 2020, a further "Deminor" procedure was initiated, in which all plaintiffs except one joined, to anticipate a possible nullity of the original summons. The content of the two proceedings is identical. As a result, they are treated together.

The plaintiffs have requested that the Brussels Court rules, among other things:

- in first order, that the agreements by virtue of which they became shareholders of the relevant Arco entities are null and void as a consequence of an alleged defect in consent;
- that the defendants should therefore, in solidum, reimburse the plaintiffs for their financial contribution in these entities plus interest;
- in the alternative, a compensation is asked to Belfius Bank for an alleged violation of the information duty; and
- that the defendants are liable for certain additional damages to the plaintiffs.

The historical financial contribution of the 2,169 plaintiffs to the Arco Group entities, for which reimbursement is claimed, amounted to approximately EUR 6.5 million (principal amount). The plaintiffs' claims in the Deminor Proceedings are based on allegations of fraud and/or error on the part of the Arco entities and Belfius Bank. In the alternative, the plaintiffs have argued that Belfius Bank breached its general duty of care as a normal and prudent banker. In relation to Belfius Bank, the plaintiffs have referred to certain letters and brochures allegedly containing misleading information issued by the predecessors of Belfius Bank. The Belgian State, DRS Belgium (Deminor) and the Chairman of the Management Board of the Arco entities are also defendants in the proceedings before the Commercial Court of Brussels. In the meantime, the VZW Arcoclaim also intervened in this litigation procedure (on grounds of an alleged transfer of claim by one of the plaintiffs/Arco shareholders). The case has been pleaded during several pleading sessions in June 2021. In its decision announced on 3 November 2021, the Dutch-speaking Commercial Court of Brussels rejected all the claims of the Arco shareholders.

The Arco shareholders have launched appeal against this judgement. The case is now pending before the Court of Appeal in Brussels. A pleading calendar has been determined. A pleading hearing can be expected at the earliest in the second half of 2028.

Procedure C.F.I. ArcoClaim 2018

On 7 February 2018, 2 Arco shareholders summoned the Belgian State before the Court of First Instance of Brussels because they state that the Belgian State has made a fault by promising and introducing a guarantee scheme for shareholders of financial cooperative companies (like the Arco shareholders) which has been considered illicit state aid by the European Commission. These 2 plaintiffs also summoned Belfius Bank on 8 February 2018 to intervene in this procedure and claim compensation from Belfius Bank because they consider that Belfius Bank erred in the sale of the Arco shares. Groups of Arco shareholders organised themselves via social media to mobilize other Arco shareholders to become claimant in this procedure. The VZW Arcoclaim also intervenes in this litigation procedure.

In this procedure VZW Arcoclaim had requested the initiation of a mediation procedure before the court, but this request has been dropped in May 2023. In the meantime, to date, ArcoClaim has declared that 7.258 new Arco shareholders have joined ArcoClaim, in addition to 5.334 Arco shareholders already being part of ArcoClaim.

No pleading calendar has been fixed yet, but ArcoClaim had requested that this procedure be joined with the procedure C.F.I. Deminor 2022 (see also Procedure C.F.I. Deminor 2022).

Procedure C.F.I. Deminor 2022

On 14 December 2022, 10 Arco shareholders have launched a new judicial procedure with the assistance of Deminor against the Arco-companies, the Belgian State and Belfius before the Court of First Instance in Brussels, in which they ask the defending parties to be condemned to indemnification based on extra-contractual liability, equal to claimant's financial contribution including interests, dividends, and possible bonus reserves, as well as a supplementary indemnification for moral damages. In the meanwhile, to date, a total of 13.678 Arco shareholders have joined this procedure.

At the introductory hearing of 2 June 2023, several procedural issues have risen, a.o.:

- ArcoClaim has intervened in the Deminor 2022 procedure, requesting that the ArcoClaim procedure (Procedure C.F.I. ArcoClaim 2018) be joined together with the Deminor 2022 procedure (Procedure C.F.I. Deminor 2022). Deminor has strongly opposed the joining of procedures, fearing that its procedure will be excessively delayed; and
- Deminor has requested a preliminary judgement to condemn Arco to provide all the Arco shareholder documentation (date of purchase, amount, etc.) to the claimants. Arco has opposed this request.

Considering these procedural issues, the case has been suspended (rolverzending/renvoi au rôle). A procedural calendar is expected so that parties can submit their written arguments (limited to this specific procedural issue).

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.

2. Investigations into Panama Papers

These paragraphs are mentioned for completeness only, although the matters below do not comprise a litigation. On 5 December 2017, a police search under the lead of an examining magistrate of Brussels (onderzoeksrechter/juge d'instruction) took place at Belfius Bank's head office in the framework of the Belgian "Panama Papers" Parliamentary Commission. The Bank was investigated as a witness and has not been accused of any wrongdoing. The scope of the investigation is to establish whether there are any violations of anti-money laundering obligations and to investigate the link between Belfius Bank (or its predecessors), and, amongst others, Experta and Dexia Banque Internationale à Luxembourg (i.e. former entities of the Dexia group).

To date, Belfius Bank did not receive any further information since the above mentioned police search.

3. Investigation by public prosecutor into the activities of an independent bank agency

On 12 November 2020, public prosecution has been initiated, a.o. against Belfius Bank, for its alleged role in potential fraudulent activities that would have been conducted with the assistance of a director of an independent bank agency of Belfius Bank in violation of several (banking) regulations. After consultation of the criminal file, Belfius continues to believe that it has sufficient valid arguments to result in these claims being declared inadmissible and/or without merit. No provision has been booked for this case.

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 2023, have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and all the undertakings included in the consolidation;

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

Brussels, 31 August 2023

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 2023

This section has been reviewed by the auditors

Condensed consolidated interim balance sheet

Assets (in thousands of EUR)		Notes	31/12/22	30/06/23
I.	Cash and balances with central banks	5.1.	27,295,434	24,431,429
II.	Loans and advances due from credit institutions	5.2.	4,143,601	4,060,163
	A. Measured at amortised cost		4,143,601	4,060,163
	B. Measured at fair value through other comprehensive income		0	0
	C. Measured at fair value through profit or loss		0	0
III.	Loans and advances	5.3.	110,203,251	112,351,247
	A. Measured at amortised cost		109,236,114	107,509,374
	B. Measured at fair value through other comprehensive income		171,152	4,119,091
	C. Measured at fair value through profit or loss		795,986	722,782
IV.	Debt securities & equity instruments	5.4.	26,996,656	27,116,553
	A. Measured at amortised cost		17,494,927	13,367,114
	B. Measured at fair value through other comprehensive income		4,040,914	8,230,472
	C. Measured at fair value through profit or loss		1,490,882	1,407,535
	D. Measured at fair value through profit or loss – Unit linked		3,969,934	4,111,431
V.	Derivatives	5.5.	5,893,105	5,489,152
VI.	Gain/loss on the hedged item in portfolio hedge of interest rate risk	5.5.	1,134,326	944,014
VII.	Assets from insurance/reinsurance contracts	6.5.	116,103	101,770
	A. Insurance contracts assets		0	0
	B. Reinsurance contracts assets		116,103	101,770
VIII.	Investments in equity method companies		94,019	102,445
IX.	Tangible fixed assets		1,672,048	1,755,991
X.	Intangible assets		236,639	296,996
XI.	Goodwill		103,966	103,966
XII.	Tax assets		397,324	552,434
	A. Current tax assets		27,115	92,268
	B. Deferred tax assets		370,209	460,166
XIII.	Other assets	5.6.	741,993	905,175
XIV.	Non current assets (disposal group) held for sale and discontinued operations		39,684	39,021
TOTAL ASSETS			179,068,150	178,250,357

The notes on pages 105 to 192, including the specific identified sections of the Management report in these notes and as indicated in the Management report, are an integral part of the condensed consolidated interim financial statements.

Liabilities (in thousands of EUR)		Notes	31/12/22	30/06/23
I.	Cash and balances from central banks	6.1.	5,904,113	2,652,846
II.	Credit institutions borrowings and deposits	6.2.	1,869,641	3,207,425
	A. Measured at amortised cost		1,869,641	3,207,425
	B. Measured at fair value through profit or loss		0	0
III.	Borrowings and deposits	6.3.	108,447,486	106,930,804
	A. Measured at amortised cost		108,427,536	106,910,652
	B. Measured at fair value through profit or loss		19,951	20,152
IV.	Debt securities issued and other financial liabilities	6.4.	29,898,501	33,267,542
	A. Measured at amortised cost		18,517,096	21,364,030
	B. Measured at fair value through profit or loss		7,411,471	7,792,080
	C. Measured at fair value through profit or loss – Unit linked		3,969,934	4,111,431
V.	Derivatives	5.5.	8,248,509	7,692,768
VI.	Gain/loss on the hedged item in portfolio hedge of interest rate risk	5.5.	(1,606,023)	(1,510,286)
VII.	Liabilities from insurance/reinsurance contracts	6.5.	10,894,869	10,642,046
	A. Insurance contract liabilities		10,894,869	10,642,046
	B. Reinsurance contracts liabilities		0	0
VIII.	Provisions and contingent liabilities	6.6	493,922	492,252
IX.	Subordinated debts	6.7	1,547,204	1,821,834
	A. Measured at amortised cost		1,547,204	1,821,834
	B. Measured at fair value through profit or loss		0	0
X.	Tax liabilities		72,251	73,143
	A. Current tax liabilities		63,014	64,584
	B. Deferred tax liabilities		9,237	8,559
XI.	Other liabilities		1,387,731	1,417,323
XII.	Liabilities included in disposal group and discontinued operations		0	0
TOTAL LIABILITIES			167,158,206	166,687,698

Equity (in thousands of EUR)		31/12/22	30/06/23
XIII.	Subscribed capital	3,458,066	3,458,066
XIV.	Additional paid-in capital	209,232	209,232
XV.	Treasury shares	0	0
XVI.	Reserves and retained earnings	6,176,745	6,726,585
XVII.	Net income for the period	931,771	479,339
CORE SHAREHOLDERS' EQUITY		**10,775,814**	**10,873,223**
XVIII.	Fair value changes of debt instruments measured at fair value through other comprehensive income	(221,928)	(654,178)
XIX.	Fair value changes of equity instruments measured at fair value through other comprehensive income	136,944	78,703
XX.	Fair value changes due to own credit risk on financial liabilities designated as at fair value through profit or loss to be presented in other comprehensive income	0	0
XXI.	Fair value changes of derivatives following cash flow hedging	(112,644)	(137,864)
XXII.	Remeasurement pension plans	119,933	122,610
XXIII.	Total insurance/reinsurance finance component recognised in other comprehensive income	679,972	751,656
XXIV.	Other reserves	208	208
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME		**602,485**	**161,135**
TOTAL SHAREHOLDERS' EQUITY		11,378,300	11,034,358
XXV.	Additional Tier-1 instruments included in equity	497,083	497,083
XXVI.	Non-controlling interests	34,561	31,217
TOTAL EQUITY		11,909,944	11,562,659
TOTAL LIABILITIES AND EQUITY		179,068,150	178,250,357

The comparative figures of 2022 are the restated IFRS 17 figures and exclude the impact of the IFRS 9 business model reassessment of financial assets which occurred on 1 January 2023, we refer to the Accounting principles (note 3.3. "First time adoption IFRS 17") for more information.

The notes on pages 105 to 192, including the specific identified sections of the Management report in these notes and as indicated in the Management report, are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated interim statement of income

(in thousands of EUR)		Notes	30/06/22	30/06/23
I.	Interest income	7.1.	1,701,928	3,125,869
II.	Interest expense	7.1.	(726,248)	(1,921,818)
III.	Fee and commission income	7.2.	495,528	486,032
IV.	Fee and commission expenses	7.2.	(111,673)	(98,238)
V.	Insurance service result	7.3.	19,780	100,670
	A. Insurance revenue		521,807	540,950
	B. Insurance service expenses		(530,336)	(423,441)
	C. Net expenses from reinsurance contracts		28,309	(16,838)
VI.	Insurance finance result	7.3.	(99,593)	(117,099)
	A. Insurance finance result		(100,664)	(118,366)
	B. Reinsurance finance result		1,072	1,267
VII.	Dividend income		47,553	35,768
VIII.	Net income from equity method companies		2,714	(293)
IX.	Net income from financial instruments at fair value through profit or loss	7.4.	27,071	64,368
X.	Net income on investments and liabilities	7.5.	21,667	5,606
XI.	Other income	7.6.	212,008	201,950
XII.	Other expenses	7.7.	(427,582)	(452,735)
INCOME			**1,163,153**	**1,430,080**
XIII.	Staff expenses		(283,645)	(317,916)
XIV.	General and administrative expenses		(239,442)	(254,444)
XV.	Network costs		(106,396)	(114,026)
XVI.	Depreciation and amortisation of fixed assets		(46,972)	(49,785)
EXPENSES			**(676,455)**	**(736,171)**
NET INCOME BEFORE TAX AND IMPAIRMENTS			**486,699**	**693,909**
XVII.	Impairments on financial instruments and provisions for credit commitments		13,138	(17,346)
XVIII.	Impairments on tangible and intangible assets		(103)	(858)
XIX.	Impairments on goodwill		0	0
NET INCOME BEFORE TAX			**499,734**	**675,705**
XX.	Current tax (expense) income		(84,293)	(157,276)
XXI.	Deferred tax (expense) income		(20,654)	(38,512)
TOTAL TAX (EXPENSE) INCOME			**(104,947)**	**(195,788)**
NET INCOME AFTER TAX			**394,787**	**479,917**
XXII.	Discontinued operations (net of tax)		0	0
NET INCOME			**394,787**	**479,917**
Attributable to non-controlling interests			434	577
Attributable to equity holders of the parent			394,353	479,339

The comparative figures of 2022 are the restated IFRS 17 figures and exclude the impact of the IFRS 9 business model reassessment of financial assets which occurred on 1 January 2023, we refer to the Accounting principles (note 3.3. "First time adoption IFRS 17") for more information. The restated comparative 2022 figures for IFRS 17 have not been reviewed by the auditors.

The notes on pages 105 to 192, including the specific identified sections of the Management report in these notes and as indicated in the Management report, are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated interim statement of comprehensive income

(in thousands of EUR)	30/06/22 Before-tax amount	Tax (expense) income	Net-of-tax amount	30/06/23 Before-tax amount	Tax (expense) income	Net-of-tax amount
RESULT RECOGNISED IN THE STATEMENT OF INCOME	499,734	(104,947)	394,787	675,705	(195,788)	479,917
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS						
Fair value changes of equity instruments measured at fair value through other comprehensive income(1)	(140,519)	25,971	(114,548)	(59,662)	1,932	(57,730)
Remeasurement pension plans(2)	38,077	(9,519)	28,558	3,570	(893)	2,678
Other movements	0	0	0	0	0	0
TOTAL OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	(102,442)	16,452	(85,990)	(56,092)	1,039	(55,052)
OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS						
Fair value changes of debt instruments measured at fair value through other comprehensive income(3)	(511,186)	128,288	(382,898)	(576,424)	144,195	(432,229)
Gains (losses) on cash flow hedges(4)	(17,005)	3,793	(13,212)	(32,790)	7,570	(25,220)
Total insurance/reinsurance finance component recognised in other comprehensive income(5)	1,894,661	(473,665)	1,420,996	95,553	(23,869)	71,684
TOTAL OF OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	1,366,470	(341,584)	1,024,886	(513,661)	127,896	(385,765)
OTHER COMPREHENSIVE INCOME	1,264,028	(325,132)	938,896	(569,752)	128,935	(440,817)
TOTAL COMPREHENSIVE INCOME	1,763,762	(430,080)	1,333,683	105,953	(66,853)	39,100
Attributable to equity holders of the parent	1,761,610	(430,190)	1,331,420	107,864	(66,717)	41,147
Attributable to non-controlling interests(6)	2,152	110	2,263	(1,911)	(136)	(2,047)

(1) The fair value of equity instruments measured at fair value through other comprehensive income decreased by EUR 58 million due to decreasing fair values on quoted and non-quoted shares, and disposals.
(2) The remeasurement of pension plans increased by EUR 3 million (after tax) due to the positive return on plan assets, partially offset by a higher than expected inflation rate and a decrease of the discount rate.
(3) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 432 million, or -194.8%, to EUR -654 million (31 December 2022: EUR -222 million) due to the IFRS 9 business model reassessment on 1 January 2023, resulting in an impact of EUR -464 million as loans and advances and debt instruments of the Belfius Insurance portfolio were reclassified from measured at amortised cost to measured at fair value through other comprehensive income. Furthermore, the impact of increased interest rates compared to year end 2022 resulted in a further decrease. The decrease is partially offset by tightened credit spreads compared to year end 2022.
(4) Gains (losses) on cash flow hedges decreased by EUR 25 million to EUR -138 million (31 December 2022: EUR -113 million), mainly due to the evolution of basis spreads on derivative positions in GBP and USD.
(5) The total insurance/reinsurance finance component recognised in Other Comprehensive Income increased with EUR 72 million, or +10,5% to EUR 752 million, related to the increase of the interest rate curve and the recalibration of the mass lapse risk in the risk adjustment.
(6) The non-controlling interests decreased by EUR 2 million due to lower results at Capline and Interfinance, as well as the derecognition of minorities for Jaimy that has become a 100% subsidiary.

The notes on pages 105 to 192 are an integral part of the condensed consolidated interim financial statements.

Gains and losses not recognised in the statement of income decreased by EUR -441 million, or -73.3%, to EUR 161 million (31 December 2022: EUR 602 million) mainly due to the IFRS 9 business model reassessment on 1 January 2023, resulting in an impact of EUR -464 million as financial assets (loans and advances and debt instruments) of the Belfius Insurance portfolio were reclassified from measured at amortised cost to measured at fair value through other comprehensive income. Furthermore Belfius' fair value of equity instruments is negative (EUR -58 million) mainly due to the downward evolution on certain (quoted and non-quoted) positions and disposals.

Net income before tax increased by EUR 176.0 million, or 35.2%, to EUR 676 million (30 June 2022: EUR 500 million). Belfius Banking Group contributed EUR 524 million (30 June 2022: EUR 409 million) and Belfius Insurance Group contributed EUR 152 million (30 June 2022: EUR 91 million).

The 1H 2023 result amounted to EUR 479 million, an increase of EUR 85 million (EUR 394 million in 1H 2022) demonstrating Belfius' capacity to continue to transform strong commercial dynamics in resilient financials, despite geopolitical, financial markets and energetical and inflationary headwinds. Supported by a strong commercial activity, the Belfius Banking group contributed for EUR 364 million (compared with EUR 321 million in 1H 2022). The Belfius Insurance Group contributed for EUR 115 million (compared with EUR 73 million in 1H 2022).

The comparative figures of 2022 are the restated IFRS 17 figures and exclude the impact of the IFRS 9 business model reassessment of financial assets which occurred on 1 January 2023, we refer to the Accounting principles (note 3.3. "First time adoption IFRS 17") for more information.

The notes on pages 105 to 192 are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity

1. 2022

(in thousands of EUR)	Subscribed capital	Additional paid-in capital	Reserves and retained earnings[4]	Net income for the period	Core shareholders' equity	Total gains and losses not recognised in profit and loss – Group share	Additional Tier-1 instruments included in equity	Non-controlling interests	Total equity
AS AT 1 JANUARY 2022[1]	3,458,066	209,232	6,544,709	0	10,212,007	(400,268)	497,083	32,539	10,341,361
Movements of the period									
Result recognised in the statement of income	0	0	0	394,353	394,353	0	0	434	394,787
Other comprehensive income	0	0	0	0	0	937,067	0	1,829	938,896
TOTAL COMPREHENSIVE INCOME	**0**	**0**	**0**	**394,353**	**394,353**	**937,067**	**0**	**2,263**	**1,333,683**
Dividends[2]	0	0	(368,518)	0	(368,518)	0	0	(634)	(369,152)
Dividends Additional Tier 1	0	0	(6,797)	0	(6,797)	0	0	0	(6,797)
Variation of scope of consolidation[3]	0	0	118	0	118	0	0	126	244
Transfers from OCI due to sale of equity instruments	0	0	18,842	0	18,842	(18,842)	0	0	0
AS AT 30 JUNE 2022	3,458,066	209,232	6,188,353	394,353	10,250,004	517,957	497,083	34,294	11,299,338

(1) The equity as at 1 January 2022 includes the impact of the first time adoption of IFRS 17, we refer to the Accounting principles (note 3.3. "First time adoption IFRS 17") for more information.
(2) Belfius paid a total of EUR 368.5 million as dividend over the result of 2021 after the General Assembly of April 2022, based on a pay-out ratio of 40%.
(3) Variations in the scope of consolidation relate to variations in our shareholding as a result of capital increases, mainly in Jaimy.
(4) Reserves include, amongst others, statutory and available reserves.

The notes on pages 105 to 192 are an integral part of the condensed consolidated interim financial statements.

Gains and losses not recognised in the statement of income (in thousands of EUR)	Other comprehensive income that may be reclassified to profit or loss			Other comprehensive income that will not be reclassified to profit and loss			Total gains and losses not recognised in profit and loss – Group share	Total gains and losses not recognised in profit and loss – Non controlling interests
	Fair value changes of debt instruments measured at fair value through other comprehensive income[2]	Gains (losses) on cash flow hedges	Total insurance/reinsurance finance component recognised in other comprehensive income	Unrealised result of property revaluation	Fair value changes of equity instruments measured at fair value through other comprehensive income[3]	Remeasurement pension plans		
AS AT 1 JANUARY 2022[1]	302,035	(98,352)	(1,077,812)	208	341,363	132,290	(400,268)	14,072
Movements of the period								
Net change in fair value through other comprehensive income – debt instruments	(381,843)	0	0	0	0	0	(381,843)	0
Transfer to income due to impairments – debt instruments	(645)	0	0	0	0	0	(645)	0
Transfer to income due to disposals – debt instruments	(396)	0	0	0	0	0	(396)	0
Net change in fair value through other comprehensive income – equity instruments	0	0	0	0	(116,390)	0	(116,390)	1,829
Net change in fair value through equity – derivatives – hedging reserve[4]	0	(13,140)	0	0	0	0	(13,140)	0
Net change in cash flow hedge reserve due to transfers to income	0	(72)	0	0	0	0	(72)	0
Net changes related to insurance/reinsurance contracts	0	0	1,420,996	0	0	0	1,420,996	0
Remeasurement pension plans[5]	0	0	0	0	0	28,558	28,558	0
Transfers to retained earnings due to sale of equity instruments irrevocably measured through other comprehensive income	0	0	0	0	(18,842)	0	(18,842)	0
AS AT 30 JUNE 2022	(80,850)	(111,564)	343,184	208	206,131	160,848	517,957	15,901

(1) The gains and losses not recognised in the statement of income as at 1 January 2022 include the impact of the first time adoption of IFRS 17, we refer to the Accounting principles (note 3.3. "First time adoption IFRS 17") for more information.
(2) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 383 million to EUR -81 million. (1 January 2022: EUR 302 million) and stems from higher interest rates compared with last year.
(3) The fair value of equity instruments measured at fair value through other comprehensive income decreased by EUR 135 million to EUR 206 million. (1 January 2022: EUR 341 million), due to deteriorating stock markets.
(4) Gains (losses) on cash flow hedges decreased by EUR 13 million to EUR -112 million (1 January 2022: EUR -98 million), due mainly to the evolution of basis spreads on derivative positions in GBP and USD.
(5) The remeasurement of defined benefit plans increased by EUR 29 million to EUR 161 million (1 January 2022: EUR 132 million), due mainly to the effect of an increase in the discount rate, partially offset by a higher than expected inflation rate, the adjustment of the inflation hypothesis, and the negative return on plan assets.

The comparative figures of 2022 are the restated IFRS 17 figures and exclude the impact of the IFRS 9 business model reassessment of financial assets which occurred on 1 January 2023, we refer to the Accounting principles (note 3.3. "First time adoption IFRS 17") for more information.

The notes on pages 105 to 192 are an integral part of the condensed consolidated interim financial statements.

2. 2023

(in thousands of EUR)	Subscribed capital	Additional paid-in capital	Reserves and retained earnings[3]	Net income for the period	Core shareholders' equity	Total gains and losses not recognised in profit and loss – Group share	Additional Tier-1 instruments included in equity	Non-controlling interests	Total equity
AS AT 31 DECEMBER 2022	3,458,066	209,232	6,176,745	931,771	10,775,814	602,485	497,083	34,561	11,909,944
Movements of the period									
Result recognised in the statement of income	0	0	0	479,339	479,339	0	0	577	479,917
Other comprehensive income	0	0	0	0	0	(438,193)	0	(2,624)	(440,817)
TOTAL COMPREHENSIVE INCOME	**0**	**0**	**0**	**479,339**	**479,339**	**(438,193)**	**0**	**(2,047)**	**39,100**
Transfers to reserves	0	0	931,771	(931,771)	0	0	0	0	0
Dividends[1]	0	0	(384,417)	0	(384,417)	0	0	(987)	(385,404)
Dividends Additional Tier 1	0	0	(6,797)	0	(6,797)	0	0	0	(6,797)
Variation of scope of consolidation(2)	0	0	6,126	0	6,126	0	0	(310)	5,816
Other movements	0	0	0	0	0	0	0	0	0
Transfers from OCI due to sale of equity instruments	0	0	3,157	0	3,157	(3,157)	0	0	0
AS AT 30 JUNE 2023	3,458,066	209,232	6,726,585	479,339	10,873,223	161,135	497,083	31,217	11,562,659

(1) Belfius paid a total of EUR 384.5 million as dividend over the result of 2022 after the General Assembly of April 2023.
(2) Variations in the scope of consolidation is mainly explained by the consolidation (via equity method) of Fixxer.
(3) Reserves include, amongst other, statutory and available reserves.

The notes on pages 105 to 192 are an integral part of the condensed consolidated interim financial statements.

Gains and losses not recognised in the statement of income (in thousands of EUR)	Other comprehensive income that may be reclassified to profit or loss			Other comprehensive income that will not be reclassified to profit and loss			Total gains and losses not recognised in profit and loss – Group share	Total gains and losses not recognised in profit and loss – Non controlling interests
	Fair value changes of debt instruments measured at fair value through other comprehensive income(1)	Gains (losses) on cash flow hedges	Total (re)insurance finance component recognised in other comprehensive income	Unrealised result of property revaluation	Fair value changes of equity instruments measured at fair value through other comprehensive income(2)	Remeasurement pension plans		
AS AT 31 DECEMBER 2022	(221,928)	(112,644)	679,972	208	136,944	119,933	602,485	10,936
Movements of the period								
Net change in fair value through other comprehensive income – debt instruments	23,122	0	0	0	0	0	23,122	0
Transfer to income due to impairments – debt instruments	2,921	0	0	0	0	0	2,921	0
Transfer to income due to disposals – debt instruments	4,361	0	0	0	0	0	4,361	18
Net change in fair value through other comprehensive income – equity instruments	0	0	0	0	(55,085)	0	(55,085)	(2,642)
Net change in fair value through equity – derivatives – hedging reserve(3)	0	(25,257)	0	0	0	0	(25,257)	0
Net change in cash flow hedge reserve due to transfers to income	0	37	0	0	0	0	37	0
Net changes related to (re)insurance contracts(4)	0	0	82,404	0	0	0	82,404	0
Remeasurement pension plans(5)	0	0	0	0	0	2,678	2,678	0
Transfers to retained earnings due to sale of equity instruments irrevocably measured through other comprehensive income	0	0	0	0	(3,157)	0	(3,157)	0
Other movements	(462,654)	0	(10,720)	0	0	0	(473,374)	0
AS AT 30 JUNE 2023	(654,178)	(137,864)	751,656	208	78,703	122,610	161,135	8,312

(1) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 432 million, or -194.8%, to EUR -654 million (31 December 2022: EUR 222 million) due to the IFRS 9 business model reassessment on 1 January 2023, resulting in an impact of EUR -464 million as loans and advances and debt instruments of the Belfius Insurance portfolio were reclassified from measured at amortised cost to measured at fair value through other comprehensive income. Furthermore, the impact of increased interest rates compared to year end 2022 resulted in a further decrease. The decrease is partially offset by tightened credit spreads compared to year end 2022.
(2) The fair value of equity instruments measured at fair value through other comprehensive income decreased by EUR 58 million, or -42.3%, to EUR 79 million (December 2022: EUR 137 million), due to decreasing fair values on quoted and non-quoted shares, and disposals.
(3) Gains (losses) on cash flow hedges decreased by EUR 25 million to EUR -138 million (31 December 2022: EUR -113 million), due mainly to the changes in basis spreads on derivative positions in GBP and USD.
(4) The total insurance/reinsurance finance component recognised in Other Comprehensive Income increased with EUR 72 million, or +10.5% to EUR 752 million, related to the increase of the interest rate curve and the recalibration of the mass lapse risk in the risk adjustment.
(5) The remeasurement of defined benefit plans increased by EUR 3 million, or +2.5%, to EUR 123 million (31 December 2022: EUR 120 million), due mainly to the positive return on plan assets, partially compensated by a higher than expected inflation rate, and a decrease of the discount rate.

The notes on pages 105 to 192 are an integral part of the condensed consolidated interim financial statements.

Equity	30/06/22	30/06/23
BY CATEGORY OF SHARE		
Number of shares authorised and not issued	0	0
Number of shares issued and fully paid	359,412,616	359,412,616
Number of shares issued and not fully paid	0	0
Earnings per share (EUR)		
Ordinary	1.10	1.33
Diluted	1.10	1.33
NOMINAL VALUE PER SHARE	NO NOMINAL VALUE	NO NOMINAL VALUE
Outstanding as at 1 January	359,412,616	359,412,616
Number of shares issued	0	0
Number of shares cancelled	0	0
Outstanding as at 30 June	359,412,616	359,412,616
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital	0	0
Number of treasury shares	0	0
Number of shares reserved for issue under stock options and contracts for the sale of share	0	0

Refer to the Capital Management chapter of the Management Report for further information on the changes of regulatory own funds and the solvency of Belfius.

Shared-based payments

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

The notes on pages 105 to 192 are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated interim cash flow statement

Belfius uses the indirect method for the cash flow statement. The presentation of this statement begins with net income, with subsequent additions to and deductions from that amount for non-cash items, resulting in net cash provided by operating activities.

(in thousands of EUR)	30/06/22	31/12/22	30/06/23
CASH FLOW FROM OPERATING ACTIVITIES			
Net income attributable to equity holders of the parent	394,353	931,771	479,339
Net income attributable to non-controlling interests	434	1,181	577
ADJUSTMENT FOR NON CASH ITEMS	11,843	146,895	59,298
Depreciation, amortisation and other impairment	99,563	230,814	110,260
Impairment on bonds, loans and other assets	(35,304)	28,187	(33,868)
Net (gains) or losses on investments	(20,603)	(48,296)	(7,367)
Net (gains) or losses on tangible & intangible assets	(7,667)	(35,376)	(5,229)
Net (gains) or losses on consolidated shares & equity method companies	(12,936)	(12,920)	(2,137)
Increase/(decrease) of provisions (mainly insurance provision)	(28,709)	(41,381)	(4,929)
Unrealised (gains) or losses[1]	(22,736)	(17,705)	(48,174)
Net unrealised gains from cash flow hedges and discontinuations	(78)	(93)	31
Income from equity method companies	(2,714)	(3,993)	293
Dividends from equity method companies	1,770	1,853	4,540
Deferred taxes	20,654	(2,492)	38,512
Deferred tax income	(24,754)	(333,096)	(275,364)
Deferred tax charges	45,408	330,604	313,876
CHANGES IN OPERATING ASSETS	346,366	(464,756)	(3,475,432)
Loans and advances due from credit institutions	4,445,362	5,940,831	257,193
Loans and advances	(5,068,805)	(7,967,396)	(2,427,568)
Debt securities and equity instruments	832,542	1,107,648	(874,133)
Assets from insurance companies	(35,255)	1,088	(6,304)
Tax asset	(68,467)	(31,705)	(68,373)
Accrued income from financial assets	301,652	531,083	(220,013)
Other assets	(61,574)	(42,144)	(135,385)
Assets held for sale-other assets	913	(4,161)	(847)
CHANGES IN OPERATING LIABILITIES	12,410,603	(7,505,957)	(95,916)
Balances from central banks[2]	146,008	(9,650,000)	(3,350,000)
Loans and advances due to credit institutions	1,836,305	(1,724,922)	1,333,450
Customer borrowings and deposits	4,473,608	4,013,201	(1,666,297)
Debt securities and other financial liabilities	8,798,977	2,789,138	3,194,554
Tax liabilties	(14,706)	22,662	20,256
Accrued expenses on financial instruments	(413,375)	(444,368)	608,400
Other liabilities specific to insurance companies	(2,489,120)	(2,627,505)	(236,425)
Other liabilities	72,906	115,838	146
OTHER OPERATING FLOWS[3]	3,937,856	5,358,627	455,952
DERIVATIVES	(1,564,977)	(2,163,153)	(215,175)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	15,536,478	(3,695,392)	(2,791,356)

(1) This line item represents the fair value adjustments on financial instruments at fair value through profit or loss.
(2) In the course of 2022, Belfius redeemed an amount of EUR 9.7 billion from TLTRO III. In 1H 2023 TLTRO III funding decreased by EUR 3.4 billion as a result of maturities.
(3) Other operating flows include adjustments for non cash items and mainly consist of fair value adjustments on hedged items.

The notes on pages 105 to 192 are an integral part of the condensed consolidated interim financial statements.

(in thousands of EUR)	30/06/22	31/12/22	30/06/23
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets(1)	(238,651)	(502,625)	(262,366)
Sales of fixed assets(1)	54,243	214,119	14,547
Acquisitions of unconsolidated equity shares(2)	(42,161)	(100,333)	(40,238)
Sale of unconsolidated equity shares(3)	46,077	252,376	67,866
Acquisitions of subsidiaries and of business units(4)	(17,760)	(17,760)	(833)
Sale of subsidiaries and of business units(5)	51,453	51,437	4,250
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**(146,799)**	**(102,786)**	**(216,775)**
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of new shares	244	243	0
Reimbursement of capital	0	(56)	0
Issuance of subordinated debts(6)	0	0	495,965
Reimbursement of subordinated debts(6)	(74,719)	(92,219)	(198,952)
Issuance of Additional Tier-1 instruments	0	0	0
Reimbursement of Additional Tier-1 instruments	0	0	0
Purchase of treasury shares	0	0	0
Sale of treasury shares	0	0	0
Dividends paid(7)	(375,949)	(382,763)	(392,201)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(450,424)**	**(474,794)**	**(95,188)**
NET CASH PROVIDED	**14,939,255**	**(4,272,972)**	**(3,103,319)**
of which cash outflow for leases	(1,246)	(3,782)	(2,440)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	**32,322,938**	**32,322,938**	**28,048,389**
Cash flow from operating activities	15,536,478	(3,695,392)	(2,791,356)
Cash flow from investing activities	(146,799)	(102,786)	(216,775)
Cash flow from financing activities	(450,424)	(474,794)	(95,188)
Effect of exchange rate changes on cash and cash equivalents	1,077	(1,577)	(1,654)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**47,263,269**	**28,048,389**	**24,943,417**
ADDITIONAL INFORMATION			
Income tax paid (included in line net cash provided (used) by operating activities)	(145,520)	(245,594)	(220,859)
Dividends received (included in line net cash provided (used) by operating activities)	49,323	73,464	40,309
Interest received (included in line net cash provided (used) by operating activities)	2,013,914	4,269,253	2,898,154
Interest paid (included in line net cash provided (used) by operating activities)	(1,135,473)	(2,071,022)	(1,302,428)

(1) The purchase and sale of fixed assets mainly relates to leasing contracts of Belfius Auto Lease that are recognised as operating lease contracts.
(2) Includes the acquisition of a majority stake in CenEnergy by Belfius Bank in 2022. Refer to note 10.1. Significant changes in scope of consolidation.
(3) Belfius Insurance disposed equity instruments for risk and ALM purposes. Refer to note 5.4. Debt securities and equity instruments.
(4) Belfius Insurance acquired shareholdings in MC^2 in 2022. Refer to note 10.1. Significant changes in scope of consolidation.
(5) Belfius Insurance sold the subsidiary Alysea (a real estate company investing in a retirement home in Luxembourg) in June 2022. In 1H 2023 Belfius Insurance realised a capital gain of EUR 4 million on Fixxer following the demerger of Jaimy. Refer to note 10.1. Significant changes in scope of consolidation.
(6) In January 2023 Belfius issued Tier 2 subordinated notes amounting to EUR 0.5 billion and called a Tier 2 subordinated loan amounting to EUR 0.2 billion in March 2023.
(7) This line includes the dividend paid to the shareholder in 2023 (EUR 384.5 million) as well as interest paid on the Additional Tier 1 of EUR 7 million in 2023, which is considered as a dividend under IFRS.

The decrease in changes in operating activities mainly stems from partial maturity of the TLTRO III participation for EUR 3.4 billion, which was deposited at the ECB facility as well as decreasing deposits from customers (sight and saving accounts). The decrease was partially compensated by growing short term certificates of deposits which were reinvested in loans and advances.

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

The comparative figures of 2022 are the restated IFRS 17 figures and exclude the impact of the IFRS 9 business model reassessment of financial assets which occurred on 1 January 2023, we refer to the Accounting principles (note 3.3. “First time adoption IFRS 17”) for more information.

The notes on pages 105 to 192 are an integral part of the condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

The comparative figures of 2022 are the restated IFRS 17 figures and exclude the impact of the IFRS 9 business model reassessment of financial assets which occurred on 1 January 2023, we refer to the Accounting principles (note 3.3. "First time adoption IFRS 17") for more information.

II. Post balance sheet events

Please find below an overview of non-adjusting events between the balance sheet date (30 June 2023) and the date of the Board of Directors.

1. Merger Corona and Belfius Insurance

Corona and Belfius Insurance merged on 1 July 2023. The merger has been approved by the National Bank of Belgium and will be applied retroactively (for tax and accounting purposes) as from 1 January 2023. There is no impact on the consolidated financial statements as per 30 June 2023.

III. Accounting principles

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

The commonly used abbreviations below are:

- IASB: International Accounting Standards Board;
- IFRIC: Interpretation issued by the IFRS Interpretations Committee;
- IFRS: International Financial Reporting Standards.

In the following text, "Belfius" refers to "Belfius Bank & Insurance".

The condensed consolidated interim statements have been approved by the Board of Directors of Belfius on 31 August 2023.

1. Accounting policies

1.1. Basis of accounting – statement of compliance

General

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

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

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with Belfius consolidated annual financial statements as at 31 December 2022.

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

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning on 1 January 2023.

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

- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies**, issued on 12 February 2021;
- **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates**, issued on 12 February 2021;
- **Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**, issued on 7 May 2021.

These amendments have no material impact on the Group's consolidated financial statements.

- **IFRS 17 Insurance Contracts**, issued on 18 May 2017, and **Amendments to IFRS 17**, issued on 25 June 2020;
- **Amendments to IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 – Comparative information**, issued on 9 December 2021;

IFRS 17 has a significant impact on the Group's consolidated financial statements. Detailed information is provided further.

IASB and IFRIC texts not yet endorsed by the European Commission and effective immediately

- **Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules**, issued 23 May 2023, provide a temporary mandatory relief from accounting for deferred tax that arises from legislation implementing the GloBE model rules. Under the relief, companies are effectively exempt from providing for and disclosing deferred tax related to top-up tax. However, they need to disclose that they have applied the relief.
  The relief is effective immediately and applies retrospectively. It will apply until the IASB decides either to remove it or to make it permanent.

IASB and IFRIC texts not yet endorsed by the European Commission and effective from 31 December 2023

- **Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules**, issued 23 May 2023, require once tax law is enacted specific new disclosures for the period before top-up tax is effective and other specific new disclosures after top-up tax is effective.

The amendments do not introduce new disclosure requirements in the financial statements in interim periods ending on or before 31 December 2023.

IASB and IFRIC texts not yet endorsed by the European Commission and effective as from 1 January 2024 with early adoption permitted

- **Amendments to IAS 1 Presentation of Financial statements: Classification of Liabilities as Current or Non-current**, issued on 23 January 2020, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

  The amendments:
  - specify that an entity's right to defer settlement must exist at the end of the reporting period;
  - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
  - clarify how lending conditions affect classification; and
  - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

- **Amendments to IAS 1 Presentation of Financial statements: Classification of Liabilities as Current or Non-current – Deferral of Effective Date**, issued on 15 July 2020, deferring the effective date of the January 2020 amendments with one year;
- **Amendments to IAS 1 Presentation of Financial statements: Non-current liabilities with Covenants**, issued on 31 October 2022, amend IAS 1 and specify that covenants (i.e. conditions specified in a loan arrangement) to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements;
- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements**, issued on 25 May 2023, introduce additional disclosure requirements for companies that enter into supplier finance arrangements. Some relief from providing certain information in the year of initial application, 1 January 2024, is available;

- **Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback**, issued on 22 September 2022, introduce a new accounting model which will impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction.

  Under this new accounting model for variable payments, a seller-lessee will:
  - include estimated variable lease payments when it initially measures a lease liability arising from a sale-and-leaseback transaction; and
  - after initial recognition, apply the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

  These amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

  These amendments apply retrospectively for annual periods beginning on or after 1 January 2024.

The Group has not early adopted any of these amended accounting standards in preparing these condensed consolidated interim financial statements.

These amendments are expected to have no material impacts on the financial statements.

2. IFRS 17 Insurance and Reinsurance activities

2.1. Scope

The scope of IFRS 17 is similar to "IFRS 4 – insurance contracts" with some new requirements. However, the requirements for separating non-insurance components from insurance contracts are significantly different from IFRS 4.

Belfius applies IFRS 17 to contracts that meet the definition of an insurance contract, as follows:

- insurance or reinsurance contracts that it issues; and
- reinsurance contracts that it holds.

An insurance contract is a contract under which Belfius accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In order to qualify as an insurance contract, the associated insurance risk must be significant. Whether insurance risk is significant, is assessed at initial recognition of each individual contract on a present value basis.

Investment contracts with discretionary participating features ("DPF") do not meet the definition of an insurance contract but are accounted for under IFRS 17 if the entity also issues insurance contracts.

At Belfius, the requirements of IFRS 17 are applied to the following type of contracts:

- Non-Life insurance contracts;
- Reinsurance contracts (accepted and ceded);
- Life insurance contracts; and
- Investment contracts with DPF.

Investment contracts without discretionary participating features and unit-linked contracts (without significant insurance risk) will be accounted for under IFRS 9.

Fixed fee service contracts (e.g. road assistance contracts), credit cards including certain covers issued by a Belfius entity and some credit-related financial guarantee contracts and credit insurance contracts that meet the definition of an insurance contract will not be accounted for under IFRS 17 but under IFRS 15.

2.2. Level of aggregation

IFRS 17 calculations are done on an aggregated level by grouping insurance contracts, taking into account:

- portfolios of insurance contracts;
- the year of issuance of the insurance contracts (cohorts); and
- the profitability of groups of contracts.

Portfolios

Groups of contracts are determined by first identifying portfolios of contracts, comprising contracts subject to similar risks and managed together.

Based upon these factors, Belfius defined the following portfolio's:

- Life
  - Managed together: Belfius Insurance, Corona and segregated accounts;
  - Similar risk: insurance, investment short term, investment long term and endowment.
- Non-Life
  - Managed together: Belfius Insurance and Corona;
  - Similar risk, based upon covered risk: Property, Mobility, Accidents, Workers' Compensation, Legal Expenses, Assistance, General Liability – Family, General Liability – Non-Family, Credit and Suretyship.
- Health
  - Managed together: Belfius Insurance and Corona;
  - Similar risk: Individual/Hospitalisation, Individual/Guaranteed income, Collective/Hospitalisation, Collective/Guaranteed income.

- Reinsurance
  - Managed together: Belfius Insurance and Corona;
  - Similar risk: each group comprises a single contract. Multiline treaties will be grouped by underlying risk.

Annual cohorts

Belfius applies annual cohorts, i.e. time bucket of contracts issued in the same year, aligned with the start and end of the financial year. Belfius will not apply the European optional exemption from the annual cohort requirement.

Portfolio's by profitability

IFRS 17 requires Belfius to identify contracts that are onerous at initial recognition, contracts that have no significant possibility of becoming onerous subsequently and remaining contracts (possibility of becoming onerous). Belfius has reasonable and supportable information to conclude that sets of contracts are in the same group. Therefore sets of contracts are assessed to determine to which profitability group they belong.

Based upon this assessment, insurance contracts are initially subdivided in two profitability levels:

- Contracts that are onerous at initial recognition; and
- Contracts that are profitable at initial recognition.

2.3. Recognition and derecognition

A group of insurance contracts issued is recognised from the earliest of the following:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a policyholder in the group is due; and
- for a group of onerous contracts, when the group becomes onerous.

If there is no contractual due date, the first payment from the policyholder is deemed to be due when it is received.

A group of reinsurance contracts held is recognised from the earlier of the following:

- the beginning of the coverage period of the group of reinsurance contracts held; and
- the date the entity recognises an onerous group of underlying insurance contracts, if the entity entered into the related ceded reinsurance contract in the group of reinsurance contracts held at or before that date.

The recognition of a group of reinsurance contracts held that provide proportionate coverage is delayed until the date that any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

An insurance contracts is derecognised from the balance sheet when:

- it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires; or
- the terms of the contract are modified and certain conditions for derecognition are fulfilled.

2.4. Measurement

IFRS 17 introduces different measurement models. Only one measurement approach can be applied per portfolio. The insurance liabilities represent all rights and obligations arising from insurance contracts issued and consist of two components:

- a Liability for Remaining Coverage (LRC); and
- a Liability for Incurred Claims (LIC).

The general measurement model is applied to Life contracts, investment contracts with discretionary participation features as well as to Health/Individual contracts.

The premium allocation approach is applied to Non-Life contracts, Health/Collective contracts and reinsurance contracts held.

The variable fee approach, a specific measurement approach for insurance contracts with direct participation features, is not applied since Belfius does not sell this type of product.

Belfius opted for a year-to-date approach, i.e. recalculation of previously reported quarters, with the impact of the recalculation included in the current period.

General Measurement Model (GMM)

Liabilities for remaining coverage

IFRS 17 introduces a general model that recognises and measures the LRC for a group of contracts based on:

- the present value of estimated cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks;
- a risk adjustment for non-financial risk; and
- the contractual service margin ("CSM"), representing the estimated unearned profit that is released from the balance sheet in profit or loss over the contract duration for services provided.

To ensure consistency, the cash flow projections are based on Solvency II cash flows with the following adjustments:

- expenses are split into directly attributable costs and not directly attributable costs. Directly attributable costs are expenses directly related to insurance contracts. Only these directly attributable costs are included in the estimation of expected future cash flows; and

- cash flows are within the contract boundary if they arise from rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide services.

The risk adjustment for non-financial risk is the compensation that the entity requires for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk.

The CSM represents the estimated unearned profit Belfius expects to recognise as it provides insurance contract services under the insurance contracts in the group. The CSM is recognised on the balance sheet as part of the LRC at initial recognition and is released gradually over time, on the basis of services provided in the period, and should be zero at the end of the coverage period for a group of contracts. The CSM is adjusted subsequently only for changes in expected cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided.

The CSM of a group of contracts is recognised in profit or loss by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) proportionally to each coverage unit provided in the year and expected to be provided in future years. The coverage units will be discounted, reviewed and updated at each reporting date. The determination of the coverage units is based on the following parameters:

- Risk capital for products with insurance risk; and
- Mathematical reserves for saving products.

If the total cash flow is a net outflow, then the group is onerous and the net outflow is recognised as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

Liability for incurred claims

The LIC is measured separately and is recognised at the amount of the cash flows relating to incurred claims. As claims on Life insurance contracts are expected to be settled within one year, the LIC will not be discounted for the time value of money.

Costs and expenses directly related to insurance contracts are included in the estimation of expected future cash flows and are presented as part of the LIC as insurance service expenses.

Premium Allocation Approach (PAA)

The premium allocation approach is applied to contracts that meet the eligibility criteria at inception of a group:

- where Belfius reasonably expects that the PAA will produce a measurement of the liability for remaining coverage for the group that would not differ materially from the LRC measurement in the GMM; or
- where the coverage period of each contract in the group is one year or less.

Liability for remaining coverage

The LRC reflects the premium receipts and the deferred acquisition cash flows, corrected for amounts recognised in profit or loss on a pro rata temporis basis.

Belfius will not apply the accounting policy choice to recognise insurance acquisition cash flows as expenses when incurred and opted to defer these costs over the coverage period.

Belfius expects for Non-Life contracts that the time between providing the services and the related premium due date will be no more than a year. Accordingly, Belfius will not adjust the LRC to reflect the time value of money and the effect of financial risk.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, Belfius will recognise a loss component in profit or loss in the LRC.

Liability for incurred claims

The LIC is measured separately representing a best estimate of expected future cash outflows related to incurred claims adjusted with a risk adjustment. The future cash flows will be discounted for the time value of money.

Costs and expenses directly related to insurance contracts are presented as part of the LIC as insurance service expenses.

2.5. Discount rates

To determine the appropriate discount rates for the measurement of insurance contracts the bottom-up approach is applied. These discount rates are composed of a risk-free curve to which an illiquidity premium is added.

The risk-free curve is derived from available market information, based on Ester and swap rates, adjusted for durations beyond the last liquid point (set at 30 years) via extrapolation towards a long-term ultimate forward rate based on the Smith-Wilson algorithm.

The illiquidity premium is derived from spreads on illiquid assets and adjusted to remove credit risk, incorporating the underlying concepts of the Solvency II Volatility Adjustment that replicate the market evolution of asset spreads. The derived illiquidity premium takes into account the illiquidity characteristics of the insurance contracts and is different for short term and long term businesses. Based on the type of insurance product the illiquidity premium can go from 25bp for short term contracts to 85bp for long term contracts.

For the initial recognition of new contracts that started during the reporting period Belfius applies a weighted average discount rate. Belfius performs an onerous test for each quarterly set of contracts which consists of the new contracts in a portfolio that started in the last quarter. Quarterly sets of contracts that have the same profitability level are grouped in the same IFRS 17 group, if they started in the same calendar year. The weighted average discount rate applied on such a group is based on the discount curves that were applicable for the onerous test of the different quarterly sets of contracts in the group.

2.6. Disaggregation

Belfius opted to disaggregate the insurance finance income or expenses between profit or loss and other comprehensive income (OCI). This means recognising in profit or loss the interest expense on the insurance liability over the reporting period using the locked-in rate (= rate curve applicable at the inception of the IFRS 17 contract) and recognising in OCI the impact of changes in market interest rate over the reporting period.

2.7. Risk adjustment

The risk adjustment is the compensation required by Belfius Insurance for the uncertainty about the amount and timing of expected future cash flows arising from non-financial risks as the insurance contract is fulfilled. It is determined separately for Life and Non-Life contracts and allocated to groups of contracts based on an analysis of the risk profiles of the groups. They reflect the effects of the diversification, which is determined using a correlation matrix technique.

The risk adjustments for non-financial risk is determined using a Value-at-risk (confidence level) calculation technique.

To determine the risk adjustments for non-financial risk for reinsurance contracts, Belfius Insurance will apply these techniques both gross and net of reinsurance and derive the amount of risk being transferred to the reinsurer as the difference between the two results.

Applying a confidence level technique, Belfius will estimate the probability distribution of the expected present values of the expected future cash flows from the contracts at each reporting date and calculate the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the expected future cash flows. The confidence level applied for Life is 75% (1 year horizon), the confidence level applied for Non-life is between 72.5% and 77.5% (ultimate horizon).

3. First time adoption IFRS 17

3.1. Introduction

In May 2017, the IASB issued IFRS 17 Insurance Contracts. IFRS 17 replaces IFRS 4 Insurance Contracts, which was an interim standard that relied on existing accounting practices with some specific requirements. In June 2020 the IASB issued amendments to the original standard without affecting the fundamental principles of the standard.

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the General Measurement Model, supplemented by a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (the Premium Allocation Approach) mainly for short duration contracts.

In November 2021, the EU published a Regulation endorsing IFRS 17 Insurance Contracts, including the amendments to the original IFRS 17 and an annual cohort exemption for certain types of insurance contracts. Belfius will not use the optional exemption proposed by the EU.

3.2. Main impacts of IFRS 17

Belfius has assessed the impact of the initial application of IFRS 17 on its consolidated financial statements. Based on the assessments undertaken, the impacts on the total equity of Belfius at 1 January 2022 amounts to:

A decrease in the net asset value of Belfius Insurance of EUR 1,152 million can be noted mainly due to the best estimate valuation at rates end 2021 and the introduction of IFRS 17 specific elements such as risk adjustment (RA) and contractual service margin (CSM). This negative impact is partially compensated by the proforma reassessment of the IFRS 9 business models for financial assets, resulting in a total increase of EUR 873 million in OCI. Note that the reassessment of the business models has only been performed at 1 January 2023 (we refer to the section "Financial asset business model reassessment IFRS 9 (due to IFRS 17)" further in this chapter) and the table above shows the pro forma impact of the IFRS 9 business model reassessment on 1 January 2022.

As a result of the decrease in the net asset value of Belfius Insurance, an impact can be noted in the Belfius Group CET1 ratio as Belfius Insurance is consolidated at Equity Value under the Danish Compromise (we refer to the chapter Capital Management in the management report for more information).

The decrease in own funds of EUR 0.2 billion is partially offset by a decrease in the risk weighted assets of EUR 0.9 billion; resulting in an overall decrease of 12 bps in the CET1 ratio. This impact takes into account the proforma reassessment of the business models under IFRS 9.

There is no impact on the Solvency II ratio of Belfius Insurance.

Impact on equity – 1 January 22(1)

(In millions of EUR)	Total	Retained earnings	OCI
TOTAL EQUITY AS AT 31 DECEMBER 2021 (IFRS 4)			
Life contracts	(1,558)	(531)	(1,027)
Non-life contracts & reinsurance contracts held	132	183	(51)
Reclassifications	275	0	275
IMPACT OF ADOPTING IFRS 17	**(1,152)**	**(348)**	**(803)**
TOTAL EQUITY AS AT 1 JANUARY 2022 (IFRS 17)	**10,341**		
Proforma impact of IFRS 9 on 1 January 2022(2)	873	0	873
TOTAL IMPACT INCLUDING THE PROFORMA IFRS 9 IMPACT	(279)	(348)	70
TOTAL EQUITY AS AT 1 JANUARY 2022 (IFRS 17 AND IFRS 9 PRO FORMA)	**10,062**		

(1) After deferred tax.
(2) Reassessment of IFRS 9 business models of underlying financial assets (almost all loans and bonds) has been performed per 1 January 2023 (redesignation from 'held to collect' to 'held to collect and sale') – proforma impacts on 1 January 2022 are presented in this table as the reclass has only been performed on 1 January 2023.

3.3. Transition tables from IFRS 4 to IFRS 17

Revised balance sheet lay-out

As part of the IFRS 17 implementation, Belfius has decided to update the lay-out of the balance sheet to align with the requirements of IFRS 17. Therefore, as first step in the First Time Adoption (FTA) process a reclassification is done from the former balance sheet lay-out used under IFRS 4 to the new balance sheet lay-out adopted under IFRS 17. Certain line-items have been renamed to better reflect IFRS 17 terminology and other line-items have been shifted on the balance sheet.

Presentation of 31/12/2021 financial statements in adapted IFRS 17 lay-out:

IFRS 4 as published 31/12/21 (in millions of EUR)			Movement	IFRS 17 lay-out 31/12/21 (in millions of EUR)		
ASSETS						
I.	Cash and balances with central banks	31,640		I.	Cash and balances with central banks	31,640
II.	Loans and advances due from credit institutions	10,411		II.	Loans and advances due from credit institutions	10,411
	A. Measured at amortised cost	10,411			A. Measured at amortised cost	10,411
III.	Loans and advances	102,679		III.	Loans and advances	102,679
	A. Measured at amortised cost	101,541			A. Measured at amortised cost	101,541
	B. Measured at fair value through other comprehensive income	99			B. Measured at fair value through other comprehensive income	99
	C. Measured at fair value through profit or loss	1,039			C. Measured at fair value through profit or loss	1,039
IV.	Debt securities & equity instruments	27,195		IV.	Debt securities & equity instruments	31,441
	A. Measured at amortised cost	20,840			A. Measured at amortised cost	20,840
	B. Measured at fair value through other comprehensive income	4,959			B. Measured at fair value through other comprehensive income	4,959
	C. Measured at fair value through profit or loss	1,396			C. Measured at fair value through profit or loss	1,396
V.	Unit linked products insurance activities	4,246	0[A]		D. Measured at fair value through profit or loss – Unit linked	4,246
VI.	Derivatives	8,909		V.	Derivatives	8,909
VII.	Gain/loss on of the hedged item in portfolio hedge of interest rate risk	3,652		VI.	Gain/loss on of the hedged item in portfolio hedge of interest rate risk	3,652
				VII.	Assets from insurance/reinsurance contracts	131
			131[B]	B.	Reinsurance contract assets	131
VIII.	Investments in equity method companies	96		VIII.	Investments in equity method companies	96
IX.	Tangible fixed assets	1,614		IX.	Tangible fixed assets	1,614
	A. Tangible fixed assets own use	1,003			A. Tangible fixed assets own use	1,003
	B. Tangible fixed assets investment property	611			B. Tangible fixed assets investment property	611
X.	Intangible assets	215		X.	Intangible assets	215
XI.	Goodwill	104		XI.	Goodwill	104
XII.	Tax assets	356		XII.	Tax assets	356
	A. Current tax assets	27			A. Current tax assets	27
	B. Deferred tax assets	329			B. Deferred tax assets	329
XIII.	Technical insurance provisions – part of the reinsurer	131	(131)[B]			
XIV.	Other assets	876		XIII.	Other assets	876
XV.	Non current assets (disposal group) held for sale and discontinued operations	27		XIV.	Non current assets (disposal group) held for sale and discontinued operations	27
TOTAL ASSETS		192,151		TOTAL ASSETS		192,151

IFRS 4 as published 31/12/21 (in millions of EUR)			Movement	IFRS 17 lay-out 31/12/21 (in millions of EUR)		
LIABILITIES						
I.	Cash and balances from central banks	15,418		I.	Cash and balances from central banks	15,418
II.	Credit institutions borrowings and deposits	3,591		II.	Credit institutions borrowings and deposits	3,591
	A. Measured at amortised cost	3,591			A. Measured at amortised cost	3,591
III.	Borrowings and deposits	104,404		III.	Borrowings and deposits	104,404
	A. Measured at amortised cost	104,355			A. Measured at amortised cost	104,355
	B. Measured at fair value through profit or loss	49			B. Measured at fair value through profit or loss	49
IV.	Debt securities issued and other financial liabilities	23,145		IV.	Debt securities issued and other financial liabilities	27,391
	A. Measured at amortised cost	15,117			A. Measured at amortised cost	15,117
	B. Measured at fair value through profit or loss	8,029			B. Measured at fair value through profit or loss	8,029
V.	Unit linked products insurance activities	4,246	0[A]		C. Measured at fair value through profit or loss – Unit linked	4,246
VI.	Derivatives	14,019		V.	Derivatives	14,019
VII.	Gain/loss on of the hedged item in portfolio hedge of interest rate risk	46		VI.	Gain/loss on of the hedged item in portfolio hedge of interest rate risk	46
VIII.	Provisions for insurance activities	12,191	0[C]	VII.	Liabilities from insurance/ reinsurance contracts	12,191
					A. Insurance contract liabilities	12,191
IX.	Provisions and contingent liabilities	529		VIII.	Provisions and contingent liabilities	529
X.	Subordinated debts	1,643		IX.	Subordinated debts	1,643
	A. Measured at amortised cost	1,643			A. Measured at amortised cost	1,643
XI.	Tax liabilities	49		X.	Tax liabilities	49
	A. Current tax liabilities	42			A. Current tax liabilities	42
	B. Deferred tax liabilities	8			B. Deferred tax liabilities	8
XII.	Other liabilities	1,377		XI.	Other liabilities	1,377
XIII.	Liabilities included in disposal group and discontinued operations	0		XII.	Liabilities included in disposal group and discontinued operations	0
TOTAL LIABILITIES		180,658		TOTAL LIABILITIES		180,658

IFRS 4 as published 31/12/21 (in millions of EUR)		Movement	IFRS 17 lay-out 31/12/21 (in millions of EUR)	
EQUITY				
XIV. Subscribed capital	3,458		XIII. Subscribed capital	3,458
XV. Additional paid-in capital	209		XIV. Additional paid-in capital	209
XVII. Reserves and retained earnings & XVIII. Net income for the period	6,893		XVII. Reserves and retained earnings & XVIII. Net income for the period	6,893
XVII. Reserves and retained earnings	5,958		XVI. Reserves and retained earnings	5,958
XVIII. Net income for the period	935		XVII. Net income for the period	935
SHAREHOLDERS' CORE EQUITY	10,560		SHAREHOLDERS' CORE EQUITY	10,560
XIX. Fair value changes of debt instruments measured at fair value through other comprehensive income	109		XVIII. Fair value changes of debt instruments measured at fair value through other comprehensive income	109
XX. Fair value changes of equity instruments measured at fair value through other comprehensive income	179		XIX. Fair value changes of equity instruments measured at fair value through other comprehensive income	179
XXII. Gains (losses) on cash flow hedges	(98)		XXI. Gains (losses) on cash flow hedges	(98)
XXIII. Remeasurement pension plans	132		XXII. Remeasurement pension plans	132
XXIV. Discretionary participation features of insurance contracts	81	0[D]	XXIII. Total insurance/reinsurance finance component recognised in other comprehensive income	81
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	403		GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	403
TOTAL SHAREHOLDERS' EQUITY	10,963		TOTAL SHAREHOLDERS' EQUITY	10,963
XXVI. Additional Tier-1 instruments included in equity	497		XXV. Additional Tier-1 instruments included in equity	497
XXVII. Non-controlling interests	33		XXVI. Non-controlling interests	33
TOTAL EQUITY	11,493		TOTAL EQUITY	11,493
TOTAL LIABILITIES AND EQUITY	192,151		TOTAL LIABILITIES AND EQUITY	192,151

Belfius has performed the following reclassifications to present the new lay-out:

Reference in the transition table	
A	**Unit linked products (assets & liabilities) not shown as a separate heading anymore, but becomes a sub-heading of the debt securities issued and other financial assets & liabilities** FROM • Unit linked products insurance activities (asset and liability) TO • Debt securities issued and other financial assets/liabilities measured at FVPL – Unit linked
B	**Reclassification of the reinsurance provision** FROM • Technical insurance provisions – part of the reinsurer TO • Reinsurance contract assets
C	**Reclassification of the insurance provisions** FROM • Provisions for insurance activities TO • Insurance contract liabilities
D	**Discretionary participation features of insurance contracts moved into a newly created line-item total insurance/reinsurance finance component recognised in other comprehensive income** FROM • Discretionary participation features of insurance contracts TO • Total insurance/reinsurance finance component recognised in other comprehensive income

3.4. Application of IFRS 17

The transition from IFRS 4 to IFRS 17 starts from the new lay-out balance sheet as described in the previous points.

From here the transition is done in 3 main steps:

1. Reclassification of certain balances based on the new requirements of IFRS 17;
2. Replacing IFRS 4 reserves relating to life, with the newly calculated insurance liabilities under IFRS 17;
3. Replacing IFRS 4 reserves relating to non-life and re-insurance, with the newly calculated reserves under IFRS 17.

At the transition date, Belfius identified, recognised and measured its in-force business as if IFRS 17 had always been applied. Belfius also derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. Any resulting net difference is recognised in equity.

IFRS 17 prescribes a retrospective application unless impracticable, in which case either a modified retrospective approach or a fair value approach must be applied. Belfius determined the transition approach at group of (re-)insurance contracts level.

A fourth step is also included showing the change of the business models under IFRS 9. This is not yet shown as part of the main transition table as the change in business models has only been done as of 1 January 2023, whereas the IFRS 17 FTA is done as of 1 January 2022. We refer to the table "Transition of the financial statements of 31/12/2022 to the financial statements of 01/01/2023 including the IFRS 9 business model reassessment of financial assets".

Reclassification of balances

Certain balances are shown separately under IFRS 4, but are treated differently under IFRS 17. This results in certain balances not being shown separately on the balance sheet anymore as IFRS 17 requires a different approach.

For instance policy loans are classified under loans and advances measured at AC under IFRS 4. However, under IFRS 17, policy loans are deemed part of the expected cash flows of insurance contracts and must therefore be classified as part of insurance contract liabilities.

As this step is purely a reclassification of balances, the total of the transfers will equal to zero.

The reclassifications are done at the IFRS 4 carrying amounts. Once reclassified, the values are part of the recalculations as explained in steps 2 and 3 below. Any differences are then treated as described in these steps.

Calculating life insurance liabilities under IFRS 17

In this step the life reserves are calculated using IFRS 17. The difference between the life reserves under IFRS 4 and the newly calculated life insurance liabilities under IFRS 17 is reflected in equity. The equity impact is either shown in retained earnings or in other comprehensive income.

For its life insurance contracts issued, Belfius applied the full retrospective approach for groups of insurance contracts related to underwriting years as from (and including) 2018. For groups of insurance contracts related to older underwriting years, the full retrospective approach was considered impracticable due to lack of historical data (e.g. due to system migrations) or undue cost or effort to obtain the data, and/or use of hindsight. As a result, Belfius chose to apply for these underwriting years the fair value approach.

In applying the fair value approach, the CSM or Loss Component (LC) for a group of insurance contracts is determined at transition date as the difference between the fair value, in accordance with IFRS 13, and the Fulfilment Cash Flows (FCF) at that date. The cash flows considered in the fair value measurement are consistent with those that are within the contract boundary. The PVFCF considered in measuring fair value will be broadly consistent with those determined in measuring the FCF. However, in measuring the fair value, Belfius used a Cost-of-Capital approach to include a risk premium in the measurement to reflect what market participants would demand as compensation for the uncertainty inherent in the cash flows. The various Cost-of-Capital parameters are hereby based on market observations (target Solvency II ratio of 175% and 8% cost of capital rate). Belfius also included certain costs in the fair value measurement that are not directly attributable to fulfilling the contracts (i.e. a full costing approach) and certain risks that were not reflected in the FCF (e.g. operational risk).

At transition date, Belfius determined retrospectively the cumulative amounts recognised in other comprehensive income for insurance finance income or expense for groups of insurance contracts related to underwriting years after 2001. For groups of insurance contracts related to older underwriting years, Belfius uses the discount rates as at the date of transition and the cumulative amount of insurance finance income or expense recognised in other comprehensive income is set at nil. For these groups, Belfius also makes use of the allowed relief under the fair value approach to aggregate insurance contracts issued more than one year apart into a single group for measurement purposes.

Calculating non-life and reinsurance liabilities under IFRS 17

In this step the non-life & reinsurance reserves are calculated using IFRS 17. The differences between the non-life & reinsurance reserves under IFRS 4 and the newly calculated reserves under IFRS 17 are reflected in equity. The equity impact is either shown in retained earnings or in other comprehensive income.

For both its non-life insurance business issued and all its reinsurance contracts held in force at transition date, Belfius applied the full retrospective approach, except for non-life LIC.

To determine the other comprehensive income impact for the non-life LIC the modified retrospective approach was used for all claim years until 1999. For accident years older than 1999 the impact on other comprehensive income was set to nil.

Transition of the financial statements of 31/12/2021 from IFRS 4 to financial statements of 01/01/2022 IFRS 17:

IFRS 17 lay-out 31/12/21 (in millions of EUR)			Impacts of transition to IFRS 17			IFRS 17 01/01/22
			Reclassifications	Life	Non-Life & reinsurance	
ASSETS						
I.	Cash and balances with central banks	31,640				31,640
II.	Loans and advances due from credit institutions	10,411				10,411
	A. Measured at amortised cost	10,411				10,411
III.	Loans and advances	102,679	(94)			102,585
	A. Measured at amortised cost	101,541	(94)[E]			101,447
	B. Measured at fair value through other comprehensive income	99				99
	C. Measured at fair value through profit or loss	1,039				1,039
IV.	Debt securities & equity instruments	31,441				31,441
	A. Measured at amortised cost	20,840				20,840
	B. Measured at fair value through other comprehensive income	4,959				4,959
	C. Measured at fair value through profit or loss	1,396				1,396
	D. Measured at fair value through profit or loss – Unit linked	4,246				4,246
V.	Derivatives	8,909				8,909
VI.	Gain/loss on of the hedged item in portfolio hedge of interest rate risk	3,652				3,652
VII.	Assets from insurance/reinsurance contracts	131			(22)	109
	B. Reinsurance contract assets	131			(22)[Q]	109
VIII.	Investments in equity method companies	96				96
IX.	Tangible fixed assets	1,614				1,614
	A. Tangible fixed assets own use	1,003				1,003
	B. Tangible fixed assets investment property	611				611
X.	Intangible assets	215				215
XI.	Goodwill	104				104
XII.	Tax assets	356	(75)	519	(44)	756
	A. Current tax assets	27				27
	B. Deferred tax assets	329	(75)[F]	519[N]	(44)[R]	729
XIII.	Other assets	876	(201)[G, H, I & J]	4[U]		679
XIV.	Non current assets (disposal group) held for sale and discontinued operations	27				27
TOTAL ASSETS		192,151	(370)	523	(66)	192,238

IFRS 17 lay-out 31/12/21 (in millions of EUR)		Impacts of transition to IFRS 17 Reclassifications	Life	Non-Life & reinsurance	IFRS 17 01/01/22
LIABILITIES					
I. Cash and balances from central banks	15,418				15,418
II. Credit institutions borrowings and deposits	3,591				3,591
A. Measured at amortised cost	3,591				3,591
III. Borrowings and deposits	104,404				104,404
A. Measured at amortised cost	104,355				104,355
B. Measured at fair value through profit or loss	49				49
IV. Debt securities issued and other financial liabilities	27,391				27,391
A. Measured at amortised cost	15,117				15,117
B. Measured at fair value through profit or loss	8,029				8,029
C. Measured at fair value through profit or loss – Unit linked	4,246				4,246
V. Derivatives	14,019				14,019
VI. Gain/loss on of the hedged item in portfolio hedge of interest rate risk	46				46
VII. Liabilities from insurance/reinsurance contracts	12,191	(559)	2,084	(198)	13,518
A. Insurance contract liabilities	12,191	(559)[E, G, J, K & M]	2,084[O]	(198)[S]	13,518
VIII. Provisions and contingent liabilities	529		(4)		526
IX. Subordinated debts	1,643				1,643
A. Measured at amortised cost	1,643				1,643
X. Tax liabilities	49	(1)			48
A. Current tax liabilities	42				42
B. Deferred tax liabilities	8	(1)[F]			6
XI. Other liabilities	1,377	(85)[H, I & K]	1		1,293
XII. Liabilities included in disposal group and discontinued operations	0				0
TOTAL LIABILITIES	**180,658**	**(645)**	**2,081**	**(198)**	**181,896**

IFRS 17 lay-out 31/12/21 (in millions of EUR)		Impacts of transition to IFRS 17 Reclassifications	Life	Non-Life & reinsurance	IFRS 17 01/01/22
EQUITY					
XIII. Subscribed capital	3,458				3,458
XIV. Additional paid-in capital	209				209
XVII. Reserves and retained earnings & XVIII. Net income for the period	6,893		(531)[P]	183[T]	6,545
SHAREHOLDERS' CORE EQUITY	10,560		(531)	183	10,212
XVIII. Fair value changes of debt instruments measured at fair value through other comprehensive income	109	193[L & M]			302
XIX. Fair value changes of equity instruments measured at fair value through other comprehensive income	179	162[L & M]			341
XXI. Gains (losses) on cash flow hedges	(98)				(98)
XXII. Remeasurement pension plans	132				132
XXIII. Total insurance/reinsurance finance component recognised in other comprehensive income	81	(81)[L]	(1,027)[P]	(51)[T]	(1,078)
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	403	275	(1,027)	(51)	(400)
TOTAL SHAREHOLDERS' EQUITY	10,963	275	(1,558)	132	9,812
XXV. Additional Tier-1 instruments included in equity	497				497
XXVI. Non-controlling interests	33				33
TOTAL EQUITY	11,493	275	(1,558)	132	10,341
TOTAL LIABILITIES AND EQUITY	192,151	(370)	523	(66)	192,238

Reclassification of balances

The following reclassifications were done:

Reference in the transition table	
E	**Policy loans reclassified from an asset line-item to life insurance liabilities** FROM • Loans and advances measured at AC TO • Insurance contract liabilities Policy loans are considered as investment components and form part of the cash flows when determining the LRC. As such they are not classified as loans and advances anymore, but included as part of the LRC for life insurance
F	**Deferred tax impact of the reclassifications** This amount represents the deferred tax impact of the reclassifications.
G	**3 different elements are reclassified from an asset line-item to life and non-life insurance liabilities** 1. **Claims recoverable (non-life)** 2. **Receivables from policyholders (non-life)** 3. **Receivables from policyholders (life)** FROM • Other assets TO • Insurance contract liabilities 1. Claims recoverable are classified as a separate receivable under IFRS 4, but forms part of the non-life LIC under IFRS 17. 2. Non-life receivables are classified as a separate receivable under IFRS 4, but forms part of the non-life LRC under IFRS 17. 3. Life receivables are classified as a separate receivable under IFRS 4, but forms part of the life LRC under IFRS 17.
H	**Removal of reinsurance securities collateral posted and received** REMOVED FROM • Other assets • Other liabilities Reinsurance security collateral is shown under IFRS 4 as part of other assets and other liabilities. Such collateral is not considered as an IFRS 17 exposure, and is considered an off-balance sheet item. Therefore the collateral is removed from both these line-items.
I	**Reclassifying amounts shown as a negative other assets to other liabilities** FROM • Other assets TO • Other liabilities Several accounts are shown under IFRS 4 as other assets, even though they are accounts that generally have credit balances. These accounts were reclassified to other liabilities to reflect the impact of these accounts better.

J	**Reclassifying specific tax accounts from technical reserves to other assets** FROM • Insurance contract liabilities TO • Other assets As a result of the reclassification of several balances into and out of the insurance contract liabilities, the related tax accounts must be reclassified as well. This movement reflects the applicable tax accounts that are not part of the IFRS 17 scope and therefore reclassified to other assets.
K	**Acquisition costs payable are reclassified from a liability line-item to life and non-life insurance liabilities** FROM • Other liabilities TO • Insurance contract liabilities Acquisition costs form part of the cash flows when calculating the life LRC and should not be shown as a separate payable anymore. Similarly, acquisition costs for non-life contracts are included in the LRC and should not be shown as a separately payable as is done under IFRS 4.
L	**IFRS 4 profit sharing reserve is reclassified back into the OCI reserves** FROM • Total insurance/reinsurance finance component recognised in other comprehensive income • Fair value changes of debt instruments measured at fair value through other comprehensive income • Fair value changes of equity instruments measured at fair value through other comprehensive income Future profit sharing is accounted for as a separate reserve under IFRS 4. This reserve is created by reclassifying unrealised capital gains on covering assets not recognised at fair value to the specially created DPF reserve. Under IFRS 17, future profit sharing is part of the expected cash flows of the LRC and is therefore not accounted for as a separate reserve anymore. This reserve is therefore cancelled with the effect that the unrealised capital gains are returned to the applicable OCI reserves.
M	**Shadow losses and shadow accounting are reclassified back into the insurance liabilities** FROM • Fair value changes of debt instruments measured at fair value through other comprehensive income • Fair value changes of equity instruments measured at fair value through other comprehensive income TO • Insurance contract liabilities Shadow losses and shadow accounting are principles specific to IFRS 4 and are not applicable anymore under IFRS 17. Therefore the shadow losses and shadow accounting balances are reversed.

FTA impact of life insurance contracts

N	**Deferred tax impact of the FTA** This amount represents the deferred tax impact of the IFRS 17 FTA for life insurance contracts.
O	**Creation of the IFRS 17 insurance liabilities** This amount represents the additional reserve determined when applying IFRS 17, and is wholly attributable to the LRC. The CSM and RA are new concepts under IFRS 17 and therefore did not exist under the IFRS 4 reserve. As a result, the reserve increases fully with the effect of these 2 newly introduced elements. IFRS 17 further requires the cash flows to be determined on a discounted best estimate basis. This further results in an increase of the reserve. There is no difference between the IFRS 4 claims reserve and the IFRS 17 LIC.
P	**Equity impact of the FTA** his amount represents the equity impact of the IFRS 17 FTA for life insurance contracts and is split between RE and OCI.

FTA impact of non-life insurance contracts & reinsurance contracts

Q	**Creation of the IFRS 17 reinsurance liabilities** This amount represents the additional reserve determined when applying IFRS 17, and is wholly attributable to the AIC. The difference mainly stems from the difference in determining cash flows. In IFRS 4 the cash flows were determined based on the reserving policy, whereas IFRS 17 requires a best estimate approach. A further impact is noted for the additional RA, though this is not as significant as the cash flow impact. There is no difference between the IFRS 4 premium reserve and the IFRS 17 Assets for Remaining Coverage (ARC).
R	**Deferred tax impact of the FTA** This amount represents the deferred tax impact of the IFRS 17 FTA for non-life insurance contracts and reinsurance contracts.
S	**Creation of the IFRS 17 non-life insurance liabilities** This amount represents the additional reserve determined when applying IFRS 17, and is mainly attributable to the LIC. As with reinsurance contracts, the difference mainly stems from the method to determine cash flows. In IFRS 4 the cash flows were determined based on the reserving policy, whereas IFRS 17 requires a best estimate approach. A further impact is noted for the additional RA, though this is not as significant as the cash flow impact. There is a small difference between the IFRS 4 premium reserve and the IFRS 17 LRC.
T	**Equity impact of the FTA** This amount represents the equity impact of the IFRS 17 FTA for non-life insurance contracts and reinsurance contracts and is split between RE and OCI.

Intercompany elimination at Belfius Group level

U	An intercompany elimination is done at Belfius Group level.

3.5. Financial assets business model reassessment IFRS 9 (due to IFRS 17)

IFRS 17 brings significant changes to how insurers account for the insurance contracts that they issue. In some cases, the interaction between IFRS 9 and IFRS 17 might give rise to accounting mismatches in how insurance contracts and the assets held to back them are recognised and measured.

For that reason, entities that had applied IFRS 9 to annual periods before the FTA of IFRS 17 are permitted to change their previously applied classification and designation of financial assets. Belfius has used this opportunity to reassess its current business models and redesignate its financial assets.

Based on that exercise, Belfius has reclassified the bond and loan portfolios of Belfius Insurance (excluding loans due from credit institutions) which are currently held in a hold to collect business model and measured at amortised cost into a hold to collect and sale business model as from 1 January 2023 and measure the portfolio at FVOCI.

Belfius will not restate prior periods to reflect such changes in designations or classifications.

Transition of the financial statements of 31/12/2022 to financial statements of 01/01/2023 including the IFRS 9 business model reassessment of financial assets (as the IFRS 9 business model reassessment only impacts the assets and equity, the liabilities are not presented here):

(in millions of EUR)		IFRS 17 01/01/22	IFRS 17 31/12/22	Impacts of IFRS 9 reclass	01/01/23
ASSETS					
I.	Cash and balances with central banks	31,640	27,295		27,295
II.	Loans and advances due from credit institutions	10,411	4,144		4,144
	A. Measured at amortised cost	10,411	4,144		4,144
III.	Loans and advances	102,585	110,203	(325)	109,878
	A. Measured at amortised cost	101,447	109,236	(4,451)[V]	104,785
	B. Measured at fair value through other comprehensive income	99	171	4,127)[V]	4,298
	C. Measured at fair value through profit or loss	1,039	796		796
IV.	Debt securities & equity instruments	31,441	26,997	(293)	26,704
	A. Measured at amortised cost	20,840	17,495	(4,436)[W]	13,059
	B. Measured at fair value through other comprehensive income	4,959	4,041	4,142[W]	8,183
	C. Measured at fair value through profit or loss	1,396	1,491		1,491
	D. Measured at fair value through profit or loss – Unit linked	4,246	3,970		3,970
V.	Derivatives	8,909	5,893		5,893
VI.	Gain/loss on of the hedged item in portfolio hedge of interest rate risk	3,652	1,134		1,134
VII.	Assets from insurance/reinsurance contracts	109	116		116
	B. Reinsurance contract assets	109	116		116
VIII.	Investments in equity method companies	96	94		94
IX.	Tangible fixed assets	1,614	1,672		1,672
	A. Tangible fixed assets own use	1,003	1,069		1,069
	B. Tangible fixed assets investment property	611	603		603
X.	Intangible assets	215	237		237
XI.	Goodwill	104	104		104
XII.	Tax assets	756	397	155	552
	A. Current tax assets	27	27		27
	B. Deferred tax assets	729	370	155[X]	525
XIII.	Other assets	679	742		742
XIV.	Non current assets (disposal group) held for sale and discontinued operations	27	40		40
TOTAL ASSETS		**192,238**	**179,068**	**(464)**	**178,605**

(in millions of EUR)	IFRS 17 01/01/22	IFRS 17 31/12/22	Impacts of IFRS 9 reclass	01/01/23
EQUITY				
XIII. Subscribed capital	3,458	3,458		3,458
XIV. Additional paid-in capital	209	209		209
XVI. Reserves and retained earnings	5,610	6,177		6,177
XVII. Net income for the period	935	932		932
SHAREHOLDERS' CORE EQUITY	10,212	10,776		10,776
XVIII. Fair value changes of debt instruments measured at fair value through other comprehensive income	302	(222)	(464)[Y]	(685)
XIX. Fair value changes of equity instruments measured at fair value through other comprehensive income	341	137		137
XXI. Gains (losses) on cash flow hedges	(98)	(113)		(113)
XXII. Remeasurement pension plans	132	120		120
XXIII. Total insurance/reinsurance finance component recognised in other comprehensive income	(1,078)	680		680
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	(400)	602	(464)	139
TOTAL SHAREHOLDERS' EQUITY	9,812	11,378	(464)	10,915
XXV. Additional Tier-1 instruments included in equity	497	497		497
XXVI. Non-controlling interests	33	35		35
TOTAL EQUITY	10,341	11,910	(464)	11,446
TOTAL LIABILITIES AND EQUITY	192,238	179,068	(464)	178,605

Impact of the IFRS 9 business model reassessment per 1 January 23

V	**Reassessment of the business model of loans from hold-to-collect to hold-to-collect and sell** Revising the business model of loans changes the measurement from AC to FVOCI, which results in the loans being valued at their fair values.
W	**Reassessment of the business model of bonds from hold-to-collect to hold-to-collect and sell** Revising the business model of bonds changes the measurement from AC to FVOCI, which results in the bonds being valued at their fair values.
X	**Deferred tax impact of the reassessed business models** This amount represents the deferred tax impact of the reassessment of the IFRS 9 business models.
Y	Equity impact of the reassessed business models This amount represents the equity impact of the reassessment of the IFRS 9 business models.

Abbreviations used

AC	Amortised cost
CSM	Contractual Service Margin
DPF	Discretionary Participation Feature
ECL	Expected credit loss
EUR	Presentation currency EURO
FCF	Fulfilment Cash Flows (sum of PVFCF and RA)
FTA	First Time Adoption (transition date of IFRS 17: 01/01/2022)
FVO	Fair value option
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GMM	General Measurement Model
IASB	International Accounting Standards Board
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
LC	Loss Component
LIC	Liability for Incurred Claims
LRC	Liability for Remaining Coverage
OCI	Other comprehensive income
PAA	Premium Allocation Approach
VFA	Variable Fee Approach

IV. Operating segments reporting

(Some amounts may not add up due to roundings)

Since FY 2021, Belfius' financial and commercial results are reported around two commercial segments: individual customer ("Individuals") and the SME, corporate and institutional customers ("Entrepreneurs, Enterprises and Public entities"). Group center ("Group Center"), containing the residual results not allocated to the two commercial segments, completes the full scope picture.

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

1. Balance sheet

The assets and liabilities allocated to Individuals (IND) and Entrepreneurs, Enterprises & Public (E&E&P) reflect the commercial activities of those business lines. Where IND shows an excess of funding, E&E&P is more asset driven. As a whole, the commercial balance sheet shows a funding excess with 90% loan to deposit ratio at the end of June 2023.

The equity allocated to Individuals (IND) and Entrepreneurs, Enterprises & Public (E&E&P) is a normative regulatory equity, which is derived from the regulatory risk exposures of these business lines multiplied by 13.5% (Belfius' minimum operational CET1 ratio).

Please note that the capital for the insurance activities is allocated to each business line in proportion to its contribution to Belfius Insurance Solvency II SCR requirements. Any non allocated capital is reported in Group Center.

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

	31/12/22		
(in thousands of EUR)	Assets	Liabilities	Equity
Individuals	56,689,635	82,844,210	1,514,073
Entrepreneurs, Enterprises & Public	63,830,145	43,895,654	5,488,120
Group Center	58,548,370	40,418,342	4,907,751
TOTAL	179,068,150	167,158,206	11,909,944
of which banking group[1]	162,986,120	151,881,249	11,104,871
of which insurance group[1]	16,082,030	15,276,958	805,072

	30/06/23		
(in thousands of EUR)	Assets	Liabilities	Equity
Individuals	57,476,805	82,795,564	1,530,514
Entrepreneurs, Enterprises & Public	64,897,760	46,269,877	5,669,995
Group Center	55,875,792	37,622,258	4,362,150
TOTAL	178,250,357	166,687,698	11,562,659
of which banking group[1]	162,655,788	151,480,393	11,175,395
of which insurance group[1]	15,594,568	15,207,305	387,264

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

The total commercial assets from both activity lines Individuals (IND) and Entrepreneurs, Enterprises & Public (E&E&P) increased between 2022 and 1H 2023 with EUR 1.9 billion. This growth is explained by the increase in loan production in the activity lines, in line with Belfius' strategy. The liabilities in the Individual segment stabilised in comparison to 2022 whereas the liabilities in the E&E&P segment increased with EUR 2.4 billion. (Refer to the chapter Segment reporting in the Management report). Overall, the commercial balance shows a funding excess leading to an increase of the loan-to-deposit ratio from 87% end 2022 to 90% end 1H 2023. The assets and liabilities of Group Center decreased following the higher interest rates and the corresponding impact on the collateral and fair value of the derivatives.

2. Statement of income

A. Segmentation by business line

	30/06/22			
(in thousands of EUR)	Individuals	Entrepreneurs, Enterprises & Public	Group Center	Total
INCOME	**1,044,170**	**616,385**	**8,230**	**1,668,785**
Net interest income bank	287,656	439,251	80,855	807,763
Net Fee and commissions bank	317,091	65,077	(5,353)	376,815
Life insurance income	189,037	44,844	0	233,881
Non-life & Health income	305,205	85,922	0	391,126
Other income	(54,819)	(18,709)	(67,272)	(140,800)
INSURANCE SERVICE EXPENSES ADJUSTED[1]	**(292,060)**	**(113,645)**	**0**	**(405,704)**
COSTS	**(501,348)**	**(240,957)**	**(34,077)**	**(776,382)**
of which directly attributable costs from insurance	(76,116)	(23,811)	(0)	(99,927)
NET INCOME BEFORE TAX AND IMPAIRMENTS	250,763	261,783	(25,847)	486,699
Impairments on financial instruments and provisions for credit commitments	(3,253)	17,929	(1,538)	13,138
Impairments on tangible and intangible assets	(887)	784	0	(103)
NET INCOME BEFORE TAX	246,623	280,495	(27,384)	499,734
Total tax (expense) income	(53,350)	(63,111)	11,514	(104,947)
NET INCOME	193,274	217,384	(15,871)	394,787
Attributable to non-controlling interests	(219)	3	650	434
Attributable to equity holders of the parent	193,493	217,381	(16,520)	394,353

(1) Insurance Service Expenses Adjusted = Insurance Service Expenses + Net Reinsurance Result - directly attributable cost from insurance.

(in thousands of EUR)	30/06/23 Individuals	Entrepreneurs, Enterprises & Public	Group Center	Total
INCOME	**1,132,767**	**736,983**	**610**	**1,870,360**
Net interest income bank	391,902	531,292	126,663	1,049,858
Net Fee and commissions bank	310,988	73,042	(5,749)	378,281
Life insurance income	166,953	43,680	20	210,652
Non-life & Health income	325,763	82,883	0	408,645
Other income	(62,839)	6,086	(120,324)	(177,077)
INSURANCE SERVICE EXPENSES ADJUSTED[1]	**(250,797)**	**(83,115)**	**(2)**	**(333,914)**
COSTS	**(531,926)**	**(269,802)**	**(40,809)**	**(842,536)**
of which directly attributable costs from insurance	(80,507)	(25,858)	0	(106,365)
NET INCOME BEFORE TAX AND IMPAIRMENTS	**350,044**	**384,066**	**(40,201)**	**693,909**
Impairments on financial instruments and provisions for credit commitments	(1,580)	(10,515)	(5,251)	(17,346)
Impairments on tangible and intangible assets	(403)	(56)	(399)	(858)
NET INCOME BEFORE TAX	**348,060**	**373,496**	**(45,851)**	**675,705**
Total tax (expense) income	(93,201)	(95,314)	(7,273)	(195,788)
NET INCOME	**254,859**	**278,182**	**(53,124)**	**479,917**
Attributable to non-controlling interests	689	5	(116)	577
Attributable to equity holders of the parent	254,170	278,177	(53,007)	479,339

(1) Insurance Service Expenses Adjusted = Insurance Service Expenses + Net Reinsurance Result - directly attributable cost from insurance.

Individuals' net income increased from EUR 193 million in 1H 2022 to EUR 255 million in 1H 2023. The Net interest income of banking activities increased by EUR 104 million mainly due to availability of non-maturing deposits in a higher interest rate environment. The Net Fee and commissions income decreased from EUR 317 million in 1H 2022 to EUR 311 million in 1H 2023 mainly as a result of lower entry fees in Asset Management and despite increased revenues from payment services.

The contribution of Belfius Insurance group decreased compared to last year. Life insurance income decreased with EUR 22 million mainly following a higher negative impact of the interest accretion. Non-life insurance income increased with EUR 21 million mainly as a result of the reassessment of the risk adjustment, the downward revision of the inflation parameter and the absence of natural catastrophic events in 1H 2023. The costs increased with EUR 31 million mainly due to the impact of the inflation both on staff and general expenses. Note that the operating expenses exclude directly attributable expenses related to insurance contracts as they are included in the present value of the insurance liabilities.

Entrepreneurs, Enterprises & Public's net income increased from EUR 217 million in 1H 2022 to EUR 278 million in 1H 2023. The net interest income increased with EUR 92 million thanks to the increasing interest rate environment. Net fees and commissions increased with EUR 8 million mainly due to the increase in payment, loan and insurance fees, this increase was partially offset by a decrease in Savings & Investment which was negatively impacted by the market evolution in 2022.. Both Life insurance income and Non-Life insurance income decreased with respectively EUR -1.1 million and EUR -3 million. The costs increased with EUR 29 million mainly due to the workforce reinforcement and wage-drift effect. The Impairments on financial instruments and provisions for credit commitments in 1H 2023 amounts to EUR -11 million compared to a reversal of EUR +18 million in 1H 2022 as a result of lower reversals in stage 1 and stage 2 impairments than in 1H 2022 and additional allowances for specific provisions for defaulted loans.

Group Center net income stands at EUR -53 million in 1H 2023, compared to EUR -17 million in 1H 2022. The decrease of income of EUR 8 million is mainly due to lower other income compared to 1H 2022 that was positively impacted by reversal of the provision for potential settlements of ongoing disputes with third parties.

The costs increased with EUR 6.7 million mainly following higher inflation. The impairments on financial instruments and provisions for credit commitments increased with EUR 3.7 million and was impacted by certain downgrades within the bond portfolio. The total tax (expense) income is negatively impacted by the limitation of the NTK deductibility to 20% since begin 2023.

Refer to the chapter Segment reporting of the Management Report for a detailed description of the segment results.

B. Segmentation by contribution scope

The statement of income represents the contributions of the Belfius Bank group (i.e. Belfius Bank with all its subsidiaries apart from the Belfius Insurance group) as well as the Belfius Insurance group (i.e. Belfius Insurance with its subsidiaries).

30/06/22 (in thousands of EUR)	Contribution Bank into group	Contribution Insurance into group	Total
INCOME	1,034,793	128,361	1,163,153
Net interest income	807,763	167,917	975,680
Net fee and commission income	376,815	7,040	383,854
Net insurance result	0	(79,812)	(79,812)
Dividend income	19,834	27,719	47,553
Net income from equity method companies	1,022	1,693	2,714
Net income from financial instruments at fair value through profit or loss	43,617	(16,546)	27,071
Net income on investments and liabilities	8,699	12,968	21,667
Other income & expense	(222,957)	7,382	(215,574)
OPERATING EXPENSES (EXCL. DIRECTLY ATTRIBUTABLE FROM INSURANCE)	(639,890)	(36,565)	(676,455)
NET INCOME BEFORE TAX AND IMPAIRMENTS	394,903	91,796	486,699
Impairments on financial instruments and provisions for credit commitments	13,670	(532)	13,138
Impairments on tangible and intangible assets	322	(425)	(103)
NET INCOME BEFORE TAX	408,895	90,839	499,734
Total tax (expense) income	(87,956)	(16,991)	(104,947)
NET INCOME AFTER TAX	320,939	73,848	394,787
Attributable to non-controlling interests	76	358	434
Attributable to equity holders of the parent	320,863	73,490	394,353

30/06/23 (in thousands of EUR)	Contribution Bank into group	Contribution Insurance into group	Total
INCOME	1,235,998	194,083	1,430,080
Net interest income	1,049,858	154,193	1,204,051
Net fee and commission income	378,281	9,513	387,794
Net insurance result	0	(16,428)	(16,428)
Dividend income	17,528	18,240	35,768
Net income from equity method companies	(486)	193	(293)
Net income from financial instruments at fair value through profit or loss	57,695	6,672	64,368
Net income on investments and liabilities	6,138	(532)	5,606
Other income & expense	(273,016)	22,231	(250,785)
OPERATING EXPENSES (EXCL. DIRECTLY ATTRIBUTABLE FROM INSURANCE)	(691,808)	(44,363)	(736,171)
NET INCOME BEFORE TAX AND IMPAIRMENTS	544,190	149,719	693,909
Impairments on financial instruments and provisions for credit commitments	(19,445)	2,099	(17,346)
Impairments on tangible and intangible assets	(347)	(511)	(858)
NET INCOME BEFORE TAX	524,397	151,308	675,705
Total tax (expense) income	(159,863)	(35,926)	(195,788)
NET INCOME AFTER TAX	364,535	115,382	479,917
Attributable to non-controlling interests	116	461	577
Attributable to equity holders of the parent	364,419	114,921	479,339

The contribution of Belfius Insurance increased with EUR 41 million from EUR 74 million at 1H 2022 to EUR 115 million at 1H 2023. The Non-Life and Health collective result improved due to the reassessment of the risk adjustment, the downward revision of the inflation parameter and the absence of natural catastrophic events in 1H 2023. The Life and Health individual result deteriorated following a higher negative impact of the interest accretion. Costs increased compared to 1H 2022 mainly due to higher total workforce cost and inflation driven wage drift.

The contribution of Belfius Bank increased with EUR 44 million from EUR 321 million at 1H 2022 to EUR 364 million at 1H 2023 mainly thanks to a continuous growth of the Net Interest Income in a high interest rate environment. The Net fee and commission income bank remained stable versus last year. Other income bank is more negative than 1H 2022 mainly due to a reversal of the provisions for potential settlements of ongoing disputes with third parties in 2022 and more negative bank levies in 1H 2023 than last year. Total costs Bank increase by 8% versus last year due to growth in human capital resources to sustainably manage the commercial growth and due to higher human capital cost following salary indexation. Impairments on financial instruments and provisions for credit commitments and impairments on intangible assets amount to EUR -20 million in 1H 2023, more negative than last year due to new allowances to stage 3 provisions and lower reversal of stage 1 and 2 than in 1H 2022.

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

(some amounts may not add up due to rounding)

5.1. Cash and balances with central banks

(refers to table 5.2. of the annual report 2022)

Analysis by nature

(in thousands of EUR)	31/12/22	30/06/23
Cash in hand	272,224	263,436
Balances with central banks other than mandatory reserve deposits	25,892,742	23,047,715
Mandatory reserves deposits[1]	1,130,977	1,120,734
Impairment stage 1	(509)	(456)
TOTAL	27,295,434	24,431,429
Of which included in cash and cash equivalents	27,290,131	24,425,911

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

Cash and balances with central banks decreased by EUR -2.9 billion, or -10.5%, to EUR 24.4 billion (31 December 2022: EUR 27.3 billion). The decrease is mainly linked to the maturity of part of Belfius' participation in the TLTRO III for EUR -3.4 billion, resulting also in a decrease of Belfius' deposit facility at the ECB. Belfius deposits part of its cash at the NBB/ECB within the framework of its liquidity management.

5.2. Loans and advances due from credit institutions

(refers to table 5.3. of the annual report 2022)

1. Summary Totals

(in thousands of EUR)	31/12/22	30/06/23
Measured at amortised cost	4,143,601	4,060,163
Measured at fair value through other comprehensive income	0	0
Measured at fair value through profit and loss	0	0
TOTAL	4,143,601	4,060,163

2. Analysis by nature

A. Not measured at fair value through profit or loss

(in thousands of EUR)	31/12/22		30/06/23	
	Amortised Cost	Measured at fair value through other comprehensive income	Amortised Cost	Measured at fair value through other comprehensive income
Cash collateral	3,437,886	0	3,172,827	0
Sight accounts	121,477	0	116,679	0
Reverse repurchase agreements	508,018	0	683,066	0
Financial lease	6,343	0	8,890	0
Term loans	69,995	0	78,846	0
Impaired loans (stage 3)	0	0	0	0
Less:				
impairment (stages 1,2 and 3)	(118)	0	(145)	0
TOTAL	**4,143,601**	**0**	**4,060,163**	**0**
Of which included in cash and cash equivalents	262,898	0	431,947	0

Loans and advances due from credit institutions decreased by EUR -0.1 billion, or 1.9%, to EUR 4.1 billion (31 December 2022: EUR 4.1 billion). The decrease stems from the decrease in cash collateral paid of EUR -0.3 billion, in line with the fair value movement of the derivatives, partially offset by an increase in reverse repos of EUR 0.2 billion.

Not measured at fair value through profit or loss – breakdown

(in thousands of EUR)	31/12/22		30/06/23	
	Amortised Cost	Measured at fair value through other comprehensive income	Amortised Cost	Measured at fair value through other comprehensive income
Gross amount (stage 1)	4,138,925	0	4,053,571	0
less impairment allowance (stage 1)	(75)	0	(33)	0
Gross amount (stage 2)	4,794	0	6,736	0
less impairment allowance (stage 2)	(43)	0	(112)	0
Gross amount credit – Impaired (stage 3)	0	0	0	0
Impairment on credit – impaired (stage 3)	0	0	0	0
TOTAL	**4,143,601**	**0**	**4,060,163**	**0**

B. Measured at fair value through profit and loss

Nil

3. Analysis of quality

See note 9.2.

4. Analysis of the fair value

See note 9.1.

5.3. Loans and advances

(refers to table 5.4. of the annual report 2022)

1. Summary Totals

(in thousands of EUR)	31/12/22	30/06/23
Measured at amortised cost	109,236,114	107,509,374
Measured at fair value through other comprehensive income	171,152	4,119,091
Measured at fair value through profit and loss	795,986	722,782
TOTAL	110,203,251	112,351,247

Loans and advances increased by EUR 2.1 billion, or 1.9%, to EUR 112.4 billion (31 December 2022: EUR 110.2 billion), stemming from an increase in loans at Belfius Bank of EUR 2.5 billion in line with the continuous development of our commercial franchise, partially compensated by negative fair value adjustments of EUR -0.3 billion in the portfolio at Belfius Insurance. As a result of the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, a reclassification of EUR 4.5 billion has taken place from the Belfius Insurance portfolio of loans measured at amortised cost to loans measured at fair value through other comprehensive income.

2. Analysis by nature

A. Not measured at fair value through profit or loss

	31/12/22		30/06/23	
(in thousands of EUR)	Amortised Cost	Measured at fair value through other comprehensive income	Amortised Cost	Measured at fair value through other comprehensive income
Cash collateral	615,958	0	698,559	0
Reverse repurchase agreements	305,470	0	59,787	0
Financial lease	3,429,544	0	3,708,920	0
Other Loans and advances[1]	104,661,187	179,572	102,665,376	4,097,826
Of which bills and own acceptances	128,759	0	117,033	0
Of which consumer loans	1,703,580	0	1,759,147	0
Of which mortgage loans[2]	44,001,541	0	40,963,321	3,527,721
Of which term loans[3][4]	55,216,269	0	56,026,260	383,955
Of which current accounts	1,766,662	0	1,959,944	0
Of which other loans and advances[5]	1,844,377	179,572	1,839,672	186,150
Impaired loans (stage 3)	2,026,297	0	2,128,387	42,969
Less				
impairment (stages 1,2 and 3)	(1,802,342)	(8,420)	(1,751,654)	(21,704)
TOTAL	109,236,114	171,152	107,509,374	4,119,091

(1) The underlying pool of loans of the covered bonds (Pandbrieven) amounts to EUR 14.1 billion (stable compared to 31 December 2022). This covered pool guarantees the outstanding covered bonds, of which EUR 5.3 billion mortgage covered bonds (stable compared to 31 December 2022) and EUR 1.2 billion public covered bonds (stable compared to 31 December 2022).
(2) End June 2023, no "mortgage loans" were under the format of securitisation as all these types of securitisation vehicles were called in 2022.
(3) End 2023, EUR 0.5 billion "term loans" were under the format of securitisation (31 December 2022: EUR 0.6 billion).
(4) The term loans include the loan towards the regional authorities related to the floods of July 2021 in accordance with the protocol. The amount in excess of the limit that has already been paid out by Belfius Insurance, and thus recorded as a loan, amounts to EUR 70.5 million per 1H 2023 (compared with EUR 72 million end 2022).
(5) Other loans and advances at amortised cost concern mainly factoring activities.

B. Not measured at fair value through profit or loss – breakdown

(in thousands of EUR)	31/12/22		30/06/23	
	Amortised Cost	Measured at fair value through other comprehensive income	Amortised Cost	Measured at fair value through other comprehensive income
Gross amount (stage 1)	92,184,817	177,507	90,469,111	3,840,991
less impairment allowance (stage 1)	(169,546)	(8,206)	(152,575)	(10,299)
Gross amount (stage 2)	16,827,342	2,065	16,663,531	256,835
less impairment allowance (stage 2)	(425,251)	(214)	(369,054)	(9,640)
Gross amount credit – Impaired (stage 3)	2,026,297	0	2,128,387	42,969
Impairment on credit – impaired (stage 3)	(1,207,544)	0	(1,230,025)	(1,765)
TOTAL	109,236,114	171,152	107,509,374	4,119,091

Stage 1 and 2 impairment allowances decreased (EUR -49 million) as a result of the update of the macroeconomic factors to reflect the improvement in the macroeconomic prospects. Furthermore, the nature of the overlays for vulnerable exposures is shifted completely from "Covid-driven" to "Energy & Inflation linked", which has led to a reassessment of these overlays and a slight reversal thereof (EUR -7 million). Next to that, a higher level of default inflows is noted during 1H 2023, resulting in an increase in stage 3 impairments (EUR +79 million). Many of these defaulting companies were impacted by the former Covid and current Energy & Inflation crisis and present prolonged financial stress in their recovery. Refer to table 9.2.3. movements in allowances for credit losses for further information.

C. Measured at fair value through profit and loss

(in thousands of EUR)	31/12/22			
	Financial assets held for trading(1)	Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily measured at fair value through profit or loss(2)	Total
Mortgage loans	1,474	0	0	1,474
Public sector loans	0	0	794,511	794,511
TOTAL	1,474	0	794,511	795,986

(in thousands of EUR)	30/06/23			
	Financial assets held for trading(1)	Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily measured at fair value through profit or loss(2)	Total
Mortgage loans	814	0	0	814
Public sector loans	0	0	721,968	721,968
TOTAL	814	0	721,968	722,782

(1) Belfius warehouses mortgage loans, for a limited period of time, before transferring these mortgage loans to an external party.
(2) It mainly concerns loans to the public and social sector with specifically structured interest rate features that do not pass the SPPI-test and are therefore measured at fair value through profit and loss.

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

3. Analysis of quality

See note 9.2.

4. Analysis of the fair value

See note 9.1.

5.4. Debt securities & Equity instruments

(refers to table 5.5. of the annual report 2022)

1. Summary Totals

(in thousands of EUR)	31/12/22	30/06/23
Measured at amortised cost	17,494,927	13,367,114
Measured at fair value through other comprehensive income	4,040,914	8,230,472
Measured at fair value through profit or loss	1,490,882	1,407,535
Measured at fair value through profit or loss – Unit linked	3,969,934	4,111,431
TOTAL	26,996,656	27,116,553

The Belfius Banking Group contributed EUR 14.2 billion (31 December 2022: EUR 13.9 billion) to the debt securities and equity instruments portfolio and the Belfius Insurance Group contributed EUR 12.9 billion (31 December 2022: EUR 13.1 billion).

Two types of business models can be distinguished within Belfius group. The bond portfolio within the banking group are managed within a business model whose objective is to "hold to collect" contractual cash flows until maturity apart from certain positions that were classified as "hold to collect and sell".

Note that the business models of Belfius Insurance have been reassessed as a result of the implementation of IFRS 17. Belfius Insurance has reclassified its bond portfolio which was classified as a hold to collect business model and measured at amortised cost towards a hold to collect and sale business model as from 1 January 2023 and measured the portfolio at FVOCI.

In this context, EUR 4.4 billion debt instruments of the Belfius Insurance portfolio measured at amortised cost have been reclassified to measured at fair value through other comprehensive income.

Seeing that certain bond positions did not comply with the solely payment of principal and interest on the principal amount outstanding, a classification at fair value through profit and loss was required. It mainly concerns money market funds within Belfius Insurance.

2. Analysis by nature

A. Not measured at fair value through profit or loss

	31/12/22		30/06/23	
(in thousands of EUR)	Amortised Cost	Measured at fair value through other comprehensive income	Amortised Cost	Measured at fair value through other comprehensive income
Debt securities issued by public sector	9,125,121	1,914,504	5,423,938	5,183,501
Other debt securities	8,520,391	1,097,979	8,105,565	2,113,586
Equity instruments	0	1,043,302	0	950,890
Impaired debt securities (stage 3)	4,267	10,010	2,485	0
impairment (stages 1,2 and 3)	(154,852)	(24,881)	(164,874)	(17,504)
TOTAL	17,494,927	4,040,914	13,367,114	8,230,472
Of which included in cash and cash equivalents	471,639	23,721	77,589	7,970

The debt securities measured at amortised cost decreased by EUR -4.1 billion, or -23.6%, to EUR 13.4 billion (31 December 2022: EUR 17.5 billion) due to the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, resulting in a reclassification of EUR 4.4 billion debt securities of the Belfius Insurance portfolio formerly measured at amortised cost to measured at fair value through other comprehensive income. The impact of the reclassification is partially offset by investments (EUR 1 billion) both in government and corporate bonds, partially compensated by maturities (EUR -0.8 billion) mainly in government bonds.

The financial assets measured at fair value through other comprehensive income increased by EUR 4.2 billion, or 103.7%, to EUR 8.2 billion (31 December 2022: EUR 4.0 billion). This is the result of the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, resulting in a reclassification of EUR 4.4 billion debt securities of the Belfius Insurance portfolio measured at amortised cost to measured at fair value through other comprehensive income. This increase is partially offset by negative fair value adjustments on bonds and equity instruments of which EUR -0.3 billion is related to the reclassification and EUR -0.1 billion stemming from higher interest rates compared with the 2022 year-end, as well as by disposals of some equity instruments (EUR -0.1 billion).

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

(in thousands of EUR)	31/12/22 Amortised Cost	31/12/22 Measured at fair value through other comprehensive income	30/06/23 Amortised Cost	30/06/23 Measured at fair value through other comprehensive income
Gross amount (stage 1)	12,460,286	2,485,281	8,285,117	6,744,896
less impairment allowance (stage 1)	(1,877)	(2,627)	(1,108)	(2,990)
Gross amount (stage 2)	5,185,225	527,202	5,244,387	552,190
less impairment allowance (stage 2)	(149,649)	(14,254)	(161,282)	(14,514)
Gross amount credit – Impaired (stage 3)	4,267	10,010	2,485	0
Impairment on credit – impaired (stage 3)	(3,325)	(8,000)	(2,485)	0
TOTAL	17,494,927	2,997,611	13,367,114	7,279,582

B. Measured at fair value through profit and loss

(in thousands of EUR)	31/12/22 Financial assets held for trading	Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily measured at fair value through profit or loss	Total
Debt securities issued by public sector	121,126	0	7,502	128,628
Other debt securities	9,387	0	900,965	910,351
Equity instruments	451,899	0	3	451,902
Unit linked products insurance activities	0	3,969,934	0	3,969,934
TOTAL	582,412	3,969,934	908,470	5,460,815

(in thousands of EUR)	30/06/23 Financial assets held for trading	Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily measured at fair value through profit or loss	Total
Debt securities issued by public sector	129,485	0	7,631	137,115
Other debt securities	9,217	0	801,926	811,142
Equity instruments	459,274	0	3	459,278
Unit linked products insurance activities	0	4,111,431	0	4,111,431
TOTAL	597,976	4,111,431	809,559	5,518,967

Debt securities measured at fair value through profit or loss decreased by EUR -0.1 billion, or -5.6%, to EUR 1.4 billion (31 December 2022: EUR 1.5 billion) mainly due to disposals in the fund portfolio, partially offset by an increasing temporary warehousing volume stemming from the Financial Markets' "client flow management" activity.

Debt securities measured at fair value through profit or loss – unit linked (Branch 23) increased by EUR 0.1 billion, or 3.6%, to EUR 4.1 billion (31 December 2022: EUR 4.0 billion) mainly resulting from positive fair value adjustments (EUR 0.2 billion), transfers of customer investments from maturing Branch 21 policies (EUR 0.1 billion), partially offset by net cash outflows (EUR -0.1 billion).

C. Measured at fair value through other comprehensive income – Equity

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

(in thousands of EUR)	31/12/22 Reason for designation	Fair value	Dividend income recognised
Strategic portfolio insurance – real estate	Risk and ALM purposes	221,894	20,081
Strategic portfolio insurance – various underlying	Risk and ALM purposes	602,267	22,685
Strategic portfolio bank	Risk and ALM purposes	219,141	8,337
TOTAL		1,043,302	51,103

(in thousands of EUR)	30/06/23 Reason for designation	Fair value	Dividend income recognised
Strategic portfolio insurance – real estate	Risk and ALM purposes	185,931	11,365
Strategic portfolio insurance – various underlying	Risk and ALM purposes	543,443	6,875
Strategic portfolio bank	Risk and ALM purposes	221,516	4,723
TOTAL		950,890	22,963

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

(in thousands of EUR)	31/12/22 Reason for disposal	Fair value at derecognition date	Transfer of cumulative gain or loss within equity	Dividend income recognised
Strategic portfolio insurance – real estate	Risk and ALM purposes	114,091	(5,288)	8,307
Strategic portfolio insurance – various underlying	Risk and ALM purposes	150,769	24,593	4,445
Strategic portfolio bank	Risk and ALM purposes	5,107	529	0
TOTAL		269,967	19,834	12,752

(in thousands of EUR)	30/06/23 Reason for disposal	Fair value at derecognition date	Transfer of cumulative gain or loss within equity	Dividend income recognised
Strategic portfolio insurance – real estate	Risk and ALM purposes	24,686	(2,756)	2,297
Strategic portfolio insurance – various underlying	Risk and ALM purposes	38,669	6,332	603
Strategic portfolio bank	Risk and ALM purposes	1,780	(419)	87
TOTAL		65,135	3,157	2,987

3. Analysis of quality

See note 9.2.

4. Analysis of the fair value

See note 9.1.

5.5. Derivatives

(refers to table 5.6. of the annual report 2022)

1. Analysis by nature

	31/12/22		30/06/23	
(in thousands of EUR)	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	4,688,246	3,548,426	4,398,003	3,082,432
Derivatives designated as fair value hedges	249,095	1,246,100	235,530	1,238,023
Derivatives designated as cash flow hedges	48,598	186,753	18,312	286,288
Derivatives designated as portfolio hedge	907,167	3,267,230	837,308	3,086,025
TOTAL	5,893,105	8,248,509	5,489,152	7,692,768

A decrease in the fair value of derivatives can be noted, mainly due to the impact of higher interest rates. The total impact of the offsetting for derivatives concluded with LCH amounted to EUR 7.5 billion at the end of June 2023, compared with EUR 8.0 billion at the end of 2022.

2. Detail of derivatives held for trading

	31/12/22				30/06/23			
	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	25,003,379	24,754,926	904,726	692,052	26,390,444	26,212,541	606,460	448,888
Interest rate derivatives	174,461,180	178,646,225	3,379,857	2,386,810	171,183,546	174,085,283	3,366,178	2,192,536
Credit derivatives	804,572	136,568	35,213	71,026	746,826	144,322	27,759	56,567
Equity derivatives	7,557,741	6,607,014	368,449	398,538	8,788,083	7,737,571	397,606	384,441
TOTAL	207,826,872	210,144,733	4,688,246	3,548,426	207,108,899	208,179,717	4,398,003	3,082,432

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated.

The derivatives position of Belfius originated partially from the fact that Belfius was the competence center for derivatives within the former Dexia Group. These derivatives were hedged externally for market risk. The derivatives between Belfius Bank and Dexia Group entities remained in the scope of Belfius after the sale of Belfius to the Belgian State in 2011. The credit risk thereon is mitigated through the use of collateral (Credit Support Annex).

Seeing the restrictions under IFRS for hedge accounting, certain economic hedges cannot be classified as hedge derivatives under IFRS. As a result, several economic hedges are considered as trading derivatives for accounting purposes while hedging non-basic bonds and loans, FVO positions or basis risk stemming from hedge inefficiency (f.e. basis swaps and cross currency).

For additional information on related market risk, refer to note 9.3. "Market Risk" as well as note 7.4. "Net income from financial instruments at fair value through profit or loss" for more information regarding the economic hedges.

3. Detail of derivatives designated as fair value hedges

	31/12/22				30/06/23			
	Notional amount(1)		Assets	Liabilities	Notional amount(1)		Assets	Liabilities
(in thousands of EUR)	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	6,076,715	5,880,889	231,812	1,246,030	5,285,031	5,093,903	225,965	1,236,505
of which interest rate swaps	5,312,780	5,312,780	163,597	1,054,430	4,534,432	4,534,432	152,969	1,041,563
of which cross currency interest rate swaps	763,934	568,109	68,215	191,601	750,599	559,471	72,997	194,942
Credit derivatives(2)	1,322,285	0	17,282	69	1,322,285	0	9,564	1,518
TOTAL	7,399,000	5,880,889	249,095	1,246,100	6,607,317	5,093,903	235,530	1,238,023

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated. Note that a forward sale contract mentions only one notional amount.
(2) Belfius Insurance has concluded "spreadlock" derivatives in order to hedge the asset swap spread on certain bond positions. The purpose of these transactions is to protect the Solvency II ratio. More in particular, the spreadlock transaction locks in a forward assets swap spread at the moment of the conclusion of the transaction. Seeing that the spreadlock is defined to hedge the asset swap spread (i.e. all risks except changes in fair value due to benchmark interest rate) of specific bond positions, the derivative is presented as a credit derivative for which fair value hedge accounting has been set up.

To ensure the hedge relationship qualifies for hedge accounting, a formal documentation is prepared and the effectiveness is assessed on an ongoing basis throughout the hedging relationship.

Belfius applies fair value hedging to interest rate and foreign exchange risks on certain bonds (micro hedge). Belfius mainly uses plain vanilla interest rate swaps, while for non-EUR bonds plain vanilla interest rate & currency swaps are used.

The fair value used for the measurement of hedge effectiveness is based on the fair value movements of the derivatives in the balance sheet and the fair value movement of the hedged risk of the hedged item (generally through a hypothetical derivative).

For fair value hedging, the prospective test is based on a critical terms comparison between the hedging instrument and the hedged item. Retrospective testing is done by applying a dollar offset method (comparison of fair value hedged item and hedging instrument) and comparing it with well-defined limits.

End June 2023 all hedge effectiveness tests were respected.

Refer to note 7.4. "Net income from financial instruments at fair value through profit or loss" for more information regarding the measurement of hedge effectiveness.

4. Detail of derivatives designated as cash flow hedges

	31/12/22				30/06/23			
	Notional amount(1)		Assets	Liabilities	Notional amount(1)		Assets	Liabilities
(in thousands of EUR)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	5,347,751	5,327,207	48,598	186,753	5,242,946	5,319,202	10,055	286,146
of which cross currency swaps	5,347,751	5,327,207	48,598	186,753	5,242,946	5,319,202	10,055	286,146
Interest rate derivatives	0	0	0	0	1,289,000	1,289,000	8,256	0
of which interest rate swaps	0	0	0	0	1,289,000	1,289,000	8,256	0
TOTAL	5,347,751	5,327,207	48,598	186,753	6,531,946	6,608,202	18,312	286,288

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated.

Estimated cashflows from cashflow hedging derivatives per time bucket

(in thousands of EUR)	Inflow	Outflow
Not more than three months	3,211,520	(4,567,875)
More than three but not more than six months	3,211,520	(4,581,841)
More than six months but not more than one year	3,211,520	(4,629,378)
More than one but not more than two years	2,978,607	(4,696,147)
More than two but not more than five years	2,512,781	(4,840,329)
More than five years	2,258,625	(4,350,616)

To ensure the hedge relationship qualifies for hedge accounting, a formal documentation is prepared, and the effectiveness is assessed on an ongoing basis throughout the hedging relationship.

Belfius decided to cover the risk of variability of cash flows and foreign currency changes stemming from incoming invoices charging Belfius for services in foreign currencies as well as other future payments in foreign currencies. In order to hedge this risk, Belfius concluded Cross Currency Swaps which are recorded in a cash flow hedge relationship for the currency risk on a "highly probable forecasted transaction". Belfius demonstrates that the amounts due are higher than the amounts received through the Cross-Currency Swaps. Note that Belfius is closely following up the impact of the reference rate reform. However, at this stage, no impact on hedge accounting is noted as it concerns short term cash flows (6 months/3 months) that will be adapted simultaneously between forecasted cash flow and the hedging instruments.

For cash flow hedging, the prospective test is based on a critical terms comparison between the hedging instrument and the hedged item. Retrospective testing is done by applying a dollar offset method (comparison of fair value hedged item and hedging instrument) and comparing it with well-defined limits. Note that for a forecasted transaction, an analysis is performed to assure that the expected cash flows are still highly likely.

End June 2023 all hedge effectiveness tests were respected.

Refer to note 7.4. "Net income from financial instruments at fair value through profit or loss" for more information regarding the measurement of hedge effectiveness.

5. Detail of derivatives of portfolio hedge

	31/12/22				30/06/23			
	Notional amount(1)		Assets	Liabilities	Notional amount(1)		Assets	Liabilities
(in thousands of EUR)	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	43,459,645	43,451,520	907,167	3,267,230	44,891,334	44,883,071	837,308	3,086,025
TOTAL	**43,459,645**	**43,451,520**	**907,167**	**3,267,230**	**44,891,334**	**44,883,071**	**837,308**	**3,086,025**

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated.

To ensure the hedge relationship qualifies for hedge accounting, a formal documentation is prepared and the effectiveness is assessed on an ongoing basis throughout the hedging relationship.

The accumulated gain/loss on the hedged item in portfolio hedge of interest rate risk on the balance sheet in line items VI. "Gain/loss on the hedged item in portfolio hedge of interest rate risk" amounts to EUR 0.9 billion assets and EUR -1.5 billion liabilities at 1H 2023 compared to EUR 1.1 billion assets and EUR -1.6 billion liabilities at year-end 2022.

For macro hedging, the prospective test is based on a volume test in which we demonstrate that (by entity, currency and time bucket) the amount of hedged items remains larger than the amount of hedging instruments (in term of notional as well as in term of interest cash flows).

Retrospective testing, performed on a quarterly basis, is done by applying a dollar offset method (comparison of fair value hedged item and hedging instrument) and comparing it with well-defined limits.

The hedged items are interest-bearing assets (f.e. loans and debt instruments) and interest-bearing liabilities (f.e. deposits).

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

End June 2023 all hedge effectiveness tests were respected.

Refer to note 7.4. "Net income from financial instruments at fair value through profit or loss" for more information regarding the measurement of hedge effectiveness.

6. Interest rate benchmark reform

A. Introduction

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

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

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

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

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

B. Accounting implications

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

- An overview of Belfius' derivatives (in nominal amounts) that have yet to transition to an alternative benchmark rate at 30 June 2023, disaggregated by significant interest rate benchmark.

(in thousands of EUR)	IFRS Hedging	Trading	Total
USD LIBOR	197,691	2,632,275	2,829,966

- Belfius' non derivative financial assets and liabilities have been completely transitioned to an alternative benchmark rate at 30 June 2023.

5.6. Other assets

(refers to table 5.12. of the annual report 2022)

(in thousands of EUR)	31/12/22	30/06/23
OTHER ASSETS	**709,656**	**852,202**
Accrued income	115,767	137,799
Deferred expenses	30,409	58,813
Payments in transit from clients	457,376	535,721
Plan assets	8,195	15,160
Inventories(1)	22,251	25,831
Operational taxes	75,659	78,879
OTHER ASSETS SPECIFIC TO INSURANCE COMPANIES	**32,337**	**52,973**
Receivables resulting from direct insurance transactions	16,830	29,611
Other insurance assets	15,507	23,362
Impaired insurance assets	208	208
Less:		
Impairment	(208)	(208)
TOTAL	**741,993**	**905,175**

(1) A construction site was recognised as inventory in other assets, as it better reflects the nature and intent with the site.

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

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

(some amounts may not add up due to rounding)

6.1. Cash and balances from central banks

(refers to table 6.1. of the annual report 2022)

1. Analysis by nature

A. Not measured at fair value through profit or loss

(in thousands of EUR)	31/12/22	30/06/23
Deposits	5,904,113	2,652,846
TOTAL	5,904,113	2,652,846

Cash and balances from central banks decreased by EUR -3.3 billion to EUR 2.7 billion (31 December 2022: EUR 5.9 billion), resulting from the decrease in TLTRO funding (EUR -3.4 billion) following maturities. Belfius' remaining total TLTRO III participation amounts to EUR 2.65 billion as of 30 June 2023.

Belfius takes part in the third targeted longer-term refinancing operation (TLTRO III) program of the European Central Bank. The TLTROs are targeted operations, as the amount that can be borrowed is linked to the loans to non-financial corporations and households (excluding mortgage loans). The interest rate to be applied is linked to the realisation of certain lending performance thresholds. Borrowing rates in these operations were as low as 50 basis points below the average interest rate on the deposit facility over the period from 24 June 2020 to 23 June 2022, and as low as the average interest rate on the deposit facility during the rest of the life of the respective TLTRO III. Note that with the ECB decision of 27th October 2022, the TLTRO III terms have changed from November 2022 onwards and the interest rate on TLTRO III operations is indexed to the average applicable key ECB interest rates over this period.

Belfius has analysed the terms of this programme and concluded that TLTRO III does not contain a significant benefit relative to market pricing and accounts for the financial liabilities relating to the TLTRO III programme under IFRS 9.

The conditions of the TLTRO programme over the period from 24 June 2021 to 23 June 2022 have been met and therefore the effective interest rate includes the additional reduction of 50 basis points over that period. After 23 June 2022, an estimate of the interest rate (linked to the average deposit facility rate) is used for the determination of the effective interest rate.

As from November 2022 the interest rate (linked to the average deposit facility rate) on TLTRO III is positive, resulting in accrued interest expenses amounting to EUR -77 million in 1H 2023 (compared with EUR +77 million in 1H 2022). Refer to note 7.1. Interest income – interest expense.

2. Analysis of the fair value

See note 9.1.

6.2. Credit institutions borrowings and deposits

(refers to table 6.2. of the annual report 2022)

1. Summary Totals

(in thousands of EUR)	31/12/22	30/06/23
Measured at amortised cost	1,869,641	3,207,425
Measured at fair value through profit and loss	0	0
TOTAL	1,869,641	3,207,425

2. Analysis by nature

A. Not measured at fair value through profit or loss

	Amortised Cost	
(in thousands of EUR)	31/12/22	30/06/23
Demand deposits	78,388	107,200
Term deposits	200,016	186,154
Repurchase agreements	735	988,642
Cash collateral received	1,012,655	879,420
Other borrowings	577,847	1,046,009
TOTAL	1,869,641	3,207,425

Credit Institutions borrowings and deposits increased by EUR 1.3 billion, or 71.6%, to EUR 3.2 billion (31 December 2022: EUR 1.9 billion), mainly as a result of an increase in repurchase agreements and borrowings within Belfius' short-term liquidity management.

B. Measured at fair value through profit or loss

Nil.

3. Analysis of the fair value

See note 9.1.

6.3. Borrowings and deposits

(refers to table 6.3. of the annual report 2022)

1. Summary Totals

(in thousands of EUR)	31/12/22	30/06/23
Measured at amortised cost	108,427,536	106,910,652
Measured at fair value through profit and loss	19,951	20,152
TOTAL	108,447,486	106,930,804

2. Analysis by nature

A. Not measured at fair value through profit or loss

	Amortised Cost	
(in thousands of EUR)	31/12/22	30/06/23
Demand deposits	42,847,514	38,907,020
Saving deposits	47,874,360	47,310,602
Term deposits	10,253,023	13,738,104
Cash collateral	23,527	34,309
Non-regulated savings accounts	7,407,300	6,903,388
TOTAL DEPOSITS	**108,405,724**	**106,893,423**
Other borrowings	21,812	17,229
TOTAL BORROWINGS	**21,812**	**17,229**
TOTAL	108,427,536	106,910,652

Borrowings and deposits decreased by EUR -1.5 billion, or -1.4%, to EUR 106.9 billion (31 December 2022: EUR 108.4 billion), mainly due to the decrease in payment and savings accounts (EUR -5 billion), partially offset by an increase in term deposits (EUR +3.5 billion), in line with the higher interest rates environment.

B. Measured at fair value through profit or loss

	Financial liabilities designated at fair value through profit and loss	
(in thousands of EUR)	31/12/22	30/06/23
Deposits	19,951	20,152
TOTAL	19,951	20,152

3. Analysis of the fair value

See note 9.1.

6.4. Debt securities issued and other financial liabilities

(refers to table 6.4. of the annual report 2022)

1. Summary Totals

(in thousands of EUR)	31/12/22	30/06/23
Measured at amortised cost	18,517,096	21,364,030
Measured at fair value through profit or loss	7,411,471	7,792,080
Measured at fair value through profit or loss – Unit linked	3,969,934	4,111,431
TOTAL	29,898,501	33,267,542

2. Analysis by nature

A. Not measured at fair value through profit or loss

	Amortised Cost	
(in thousands of EUR)	31/12/22	30/06/23
Certificates of deposit	3,825,839	4,970,229
Customer savings certificates	494,053	799,035
Non-convertible debts	7,614,370	9,013,990
Covered bonds[1]	6,538,619	6,532,699
Lease liabilities	44,216	48,077
TOTAL	18,517,096	21,364,030

(1) Belfius has two covered bonds programmes.

The debt securities issued measured at amortised cost increased by EUR 2.8 billion, or 15.4%, to EUR 21.4 billion (31 December 2022: EUR 18.5 billion), mainly due to an increase in certificates of deposits with EUR 1.1 billion, the issuance of a Green Senior Preferred bond (EUR 0.8 billion) and the issuance of debt securities by Belfius Financing Company (EUR 0.6 billion), and increased customer savings certificates (EUR 0.3 billion) .

Belfius' covered bond programmes

Belfius has two covered bond programmes:

- Mortgage Pandbrieven programme; and
- Public Pandbrieven programme.

The covering assets of the Mortgage Pandbrieven are mainly Belgian mortgage loans granted in accordance with the law on mortgage loans (law of 4 August 1992), through the branch network of Belfius. The covering assets of the Public Pandbrieven are mainly loans granted to Belgian public sector entities (municipalities, provinces, etc.).

The Belgian pandbrieven investors have a direct recourse to:

- the general estate of the issuing credit institution (i.e. repayment of the Belgian pandbrieven is an obligation of the issuing bank as a whole); and
- the segregated estate, that comprises the cover pool that is exclusively reserved for the Belgian pandbrieven investors under the specific program to which the segregated estate is joined and for the claims of other parties that are or can be identified in the issue conditions. Assets become part of the cover pool upon registration in a register held by the issuer for such purpose.

A detailed description of the covering assets (including the outstanding amount and the characteristics of the loans in the cover pool) can be consulted:

- for the Mortgage Pandbrieven Programme on *https://www.belfius.be/about-us/en/investors/debt-issuance/pandbrieven/belgian-mortgage*
- for the Public Pandbrieven Programme on *https://www.belfius.be/about-us/en/investors/debt-issuance/pandbrieven/belgian-public*

The carrying value of the cover pool amounts to EUR 14.1 billion in 1H 2023 (stable compared to December 2022) and is accounted for in loans and advances. We also refer to note 5.3.

B. Measured at fair value through profit or loss

	31/12/22			30/06/23		
(in thousands of EUR)	Financial liabilities held for trading	Financial liabilities designated at fair value through profit and loss	Total	Financial liabilities held for trading	Financial liabilities designated at fair value through profit and loss	Total
Debt securities	0	7,250,016	7,250,016	0	7,757,621	7,757,621
Debt securities issued by public sector (trading positions)	161,339	0	161,339	30,628	0	30,628
Other debt securities (trading positions)	4	0	4	4	0	4
Unit linked products insurance activities	0	3,969,934	3,969,934	0	4,111,431	4,111,431
Equity instruments (trading positions)	112	0	112	3,827	0	3,827
TOTAL	**161,455**	**11,219,950**	**11,381,405**	**34,460**	**11,869,052**	**11,903,511**

Debt securities measured at fair value through profit or loss increased by EUR 0.4 billion, or 5.1%, to EUR 7.8 billion (31 December 2022: EUR 7.4 billion), resulting from the issuance of debt securities by Belfius Financing Company (EUR 0.4 billion) and positive fair value evolutions (EUR 0.1 billion).

Debt securities measured at fair value through profit or loss – unit linked (Branch 23) increased by EUR 0.1 billion, or 3.6%, to EUR 4.1 billion (31 December 2022: EUR 4.0 billion) mainly resulting from positive fair value adjustments (EUR 0.2 billion), transfers of customer investments from maturing Branch 21 policies (EUR 0.1 billion), partially offset by net cash outflows (EUR -0.1 billion).

6.5. Liabilities from insurance/reinsurance contracts

1. Summary totals

	31/12/22			
(in thousands of EUR)	PAA	GMM	VFA	Total
Assets from insurance contracts	0	0	0	0
Insurance contract liabilities	1,077,836	9,817,033	0	10,894,869
TOTAL INSURANCE CONTRACTS	1,077,836	9,817,033	0	10,894,869
Assets from reinsurance contracts	116,103	0	0	116,103
Reinsurance contract liabilities	0	0	0	0
TOTAL REINSURANCE CONTRACTS	116,103	0	0	116,103

	30/06/23			
(in thousands of EUR)	PAA	GMM	VFA	Total
Assets from insurance contracts	0	0	0	0
Insurance contract liabilities	1,107,799	9,534,247	0	10,642,046
TOTAL INSURANCE CONTRACTS	1,107,799	9,534,247	0	10,642,046
Assets from reinsurance contracts	101,770	0	0	101,770
Reinsurance contract liabilities	0	0	0	0
TOTAL REINSURANCE CONTRACTS	101,770	0	0	101,770

2. Movements in insurance and reinsurance contract balances – PAA

The premium allocation approach is applied to Non-Life contracts, Health/Collective contracts and reinsurance contracts held.

A. Insurance contracts issued – Reconciliation of the liability for remaining coverage and the liability for incurred claims

	31/12/22				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total liabilities
(in thousands of EUR)	Excluding loss component	Loss component	Estimation of the present value of future cash flows	Risk adjustment for non-financial risks	
Opening assets	0	0	0	0	0
Opening liabilities	97,417	6,646	1,008,921	59,812	1,172,796
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT OPENING	97,417	6,646	1,008,921	59,812	1,172,796
INSURANCE REVENUE (A)	(800,384)	0	0	0	(800,384)
INSURANCE SERVICE EXPENSE (B)	171,132	(2,574)	602,111	3,543	774,212
Incurred claims and other incurred insurance service expenses	0	0	299,525	10,898	310,423
Amortisation of insurance acquisition cash flows	171,132	0	0	0	171,132
Adjustments to the liabilities for incurred claims	0	0	302,586	(7,355)	295,230
Losses and reversal of losses on onerous contracts	0	(2,574)	0	0	(2,574)
INSURANCE SERVICE RESULT (A)+(B)	(629,252)	(2,574)	602,111	3,543	(26,172)
INSURANCE FINANCE RESULT	0	0	(119,106)	(7,022)	(126,128)
Finance expenses from insurance contracts	0	0	(119,106)	(7,022)	(126,128)
Effects of movements in exchange rates	0	0	0	0	0
TOTAL CHANGE IN STATEMENT OF PROFIT OR LOSS AND OCI	(629,252)	(2,574)	483,004	(3,479)	(152,300)
INVESTMENT COMPONENT	0	0	0	0	0
CASH FLOWS	600,954	0	(543,614)	0	57,340
Premiums received	658,045	0	0	0	658,045
Insurance acquisition cash flows paid	(57,091)	0	0	0	(57,091)
Claims and other insurance service expenses paid	0	0	(543,614)	0	(543,614)
OTHER CHANGES IN THE NET CARRYING AMOUNT	600,954	0	(543,614)	0	57,340
Closing assets	0	0	0	0	0
Closing liabilities	69,120	4,072	948,311	56,333	1,077,836
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT CLOSING	69,120	4,072	948,311	56,333	1,077,836

(in thousands of EUR)	30/06/23				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total liabilities
	Excluding loss component	Loss component	Estimation of the present value of future cash flows	Risk adjustment for non-financial risks	
Opening assets	0	0	0	0	0
Opening liabilities	69,120	4,072	948,311	56,333	1,077,836
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT OPENING	69,120	4,072	948,311	56,333	1,077,836
INSURANCE REVENUE (A)	(405,951)	0	0	0	(405,951)
INSURANCE SERVICE EXPENSE (B)	81,523	(1,519)	239,769	(12,445)	307,328
Incurred claims and other incurred insurance service expenses	0	0	239,542	5,101	244,643
Amortisation of insurance acquisition cash flows	81,523	0	0	0	81,523
Adjustments to the liabilities for incurred claims	0	0	227	(17,545)	(17,318)
Losses and reversal of losses on onerous contracts	0	(1,519)	0	0	(1,519)
INSURANCE SERVICE RESULT (A)+(B)	(324,428)	(1,519)	239,769	(12,445)	(98,623)
INSURANCE FINANCE RESULT	0	0	20,419	1,710	22,129
Finance expenses from insurance contracts	0	0	20,419	1,710	22,129
Effects of movements in exchange rates	0	0	0	0	0
TOTAL CHANGE IN STATEMENT OF PROFIT OR LOSS AND OCI	(324,428)	(1,519)	260,188	(10,735)	(76,494)
INVESTMENT COMPONENT	0	0	0	0	0
CASH FLOWS	377,148	0	(270,691)	0	106,457
Premiums received	412,977	0	0	0	412,977
Insurance acquisition cash flows paid	(35,829)	0	0	0	(35,829)
Claims and other insurance service expenses paid	0	0	(270,691)	0	(270,691)
OTHER CHANGES IN THE NET CARRYING AMOUNT	377,148	0	(270,691)	0	106,457
Closing assets	0	0	0	0	0
Closing liabilities	121,840	2,553	937,808	45,598	1,107,799
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT CLOSING	121,840	2,553	937,808	45,598	1,107,799

The insurance contract liabilities for remaining coverage (excluding loss component) increased from EUR 69 million to EUR 122 million. This increase is mainly explained by the increase in the Non-Life portfolio. The loss component decreased from EUR 4.1 million to EUR 2.6 million mainly due to the change in the confidence level to determine the risk adjustment which resulted in certain insurance contracts no longer being onerous.

During 1H 2023 the risk adjustment on the liabilities for incurred claims decreased from EUR 56.3 million to EUR 45.6 million. This decrease is explained by the change in the confidence level to determine the risk adjustment. Per 31 December 2022 a confidence level of 85% was used, while as from 2023 a confidence level between 72.5% and 77.5% is applied (per 30 June 2023 a confidence level of 77.5% was used).

B. Reinsurance contracts held – Reconciliation of the liability for remaining coverage and the liability for incurred claims

	31/12/22				
	Assets for remaining coverage		Assets for incurred claims recoveries		Total assets
(in thousands of EUR)	Excluding loss component	Loss component	Estimation of the present value of future cash flows	Risk adjustment for non-financial risk	
Opening reinsurance assets	6,253	0	96,264	6,675	109,192
Opening reinsurance liabilities	0	0	0	0	0
NET REINSURANCE CONTRACT ASSETS (LIABILITIES) AT OPENING	6,253	0	96,264	6,675	109,192
Allocation of reinsurance premiums	(53,365)	0	0	0	(53,365)
Amounts recoverable from reinsurance companies for incurred claims	0	0	67,157	891	68,048
Amounts recoverable from incurred claims and other expenses	0	0	11,294	891	12,185
Adjustments to the asset for incurred claims recoveries	0	0	55,863	0	55,863
Effect of changes in non-performance risk reinsurance companies	0	0	0	0	0
Loss recovery on underlying contracts and adjustments	0	0	0	0	0
Reinsurance investment component	0	0	0	0	0
NET INCOME OR EXPENSES OF REINSURANCE CONTRACTS	**(53,365)**	**0**	**67,157**	**891**	**14,684**
REINSURANCE FINANCE RESULT	**0**	**0**	**(11,494)**	**(789)**	**(12,283)**
Finance expenses from reinsurance contracts	0	0	(11,494)	(789)	(12,283)
Effects of movements in exchange rates	0	0	0	0	0
TOTAL CHANGE IN STATEMENT OF PROFIT OR LOSS AND OCI	**(53,365)**	**0**	**55,663**	**103**	**2,401**
CASH FLOWS	**57,681**	**0**	**(53,171)**	**0**	**4,510**
Premiums paid	57,681	0	0	0	57,681
Amounts received from reinsurance companies	0	0	(53,171)	0	(53,171)
OTHER CHANGES IN THE NET CARRYING AMOUNT	**57,681**	**0**	**(53,171)**	**0**	**4,510**
Closing reinsurance assets	10,569	0	98,756	6,778	116,103
Closing reinsurance liabilities	0	0	0	0	0
NET REINSURANCE CONTRACT ASSETS (LIABILITIES) AT CLOSING	10,569	0	98,756	6,778	116,103

(in thousands of EUR)	30/06/23				
	Assets for remaining coverage		Assets for incurred claims recoveries		Total assets
	Excluding loss component	Loss component	Estimation of the present value of future cash flows	Risk adjustment for non-financial risk	
Opening reinsurance assets	10,569	0	98,756	6,778	116,103
Opening reinsurance liabilities	0	0	0	0	0
NET REINSURANCE CONTRACT ASSETS (LIABILITIES) AT OPENING	10,569	0	98,756	6,778	116,103
Allocation of reinsurance premiums	(27,175)	0	0	0	(27,175)
Amounts recoverable from reinsurance companies for incurred claims	0	0	12,419	(2,082)	10,337
Amounts recoverable from incurred claims and other expenses	0	0	4,690	(2,082)	2,608
Adjustments to the asset for incurred claims recoveries	0	0	7,729	0	7,729
Effect of changes in non-performance risk reinsurance companies	0	0	0	0	0
Loss recovery on underlying contracts and adjustments	0	0	0	0	0
Reinsurance investment component	0	0	0	0	0
NET INCOME OR EXPENSES OF REINSURANCE CONTRACTS	(27,175)	0	12,419	(2,082)	(16,838)
REINSURANCE FINANCE RESULT	0	0	3,192	190	3,382
Finance expenses from reinsurance contracts	0	0	3,192	190	3,382
Effects of movements in exchange rates	0	0	0	0	0
TOTAL CHANGE IN STATEMENT OF PROFIT OR LOSS AND OCI	(27,175)	0	15,610	(1,892)	(13,457)
CASH FLOWS	28,465	0	(29,340)	0	(876)
Premiums paid	28,465	0	0	0	28,465
Amounts received from reinsurance companies	0	0	(29,340)	0	(29,340)
OTHER CHANGES IN THE NET CARRYING AMOUNT	28,465	0	(29,340)	0	(876)
Closing reinsurance assets	11,858	0	85,026	4,886	101,770
Closing reinsurance liabilities	0	0	0	0	0
NET REINSURANCE CONTRACT ASSETS (LIABILITIES) AT CLOSING	11,858	0	85,026	4,886	101,770

The reinsurance contract assets for incurred claims recoveries decreased from EUR 98.8 million to EUR 85 million, this decrease is mainly explained by the absence of important natural catastrophes in 1H 2023.

3. Movements in insurance and reinsurance contract balances – GMM

The general measurement model is applied to Life contracts, investment contracts with discretionary participation features as well as to Health/Individual contracts.

A. Insurance contracts issued – Reconciliation of the liability for remaining coverage and the liability for incurred claims

	31/12/22			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total liabilities
(in thousands of EUR)	Excluding loss component	Loss component		
Opening assets	0	0	0	0
Opening liabilities	12,218,326	19,608	107,558	12,345,492
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT OPENING	**12,218,326**	**19,608**	**107,558**	**12,345,492**
INSURANCE REVENUE (A)	**(284,534)**	**0**	**0**	**(284,534)**
INSURANCE SERVICE EXPENSE (B)	**22,388**	**22,422**	**185,532**	**230,342**
Incurred claims and other incurred insurance service expenses	0	0	181,673	181,673
Amortisation of insurance acquisition cash flows	22,388	0	0	22,388
Adjustments to the liabilities for incurred claims	0	0	3,858	3,858
Losses and reversal of losses on onerous contracts	0	22,422	0	22,422
INSURANCE SERVICE RESULT (A)+(B)	**(262,146)**	**22,422**	**185,532**	**(54,192)**
INSURANCE FINANCE RESULT	**(2,029,742)**	**251**	**(2,518)**	**(2,032,008)**
Finance expenses from insurance contracts	(2,029,742)	251	(2,518)	(2,032,008)
Effects of movements in exchange rates	0	0	0	0
TOTAL CHANGE IN STATEMENT OF PROFIT OR LOSS AND OCI	**(2,291,888)**	**22,674**	**183,014**	**(2,086,200)**
INVESTMENT COMPONENT	**(1,457,366)**	**0**	**1,457,366**	**0**
CASH FLOWS	**1,171,760**	**0**	**(1,614,017)**	**(442,257)**
Premiums received	1,214,481	0	0	1,214,481
Insurance acquisition cash flows paid	(42,721)	0	0	(42,721)
Claims and other insurance service expenses paid	0	0	(1,614,017)	(1,614,017)
OTHER CHANGES IN THE NET CARRYING AMOUNT	**(285,606)**	**0**	**(156,651)**	**(442,257)**
Closing assets	0	0	0	0
Closing liabilities	9,640,832	42,281	133,921	9,817,033
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT CLOSING	**9,640,832**	**42,281**	**133,921**	**9,817,033**

(in thousands of EUR)	30/06/23			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total liabilities
	Excluding loss component	Loss component		
Opening assets	0	0	0	0
Opening liabilities	9,640,832	42,281	133,921	9,817,033
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT OPENING	9,640,832	42,281	133,921	9,817,033
INSURANCE REVENUE (A)	(134,999)	0	0	(134,999)
INSURANCE SERVICE EXPENSE (B)	9,079	(2,049)	109,083	116,113
Incurred claims and other incurred insurance service expenses	0	0	111,757	111,757
Amortisation of insurance acquisition cash flows	9,079	0	0	9,079
Adjustments to the liabilities for incurred claims	0	0	(2,675)	(2,675)
Losses and reversal of losses on onerous contracts	0	(2,049)	0	(2,049)
INSURANCE SERVICE RESULT (A)+(B)	(125,920)	(2,049)	109,083	(18,886)
INSURANCE FINANCE RESULT	2,368	190	242	2,799
Finance expenses from insurance contracts	2,368	190	242	2,799
Effects of movements in exchange rates	0	0	0	0
TOTAL CHANGE IN STATEMENT OF PROFIT OR LOSS AND OCI	(123,552)	(1,859)	109,324	(16,088)
INVESTMENT COMPONENT	(659,426)	0	659,426	0
CASH FLOWS	542,604	0	(809,303)	(266,699)
Premiums received	561,779	0	0	561,779
Insurance acquisition cash flows paid	(19,175)	0	0	(19,175)
Claims and other insurance service expenses paid	0	0	(809,303)	(809,303)
OTHER CHANGES IN THE NET CARRYING AMOUNT	(116,822)	0	(149,877)	(266,699)
Closing assets	0	0	0	0
Closing liabilities	9,400,458	40,421	93,368	9,534,247
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT CLOSING	9,400,458	40,421	93,368	9,534,247

The liabilities for remaining coverage (excluding loss component) decreased from EUR 9,641 million to EUR 9,400 million. This decrease is mainly explained by the impact of the update of the risk adjustment methodology (EUR -185 million) whereby the mass lapse shock has been recalibrated. The insurance finance result is limited in 1H 2023 as the interest rate curves did not change significantly compared to 31 December 2022.

During 1H 2023 the loss component has decreased from EUR 42.3 million to EUR 40.4 million. This decrease is explained by the refinement of the actuarial models, the recalibration of the risk adjustment and the update of the non-financial assumptions (mainly inflation – and expenses assumptions).

B. Insurance contracts issued – Reconciliation of the measurement components of insurance contract balances

(in thousands of EUR)	31/12/22					
	Fulfilment cash flows		CSM			Total liabilities
	Estimation of the present value of the future cash flows	Risk adjustment for non-financial risk	Contracts under the modified retrospective approach	Contracts under the fair value approach	Other contracts	
Opening assets	0	0	0	0	0	0
Opening liabilities	11,360,730	166,695	0	662,820	155,246	12,345,492
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT OPENING	11,360,730	166,695	0	662,820	155,246	12,345,492
CHANGES THAT RELATE TO CURRENT SERVICES	**28,836**	**(10,824)**	**0**	**(71,279)**	**(27,482)**	**(80,749)**
CSM recognised for services provided	0	0	0	(71,279)	(27,482)	(98,761)
Change in risk adjustment for non-financial risk for risk expired	0	(10,824)	0	0	0	(10,824)
Experience adjustments	28,836	0	0	0	0	28,836
CHANGES THAT RELATE TO FUTURE SERVICES	**(35,936)**	**19,640**	**0**	**(84,749)**	**123,467**	**22,422**
Contracts initially recognised in the year	(156,363)	21,884	0	0	137,503	3,025
Changes in estimates that adjust the CSM	97,312	1,473	0	(84,749)	(14,036)	0
Changes in estimates that result in losses and reversal of losses on onerous contracts	23,114	(3,717)	0	0	0	19,398
CHANGES THAT RELATE TO PAST SERVICES	**3,999**	**136**	**0**	**0**	**0**	**4,134**
Changes in liabilities for incurred claims	3,999	136	0	0	0	4,134
TOTAL INSURANCE SERVICE RESULT	**(3,101)**	**8,952**	**0**	**(156,028)**	**95,985**	**(54,192)**
INSURANCE FINANCE RESULT	**(2,201,506)**	**148,074**	**0**	**19,729**	**1,695**	**(2,032,009)**
Finance expenses from insurance contracts	(2,201,506)	148,074	0	19,729	1,695	(2,032,009)
TOTAL CHANGE IN STATEMENT OF PROFIT OR LOSS AND OCI	**(2,204,607)**	**157,025**	**0**	**(136,299)**	**97,679**	**(2,086,201)**
Cash flows	(442,257)	0	0	0	0	(442,257)
OTHER CHANGES IN THE NET CARRYING AMOUNT	**(442,257)**	**0**	**0**	**0**	**0**	**(442,257)**
Closing assets	0	0	0	0	0	0
Closing liabilities	8,713,867	323,720	0	526,521	252,925	9,817,033
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT CLOSING	8,713,867	323,720	0	526,521	252,925	9,817,033

(in thousands of EUR)	30/06/23 Fulfilment cash flows: Estimation of the present value of the future cash flows	Risk adjustment for non-financial risk	CSM: Contracts under the modified retrospective approach	Contracts under the fair value approach	Other contracts	Total liabilities
Opening assets	0	0	0	0	0	0
Opening liabilities	8,713,867	323,720	0	526,521	252,925	9,817,033
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT OPENING	8,713,867	323,720	0	526,521	252,925	9,817,033
CHANGES THAT RELATE TO CURRENT SERVICES	41,297	(3,554)	0	(35,051)	(16,855)	(14,163)
CSM recognised for services provided	0	0	0	(35,051)	(16,855)	(51,906)
Change in risk adjustment for non-financial risk for risk expired	0	(3,554)	0	0	0	(3,554)
Experience adjustments	41,297	0	0	0	0	41,297
CHANGES THAT RELATE TO FUTURE SERVICES	(84,506)	(60,262)	0	55,173	87,546	(2,049)
Contracts initially recognised in the year	(62,928)	3,839	0	0	59,433	345
Changes in estimates that adjust the CSM	(20,436)	(62,850)	0	55,173	28,113	0
Changes in estimates that result in losses and reversal of losses on onerous contracts	(1,143)	(1,251)	0	0	0	(2,394)
CHANGES THAT RELATE TO PAST SERVICES	(3,988)	1,313	0	0	0	(2,675)
Changes in liabilities for incurred claims	(3,988)	1,313	0	0	0	(2,675)
TOTAL INSURANCE SERVICE RESULT	(47,196)	(62,503)	0	20,122	70,691	(18,886)
INSURANCE FINANCE RESULT	124,076	(136,692)	0	11,056	4,359	2,799
Finance expenses from insurance contracts	124,076	(136,692)	0	11,056	4,359	2,799
TOTAL CHANGE IN STATEMENT OF PROFIT OR LOSS AND OCI	76,880	(199,195)	0	31,178	75,050	(16,088)
Investment component	0	0	0	0	0	0
Cash flows	(266,699)	0	0	0	0	(266,699)
OTHER CHANGES IN THE NET CARRYING AMOUNT	(266,699)	0	0	0	0	(266,699)
Closing assets	0	0	0	0	0	0
Closing liabilities	8,524,048	124,525	0	557,699	327,975	9,534,247
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT CLOSING	8,524,048	124,525	0	557,699	327,975	9,534,247

For its life insurance contracts issued, Belfius applied the full retrospective approach for groups of insurance contracts related to underwriting years as from (and including) 2018. For groups of insurance contracts related to older underwriting years, the full retrospective approach was considered impracticable due to lack of historical data (e.g. due to system migrations) or undue cost or effort to obtain the data, and/or use of hindsight. As a result, Belfius chose to apply for these underwriting years the fair value approach.

4. Effect of contracts initially recognised in the year
A. GMM

(in thousands of EUR)	31/12/22		30/06/23	
	Profitable contracts issued	Onerous contracts issued	Profitable contracts issued	Onerous contracts issued
Total present value estimate of cash outflows	793,032	97,705	364,509	991
Insurance acquisition cash flows	39,053	1,018	16,104	2
Expected claims and other insurance service expenses payable	753,979	96,687	348,405	989
Estimates of present value of cash inflows	(916,060)	(97,085)	(410,762)	(652)
Risk adjustment for non-financial risk	19,479	2,405	3,833	6
CSM	103,548	0	42,420	0
Losses recognised on initial recognition	0	3,025	0	345

The CSM reported includes the discretionary cash flows allocated to the contracts initially recognised during the year. During 2022 a loss component of EUR 3 million was recognised. This relates to new affiliates in defined benefit contracts during the first quarter of 2022. During the first semester of 2023 contracts initially recognised with a loss component are limited to EUR 0.3 million.

5. Contractual service margin

The following table sets out when Belfius expects to recognise the remaining CSM in profit or loss after the reporting date for contracts measured under the GMM.

(in thousands of EUR)	31/12/22							
	1 year or less	1-2 year	2-3 years	3-4 years	4-5 years	5-10 years	More than 10 years	Total
Remaining CSM from insurance contracts estimated to be recognised as revenue	88,530	79,241	70,995	63,239	56,547	199,382	221,512	779,446

(in thousands of EUR)	30/06/23							
	1 year or less	1-2 year	2-3 years	3-4 years	4-5 years	5-10 years	More than 10 years	Total
Remaining CSM from insurance contracts estimated to be recognised as revenue	96,280	87,250	78,906	70,934	63,993	228,943	259,367	885,674

6.6. Provisions and contingent liabilities

(refers to table 6.6. of the annual report 2022)

1. Analysis by nature

(in thousands of EUR)	31/12/22	30/06/23
Pensions and other employment defined benefit obligations(1)	181,675	185,437
Other long term employee benefits	23,292	21,293
Restructuring(2)	28,983	23,738
Provisions for litigations(3)	20,820	16,965
Onerous contracts	1,779	1,668
Impairment on financial guarantees and commitments given(4)	172,222	180,175
Other provisions	65,151	62,975
TOTAL	493,922	492,252

(1) The negative revaluation of the pension liabilities is the result of the decrease of the discount rate and the higher than expected inflation.
(2) The restructuring provision, consisting of staff expenses and network costs, is used in line with agreed plans and is reviewed annually and adjusted, where necessary.
(3) Provisions for litigations concerns mainly provisions for potential settlements of ongoing disputes with third parties. Belfius Insurance accounted for a provision of EUR 8.5 million in 2022 related to the termination of a collaboration agreement that has been settled in the course of 1H 2023.
(4) Refer to table 9.2.3. Movements in allowances for credit losses for further information.

2. Contingent liabilities and legal litigations

A. Commitments to Single Resolution Fund

Belfius has opted in the past to pay part of its contribution of the Single Resolution Fund through an Irrevocable Payment Commitment. This payment commitment is fully covered by cash collateral.

See also note 8.5. "Commitments to Single Resolution Fund".

B. Commitments to Belfius Bank Branches

As a result of the amended company legislation, the legal form of the Belfius branches has been converted from Cooperative Society (CVBA) to Limited Liability Company (Commanditaire Vennootschap (CommV)) as from 2020.

In this context, as from 1 January 2020, Belfius Bank grants a guarantee to the managing partners of these limited partnerships for their unlimited liability.

C. Legal litigations

Belfius (Belfius Bank and its consolidated subsidiaries) is involved as a party in a number of litigations in Belgium, arising in the ordinary course of its business activities, including those where it is acting as an insurer, capital and credit provider, employer, investor and taxpayer.

Belfius recognises provisions for such litigations when, in the opinion of its management taking into account all available elements, including an analysis by its company lawyers and external legal advisors as the case may be:

- a present obligation has arisen as a result of past events,
- it is probable that Belfius will have to make a payment, and
- the amount of such payment can be estimated reliably.

With respect to certain other litigations against Belfius, of which management is aware, no provision has been made according to the principles outlined here above, as the management is of the opinion, after due consideration of appropriate advice, that, while it is often not feasible to predict or determine the ultimate outcome of all pending litigations, such litigations are without legal merit, can be successfully defended, or that the outcome of these actions is not expected to result in a significant loss.

In the opinion of Belfius, the most important cases are listed below, regardless of whether a provision has been made or not[1]. Their description does not deal with elements or developments that do not have an impact on the position of Belfius. If the cases listed below were to be successful for the opposite parties, they could eventually result in monetary consequences for Belfius. For litigations for which no provision has been made, such impact remains unquantifiable at this stage. Note that, apart from the cases listed below, continued vigilance can be observed in the prevention of money laundering (AML) in the Belgian financial sector. In this context, as is customary, Belfius is collaborating with the Belgian authorities and monitors this closely.

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

Arco – Cooperative shareholders

Various parties, including Belfius Bank, have been summoned by Arco – Cooperative shareholders in three separate procedures, i.e.:

- A procedure before the Dutch speaking Commercial Court of Brussels (Procedure C.C. Deminor);
- A procedure before the Court of First Instance of Brussels (Procedure C.F.I. ArcoClaim 2018);
- A procedure before the Court of First Instance of Brussels (Procedure C.F.I. Deminor 2022)

Procedure C.C. Deminor

On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) initiated (with support of Deminor) proceedings against the Arco entities and Belfius Bank before the Dutch speaking Commercial Court of Brussels (the "Deminor Proceedings"). On 19 December 2014, 1,027 additional shareholders of the Arco entities joined in the Deminor Proceedings. On 15 January 2016, 405 additional shareholders of the Arco entities joined the Deminor Proceedings, resulting in a total of 2,169 plaintiffs. On 16 November 2020, a further "Deminor" procedure was initiated, in which all plaintiffs except one joined, to anticipate a possible nullity of the original summons. The content of the two proceedings is identical. As a result, they are treated together.

The plaintiffs have requested that the Brussels Court rules, among other things:

- in first order, that the agreements by virtue of which they became shareholders of the relevant Arco entities are null and void as a consequence of an alleged defect in consent;
- that the defendants should therefore, in solidum, reimburse the plaintiffs for their financial contribution in these entities plus interest;
- in the alternative, a compensation is asked to Belfius Bank for an alleged violation of the information duty; and
- that the defendants are liable for certain additional damages to the plaintiffs.

The historical financial contribution of the 2,169 plaintiffs to the Arco Group entities, for which reimbursement is claimed, amounted to approximately EUR 6.5 million (principal amount). The plaintiffs' claims in the Deminor Proceedings are based on allegations of fraud and/or error on the part of the Arco entities and Belfius Bank. In the alternative, the plaintiffs have argued that Belfius Bank breached its general duty of care as a normal and prudent banker. In relation to Belfius Bank, the plaintiffs have referred to certain letters and brochures allegedly containing misleading information issued by the predecessors of Belfius Bank. The Belgian State, DRS Belgium (Deminor) and the Chairman of the Management Board of the Arco entities are also defendants in the proceedings before the Commercial Court of Brussels. In the meantime, the VZW Arcoclaim also intervened in this litigation procedure (on grounds of an alleged transfer of claim by one of the plaintiffs/Arco shareholders). The case has been pleaded during several pleading sessions in June 2021. In its decision announced on 3 November 2021, the Dutch-speaking Commercial Court of Brussels rejected all the claims of the Arco shareholders.

The Arco shareholders have launched appeal against this judgement. The case is now pending before the Court of Appeal in Brussels. A pleading calendar has been determined. A pleading hearing can be expected at the earliest in the second half of 2028.

Procedure C.F.I. ArcoClaim 2018

On 7 February 2018, 2 Arco shareholders summoned the Belgian State before the Court of First Instance of Brussels because they state that the Belgian State has made a fault by promising and introducing a guarantee scheme for shareholders of financial cooperative companies (like the Arco shareholders) which has been considered illicit state aid by the European Commission. These 2 plaintiffs also summoned Belfius Bank on 8 February 2018 to intervene in this procedure and claim compensation from Belfius Bank because they consider that Belfius Bank erred in the sale of the Arco shares. Groups of Arco shareholders organized themselves via social media to mobilize other Arco shareholders to become claimant in this procedure. The VZW Arcoclaim also intervenes in this litigation procedure.

In this procedure VZW Arcoclaim had requested the initiation of a mediation procedure before the court, but this request has been dropped in May 2023. In the meantime, to date, ArcoClaim has declared that 7,258 new Arco shareholders have joined ArcoClaim, in addition to 5,334 Arco shareholders already being part of ArcoClaim.

No pleading calendar has been fixed yet, but ArcoClaim had requested that this procedure be joined with the procedure C.F.I. Deminor 2022 (see also Procedure C.F.I. Deminor 2022).

Procedure C.F.I. Deminor 2022

On 14 December 2022, 10 Arco shareholders have launched a new judicial procedure with the assistance of Deminor against the Arco-companies, the Belgian State and Belfius before the Court of First Instance in Brussels, in which they ask the defending parties to be condemned to indemnification based on extra-contractual liability, equal to claimant's financial contribution including interests, dividends, and possible bonus reserves, as well as a supplementary indemnification for moral damages. In the meanwhile, to date, a total of 13,678 Arco shareholders have joined this procedure.

At the introductory hearing of 2 June 2023, several procedural issues have risen, a.o.:

- ArcoClaim has intervened in the Deminor 2022 procedure, requesting that the ArcoClaim procedure (Procedure C.F.I. ArcoClaim 2018) be joined together with the Deminor 2022 procedure (Procedure C.F.I. Deminor 2022). Deminor has strongly opposed the joining of procedures, fearing that its procedure will be excessively delayed; and
- Deminor has requested a preliminary judgement to condemn Arco to provide all the Arco shareholder documentation (date of purchase, amount, etc.) to the claimants. Arco has opposed this request.

Considering these procedural issues, the case has been suspended (rolverzending/renvoi au rôle). A procedural calendar is expected so that parties can submit their written arguments (limited to this specific procedural issue).

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.

Investigations into Panama Papers

These paragraphs are mentioned for completeness only, although the matters below do not comprise a litigation. On 5 December 2017, a police search under the lead of an examining magistrate of Brussels (onderzoeksrechter/juge d'instruction) took place at Belfius Bank's head office in the framework of the Belgian "Panama Papers" Parliamentary Commission. The Bank was investigated as a witness and has not been accused of any wrongdoing. The scope of the investigation is to establish whether there are any violations of anti-money laundering obligations and to investigate the link between Belfius Bank (or its predecessors), and, amongst others, Experta and Dexia Banque Internationale à Luxembourg (i.e. former entities of the Dexia group).

To date, Belfius Bank did not receive any further information since the above mentioned police search.

Investigation by public prosecutor into the activities of an independent bank agency

Public prosecution has been initiated, a.o. against Belfius Bank, for its alleged role in potential fraudulent activities that would have been conducted with the assistance of a director of an independent bank agency of Belfius Bank in violation of several (banking) regulations. After consultation of the criminal file, Belfius continues to believe that it has sufficient valid arguments to result in these claims being declared inadmissible and/or without merit. No provision has been booked for this case.

6.7. Subordinated debts

(refers to table 6.7. of the annual report 2022)

1. Not measured at fair value through profit or loss

	Amortised Cost	
(in thousands of EUR)	31/12/22	30/06/23
CONVERTIBLE SUBORDINATED DEBT	0	0
NON-CONVERTIBLE SUBORDINATED DEBT	1,547,204	1,821,834
Loan capital perpetual subordinated notes	141,877	143,603
Loan capital non-perpetual subordinated notes	1,405,327	1,678,231
TOTAL	1,547,204	1,821,834
HYBRID CAPITAL AND REDEEMABLE PREFERENCE SHARES	0	0

Subordinated debts increased by EUR 275 million, or 17.8%, to EUR 1.8 billion (31 December 2022: EUR 1.5 billion) as a result of the issuance of EUR 0.5 billion Tier 2 notes in January 2023, partially offset by the call of EUR 0.2 billion Tier 2 notes in March 2023.

2. Measured at fair value through profit or loss

Nil.

3. Analysis cash flows and non-cash changes

(in thousands of EUR)	31/12/22	30/06/23
OPENING BALANCE	1,642,749	1,547,204
CASH FLOWS		
Issuance of subordinated debts	0	495,965
Repayments of subordinated debts	(92,219)	(198,952)
NON-CASH CHANGES		
Foreign exchange adjustments	(11,101)	(14,984)
Effective Interest rate	7,775	(7,400)
CLOSING BALANCE	1,547,204	1,821,834

In January 2023 Belfius issued Tier 2 subordinated notes amounting to EUR 500 million and called a Tier 2 subordinated loan amounting to EUR 200 million in March 2023.

In 2022, Belfius reimbursed two subordinated loans amounting to EUR 75 million that came at maturity in 1H 2022 and called a Tier 2 subordinated loan amounting to EUR 18 million in 2H 2022

4. Analysis of the fair value

See note 9.1.

VII. Notes on the condensed consolidated interim statement of income

(some amounts may not add up due to rounding)

Significant items included in the statement of income
We refer to the chapter "Financial results" in the management report.

7.1. Interest income – interest expense

(refers to table 7.1. of the annual report 2022)

(in thousands of EUR)	30/06/22	30/06/23
INTEREST INCOME	1,701,928	3,125,869
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT AMORTISED COST	**1,203,651**	**2,241,707**
Cash and balances with central banks	0	529,790
Loans and advances due from credit institutions	10,506	77,007
Loans and advances	964,089	1,445,524
Debt securities issued by public sector	141,350	84,135
Other debt securities	87,225	104,679
Other	482	573
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OCI	**42,746**	**160,989**
Loans and advances	2,385	51,869
Debt securities issued by public sector	27,990	80,031
Other debt securities	12,371	29,089
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**303,834**	**721,748**
Financial assets held for trading	493	1,718
Non-trading financial assets mandatorily measured at fair value	26,267	29,577
Loans and advances	17,156	15,624
Debt securities issued by public sector	115	106
Other debt securities	8,996	13,846
Derivatives held for trading	82,735	102,267
Derivatives as hedging instruments	194,340	588,187
INTEREST INCOME ON FINANCIAL LIABILITIES (NEGATIVE YIELD)	**151,696**	**1,424**
INTEREST EXPENSE	(726,248)	(1,921,818)
INTEREST EXPENSE OF FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**(161,798)**	**(860,837)**
Cash and balances with central banks	0	(77,236)
Credit institutions borrowings and deposits	(3,361)	(141,644)
Customers borrowings and deposits	(54,637)	(406,245)
Debt securities issued	(78,259)	(204,050)
Lease liabilities	(336)	(358)
Subordinated debts	(24,476)	(28,933)
Other	(729)	(2,371)
INTEREST EXPENSE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**(457,242)**	**(1,060,701)**
Financial liabilities held for trading	(2,868)	(1,706)
Financial liabilities designated at fair value	(41,670)	(44,885)
Derivatives held for trading	(51,747)	(189,108)
Derivatives as hedging instruments	(360,958)	(825,002)
INTEREST EXPENSE ON FINANCIAL ASSETS (NEGATIVE YIELD)	**(107,207)**	**(281)**
NET INTEREST INCOME[1]	975,680	1,204,051

(1) Interest income and expense are recognised on an accrual basis in the statement of income for all interest bearing instruments using the effective interest rate method.

Net interest income increased by EUR 228.4 million, or 23.4%, to EUR 1,204 million (30 June 2022 EUR 976 million), mainly resulting from the increase in contribution from the Belfius Banking group (EUR +242 million) due to increasing overall interest margin, partially offset by an increase in interest expense (EUR -12 million) at Belfius Insurance as a result the impact of increasing interest rates on short term liquidity management.

The interest expense on TLTRO III funding from ECB/NBB central bank and accounted for in 1H 2023 amounts to EUR -77 million (versus interest income amounting to EUR 77 million in 1H 2022).

7.2. Fee and commission income – expense

(refers to table 7.6. of the annual report 2022)

	30/06/22			30/06/23		
(in thousands of EUR)	Income	Expense	Net	Income	Expense	Net
Commissions on unit trusts and mutual funds managed by third parties	198,428	(35,105)	163,324	195,234	(32,462)	162,772
Insurance activity	73,368	(14,281)	59,087	65,680	(2,210)	63,470
Credit activity	25,558	(3,299)	22,259	27,416	(4,708)	22,708
Purchase and sale of securities	8,192	(531)	7,661	7,295	(387)	6,908
Purchase and sale of unit trusts and mutual funds	28,464	(1)	28,463	17,604	0	17,604
Payment services (PF)	102,148	(37,628)	64,520	118,286	(41,533)	76,753
Commissions to not exclusive brokers	809	(7,058)	(6,249)	680	(6,106)	(5,426)
Services on securities other than safekeeping	3,106	(868)	2,238	2,902	(954)	1,947
Custody	15,847	(2,219)	13,628	12,853	(2,541)	10,312
Issues and placements of securities	4,381	(2,740)	1,641	5,676	(1,324)	4,351
Servicing fees of securitisation	82	0	82	74	0	74
Advisory services and discretionary management	21,603	(3,195)	18,408	22,223	(424)	21,799
Private membership fees (PF)	2,490	0	2,490	4,531	0	4,531
Clearing and settlement	6,968	(2,519)	4,448	2,221	(3,449)	(1,228)
Securities lending	1,635	(1)	1,634	803	(22)	781
Financial guarantees	1,837	(1,761)	76	1,637	(1,440)	197
Beyond banking and insurance	611	(467)	145	917	(678)	239
TOTAL	**495,528**	**(111,673)**	**383,854**	**486,032**	**(98,238)**	**387,794**

(PF) Belfius presented pro forma figures for the refinement of the presentation of Private Membership fees.

Net fee and commission income increased by EUR 3.9 million, or 1.0%, to EUR 388 million (30 June 2022: EUR 384 million). The increase is mainly attributable to an increase in commission income on payment services (EUR +12 million) as a result of increasing transaction volumes, and to an increase in commission income from private membership fees (EUR +2 million). Fee income on asset management services decreased (EUR -11 million) as a result of a decrease in investment transactions on mutual funds compared to 1H 2022.

7.3. Insurance results

1. Insurance revenue

(in thousands of EUR)	30/06/22	30/06/23
CONTRACTS NOT MEASURED UNDER THE PAA	**139,241**	**134,999**
Amounts related to changes in liabilities for remaining coverage	129,120	125,920
Premium variance for past & current service	(14,162)	(13,430)
CSM recognised for services provided	47,886	51,906
Change in risk adjustment for non-financial risk for risk expired	5,558	3,554
Incurred claims expected and other insurance service expenses	89,838	83,890
Recovery of insurance acquisition cash flows	10,122	9,079
CONTRACTS MEASURED UNDER THE PAA	**386,181**	**405,951**
TOTAL INSURANCE REVENUE	525,423	540,950

2. Insurance service expenses

See note 6.5.

3. Net expenses from reinsurance contracts

See note 6.5.

4. Insurance finance result

See note 6.5.

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

(refers to table 7.4. of the annual report 2022)

(in thousands of EUR)	30/06/22	30/06/23
Net trading income	(13,249)	79,864
Net result of financial assets designated at fair value through profit or loss and result from the related derivatives	0	0
Result of financial assets non-trading mandatorily measured at fair value through profit or loss	(59,498)	(11,074)
Loans and advances	(41,921)	(17,309)
Debt securities issued by public sector	(1,461)	42
Other Debt securities	(16,115)	6,193
Equity instruments	(1)	0
Net result of financial liabilities designated at fair value through profit or loss and result from the related derivatives (except own credit risk)	(142)	853
Net result of hedge accounting	99,959	(5,276)
TOTAL	27,071	64,368

Net income from financial instruments measured at fair value through profit or loss increased by EUR 37.3 million to EUR 64.4 million (30 June 2022: EUR 27.1 million).

Net trading income increased by EUR +93 million to EUR 80 million in 1H 2023. This line includes the fair value changes of "economic hedges" (financial instruments that cannot be defined as accounting hedges under IFRS) for EUR 6 million (30 June 2022: EUR -52 million), including EUR -15 million results on swaps economically hedging accounting hedge inefficiencies.

The net income from (non-trading) financial instruments mandatorily measured at fair value through profit or loss increased by EUR 48 million to EUR -11 million in 1H 2023 mainly due to the impact of increasing interest rates, tightened credit spreads, and the evolution of the stock markets.

The net income of hedge accounting decreased by EUR -105 million to EUR -5 million in 1H 2023 and was negatively impacted, among other factors, by evolutions on certain basis spreads and basis risks. The net result of hedge accounting of 1H 2022 is related to the evolution of the real rates in 1H 2022 of the inflation linked bonds hedged by inflation linked swaps. The real rates stabilised in 1H 2023.

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

Net trading income

Net trading income increased by EUR +93 million to EUR 80 million in 1H 2023. This line includes the fair value changes of "economic hedges" (financial instruments that cannot be defined as accounting hedges under IFRS) for EUR 6 million, including EUR -15 million results on swaps economically hedging the hedge inefficiency.

The total amount recorded on the balance sheet as credit value adjustments stands at EUR -43 million end June 2023 (compared to EUR -62 million end June 2022), whereas total amount on the balance sheet of the debit value adjustment amounts to EUR 9 million end June 2023 (compared to EUR 8 million end June 2023). The total amount on the balance sheet related to funding value adjustments amounts to EUR -32 million end June 2023 (compared to EUR -36 million end June 2022).

The total P&L impact in the line net trading income for credit value adjustments amounted to EUR 8 million end June 2023 (compared to EUR -11 million end June 2022), for debit value adjustments to EUR -2 million end June 2023 (compared to EUR +6 million end June 2022) and for funding value adjustments to EUR +3 million end June 2023 (compared to EUR +25 million end June 2022).

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

The net result from financial instruments increased by EUR +48 million to EUR -11 million in 1H 2023. The non-SPPI compliant structured loans as presented in the line "Loans and advances" were negatively impacted by higher interest rates resulting in negative fair value changes of EUR -17 million. The "Other Debt securities" increased by EUR 26 million compared to June 2022 mainly due to positive fair value changes on funds at Belfius Insurance (considered as non-SPPI compliant bonds). Note that hedges of these instruments are classified in net trading income.

Net result of hedge accounting

The net result of hedge accounting amounts to EUR -5 million (1H 2022: EUR 100 million) and was negatively impacted, among other factors, by evolutions on certain basis spreads and basis risks. The net result of hedge accounting of 1H 2022 is related to the evolution of the real rates in 1H 2022 of the inflation linked bonds hedged by inflation linked swaps. The real rates stabilised in 1H 2023.

Belfius is managing risks through additional derivatives (economic hedges) for which no hedge accounting is set up, the result of these hedges were recorded in the net trading income line for an amount of EUR 6 million. It mainly relates to swaps hedging the hedge inefficiency.

Result of hedge accounting

(in thousands of EUR)	30/06/22	30/06/23
FAIR VALUE HEDGES	84,168	(4,704)
Fair value changes of the hedged item attributable to the hedged risk	(1,776,703)	(63,058)
Fair value changes of the hedging derivatives	1,860,871	58,354
CASH FLOW HEDGES	0	0
PORTFOLIO HEDGE	15,791	(572)
Fair value changes of the hedged item	(459,961)	(229,468)
Fair value changes of the hedging derivatives	475,753	228,896
TOTAL	99,959	(5,276)

(in thousands of EUR)	30/06/22	30/06/23
DISCONTINUATION OF CASH FLOW HEDGE ACCOUNTING (CASH FLOWS STILL EXPECTED TO OCCUR) – AMOUNTS RECORDED IN INTEREST MARGIN	78	(31)

All effectiveness tests were respected at all times.

For more details we refer to note 5.5. derivatives.

7.5. Net income on investments and liabilities

(refers to table 7.5. of the annual report 2022)

(in thousands of EUR)	30/06/22	30/06/23
FINANCIAL ASSETS AT AMORTISED COST (NOT IMPAIRED)	**1,050**	**316**
Realised gains on other debt securities	1,050	316
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (NOT IMPAIRED)	**117**	**7,311**
Realised gains on loans and advances	1	496
Realised gains on debt securities issued by public sector	16	6,808
Realised gains on other debt securities	99	7
ASSETS HELD FOR SALE	**12,936**	**2,137**
Realised gains on assets held for sale	12,936	2,137
OTHER	**8,736**	**7,080**
Realised gains on tangible fixed assets	7,981	5,455
Other realised gains	755	1,625
FINANCIAL LIABILITIES AT AMORTISED COST	**1**	**1**
Realised gains on financial liabilities	1	1
TOTAL GAINS	**22,840**	**16,846**
FINANCIAL ASSETS AT AMORTISED COST (NOT IMPAIRED)	**(510)**	**(375)**
Realised losses on other debt securities	(510)	(375)
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (NOT IMPAIRED)	**(96)**	**(10,613)**
Realised losses on loans and advances	0	(2,643)
Realised losses on debt securities issued by public sector	(10)	(6,841)
Realised losses on other debt securities	(86)	(1,128)
ASSETS HELD FOR SALE	**(4)**	**(24)**
Realised losses on assets held for sale	(4)	(24)
OTHER	**(557)**	**(226)**
Realised losses on tangible fixed assets	(315)	(226)
Other realised losses	(243)	0
FINANCIAL LIABILITIES AT AMORTISED COST	**(5)**	**(2)**
Realised losses on financial liabilities	(5)	(2)
TOTAL LOSSES	**(1,172)**	**(11,240)**
TOTAL NET INCOME ON INVESTMENTS AND LIABILITIES	**21,667**	**5,606**

Net income on investments and liabilities decreased by EUR -16.1 million, or -74.1%, to EUR 6 million (30 June 2022: EUR 22 million).

Belfius realised capital gains on the sale of tangible fixed assets (EUR 5.5 million) in 1H 2023, mainly on the sale of a building in Namen (EUR 1.5 million) and on the sale of several buildings where bank agencies were located (EUR 4.5 million). In 1H 2022 Belfius realised capital gains of EUR 12.9 million on the sale of Alysea, a subsidiary that invested in a retirement home building in Luxembourg, as well as capital gains of EUR 8 million on tangible fixed assets from the sale of several buildings where bank agencies were located.

Furthermore, Belfius Insurance realised capital losses on the sale of bonds in 1H 2023 amounting to EUR -8 million, partially compensated by EUR 7 million capital gains (compared to no realised results from the sale of bonds and loans in 1H 2022).

The table below provides a summary of the realised gains and losses from derecognition on not impaired and impaired financial instruments. These realised gains and losses can be accounted for in the line-item "Net income on investments and liabilities" for not impaired debt instruments measured at fair value through OCI (note 7.5.) or in the line-item "Impairments on financial instruments and provisions for credit commitments" for impaired debt instruments, and impaired and not impaired loans and advances.

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

(in thousands of EUR)	30/06/22	30/06/23
REALISED GAINS FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**1,638**	**574**
Realised gains on loans and advances	438	139
Realised gains on debt securities issued by public sector	109	118
Realised gains on other debt securities	1,091	316
REALISED GAINS ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**5,226**	**7,714**
Realised gains on impaired loans and advances	5,226	7,714
REALISED LOSSES ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**(1,595)**	**(1,271)**
Realised losses on Loans and advances	(1,056)	(42)
Realised losses on debt securities issued by public sector	0	(227)
Realised losses on other debt securities	(539)	(1,002)
REALISED LOSSES ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**(5,484)**	**(7,632)**
Realised losses on impaired Loans and advances	(5,484)	(7,632)

2. Realised gains or losses arising from derecognition of debt instruments measured at fair value through other comprehensive income (impaired and not impaired)

(in thousands of EUR)	30/06/22	30/06/23
REALISED GAINS ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**117**	**7,311**
Realised gains on Loans and advances	1	496
Realised gains on debt securities issued by public sector	16	6,808
Realised gains on other debt securities	99	7
REALISED GAINS ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**0**	**715**
Realised gains on impaired other debt securities	0	715
REALISED LOSSES ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**(96)**	**(10,613)**
Realised losses on Loans and advances	0	(2,643)
Realised losses on debt securities issued by public sector	(10)	(6,841)
Realised losses on other debt securities	(86)	(1,128)
REALISED LOSSES ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**0**	**0**

7.6. Other income

(refers to table 7.8. of the annual report 2022)

(in thousands of EUR)	30/06/22	30/06/23
Rental income from investment property	22,519	21,362
Other rental income	1,792	2,119
Other banking and insurance income	2,505	15,672
Write-back of provisions for litigations (1)	26,943	9,335
Real estate projects	1,505	1,499
Asset Finance activities(2)	110,208	106,829
Other income on other activities	46,536	45,133
OTHER INCOME	212,008	201,950

(1) We refer to note 6.6. "Provisions and contingent liabilities" for a detailed description. Please note that the additional provisions for litigations and the utilization of provisions are recorded in other expense (we refer to note 7.9.).
(2) Other income from asset finance activities is mainly stemming from leasing contracts of Belfius Auto Lease.

7.7. Other expense

(refers to table 7.9. of the annual report 2022)

(in thousands of EUR)	30/06/22	30/06/23
Impairment on inventory	0	(250)
Sector levies(1)	(265,374)	(280,854)
Other levies(2)	(6,440)	(6,039)
Expenses related to investment properties that generated income during the current financial year	(14,960)	(12,156)
Provisions for litigations	(1,596)	(5,302)
Real estate projects	(1,052)	(770)
Asset Finance activities(3)	(88,540)	(86,149)
Other expense on other activities(4)	(49,621)	(61,215)
OTHER EXPENSES	(427,582)	(452,735)

(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 in the past to pay part of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment. This payment commitment was fully covered by cash collateral. Belfius has recorded EUR 30.5 million in its off-balance sheet accounts (stable compared end 2022).
Sector levies on insurance contracts for which IFRS 17 is applicable are recorded in insurance service expense.
(2) Other levies include the tax on securities accounts, mainly on Branch 23 funds of Belfius Insurance for EUR 5.9 million.
(3) Other expense from asset finance activities is mainly stemming from leasing contracts of Belfius Auto Lease.
(4) "Other expenses on other activities" includes other operational expenses and other operational taxes.

Belfius recognised an expense of EUR 287 million in 1H 2023 as levies (including the contribution to the Single Resolution Board), an increase of EUR 15 million compared to 1H 2022 due to increased sector levies and the option taken in 1H 2022 to book part (EUR 13 million) of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment, while Belfius did not opt for an Irrevocable Payment Commitment in 1H 2023. The total Irrevocable Payment Commitment included in off-balance sheet commitments amounts to EUR 30.5 million per 30 June 2023.

Other notes to the condensed consolidated interim financial statements

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

(some amounts may not add up due to roundings)

8.1. Regular way trade

(refers to table 8.1. of the annual report 2022)

(in thousands of EUR)	31/12/22	30/06/23
Loans to be delivered and purchases of assets	1,035,827	2,374,784
Borrowings to be received and sales of assets	8,014,006	12,795,183

8.2. Guarantees

(refers to table 8.2. of the annual report 2022)

(in thousands of EUR)	31/12/22	30/06/23
Guarantees given to credit institutions	700,579	683,633
Guarantees given to customers	5,330,847	5,298,848
Guarantees received from credit institutions[1]	495,630	433,278
Guarantees received from customers	27,841,080	28,081,076
Guarantees received from the Belgian State[2]	9,193,719	9,193,719

(1) This amount includes the personal guarantees and similar rights of recourse obtained for derivatives.
(2) This amount concerns the allocation to Belfius of the Belgian State guarantee scheme for loans to SME in the framework of the Covid-19 crisis. The allocation of EUR 9.2 billion is based on our market share.

8.3. Loan commitments

(refers to table 8.3. of the annual report 2022)

(in thousands of EUR)	31/12/22	30/06/23
Unused lines granted to credit institutions	8,153	103,713
Unused lines granted to customers	31,388,211	32,063,670
Unused lines obtained from credit institutions	1,324	432
Unused lines obtained from customers	0	0

8.4. Other commitments to financing activities

(refers to table 8.4. of the annual report 2022)

(in thousands of EUR)	31/12/22	30/06/23
Insurance activity – Commitments given	0	0
Insurance activity – Commitments received	76,214	75,916
Banking activity – Commitments given(1)	36,158,553	26,574,002
Banking activity – Commitments received	95,604,884	97,785,890

(1) Mainly related to repurchase agreements and collateralisation of loans with the European Central Bank and other central banks.

The section "Banking activity- commitments given" also includes the underlying assets of the covered bond programs. The special estate of the covered bond program contains mainly residential mortgage loans and public loans for a total amount of EUR 14.1 billion (nominal) at the end of June 2023 (stable compared to December 2022). See also note 6.4. "Debt securities issued and other financial liabilities".

8.5. Commitments – contingent liabilities

(refers to table 8.5. of the annual report 2022)

(in thousands of EUR)	31/12/22	30/06/23
Single Resolution Fund – Commitments given	30,500	30,500

Belfius has opted to pay part of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment. This payment commitment was fully covered by cash collateral. Belfius has recorded EUR 30.5 million in its off-balance sheet accounts (stable compared December 2022). See also note 6.4. "Debt securities issued and other financial liabilities".

8.6. Bond lending and bond borrowing transactions

(refers to table 8.6. of the annual report 2022)

(in thousands of EUR)	31/12/22	30/06/23
Securities lending	772,357	2,348
Securities borrowing	5,532	0

In the context of its liquidity management, Belfius enters from time to time into bond lending transactions against fees.

IX. Notes on risk exposure

(some amounts may not add up due to rounding)

9.1. Fair value

(refers to table 9.1. of the annual report 2022)

1. Fair value of financial instruments

A. Breakdown of fair value of assets

(in thousands of EUR)	31/12/22 Carrying amount	31/12/22 Fair value	31/12/22 Difference
Cash and balances with central banks	27,295,434	27,295,434	0
Loans and advances due from credit institutions	4,143,601	4,143,731	129
Measured at amortised cost	4,143,601	4,143,731	129
Measured at fair value through other comprehensive income	0	0	0
Measured at fair value through profit or loss	0	0	0
Loans and advances	110,203,251	102,923,489	(7,279,762)
Measured at amortised cost	109,236,114	101,956,352	(7,279,762)
Measured at fair value through other comprehensive income	171,152	171,152	0
Measured at fair value through profit or loss	795,986	795,986	0
Debt securities	21,531,518	19,823,960	(1,707,558)
Measured at amortised cost	17,494,927	15,787,369	(1,707,558)
Measured at fair value through other comprehensive income	2,997,611	2,997,611	0
Measured at fair value through profit or loss	1,038,979	1,038,979	0
Equity instruments	1,495,205	1,495,205	0
Measured at fair value through other comprehensive income	1,043,302	1,043,302	0
Measured at fair value through profit or loss	451,902	451,902	0
Unit linked products	3,969,934	3,969,934	0
Derivatives	5,893,105	5,893,105	0
Gain/loss on the hedged item in portfolio hedge of interest rate risk	1,134,326	1,134,326	0
Non current assets (disposal group) held for sale and discontinued operations	39,684	51,078	11,394
TOTAL	**175,706,058**	**166,730,261**	**(8,975,797)**

(in thousands of EUR)	30/06/23 Carrying amount	Fair value	Difference
Cash and balances with central banks	24,431,429	24,431,429	0
Loans and advances due from credit institutions	4,060,163	4,060,367	204
Measured at amortised cost	4,060,163	4,060,367	204
Measured at fair value through other comprehensive income	0	0	0
Measured at fair value through profit or loss	0	0	0
Loans and advances	112,351,247	105,466,417	(6,884,830)
Measured at amortised cost	107,509,374	100,624,544	(6,884,830)
Measured at fair value through other comprehensive income	4,119,091	4,119,091	0
Measured at fair value through profit or loss	722,782	722,782	0
Debt securities	21,594,954	20,242,558	(1,352,396)
Measured at amortised cost	13,367,114	12,014,718	(1,352,396)
Measured at fair value through other comprehensive income	7,279,582	7,279,582	0
Measured at fair value through profit or loss	948,258	948,258	0
Equity instruments	1,410,168	1,410,168	0
Measured at fair value through other comprehensive income	950,890	950,890	0
Measured at fair value through profit or loss	459,278	459,278	0
Unit linked products	4,111,431	4,111,431	0
Derivatives	5,489,152	5,489,152	0
Gain/loss on the hedged item in portfolio hedge of interest rate risk	944,014	944,014	0
Non current assets (disposal group) held for sale and discontinued operations	39,021	41,930	2,909
TOTAL	174,431,579	166,197,466	(8,234,113)

As a result of the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, a reclassification has taken place from the Belfius Insurance portfolio of loans (EUR 4.5 billion) and debt securities (EUR 4.4 billion) measured at amortised cost to measured at fair value through other comprehensive income. These reclassifications result in a decrease of the difference between carrying amount and fair value of financial assets as the assets are now measured at fair value. Furthermore the increased interest rate had a negative impact on the fair value.

Belfius considers an internal estimate of the future potential prepayment rate in the determination of the fair value of the loan portfolio.

For some assets and liabilities, Belfius estimates that the fair value approximates the carrying value.

B. Breakdown of fair value of liabilities

(in thousands of EUR)	31/12/22 Carrying amount	Fair value	Difference
Cash and balances from central banks	5,904,113	5,808,793	(95,321)
Borrowings and deposits	110,317,127	110,300,005	(17,123)
Measured at amortised cost	110,297,177	110,280,054	(17,123)
Measured at fair value through profit or loss	19,951	19,951	0
Debt securities issued and other financial liabilities	25,928,567	24,889,880	(1,038,687)
Measured at amortised cost	18,517,096	17,478,409	(1,038,687)
Measured at fair value through profit or loss	7,411,471	7,411,471	0
Unit linked products	3,969,934	3,969,934	0
Derivatives	8,248,509	8,248,509	0
Gain/loss on the hedged item in portfolio hedge of interest rate risk	(1,606,023)	(1,606,023)	0
Subordinated debts	1,547,204	1,420,786	(126,418)
Measured at amortised cost	1,547,204	1,420,786	(126,418)
Measured at fair value through profit or loss	0	0	0
Liabilities included in disposal group and discontinued operations	0	0	0
TOTAL	**154,309,432**	**153,031,883**	**(1,277,549)**

(in thousands of EUR)	30/06/23 Carrying amount	Fair value	Difference
Cash and balances from central banks	2,652,846	2,655,029	2,183
Borrowings and deposits	110,138,230	110,106,221	(32,009)
Measured at amortised cost	110,118,078	110,086,069	(32,009)
Measured at fair value through profit or loss	20,152	20,152	0
Debt securities issued and other financial liabilities	29,156,111	28,220,605	(935,506)
Measured at amortised cost	21,364,030	20,428,525	(935,506)
Measured at fair value through profit or loss	7,792,080	7,792,080	0
Unit linked products	4,111,431	4,111,431	0
Derivatives	7,692,768	7,692,768	0
Gain/loss on the hedged item in portfolio hedge of interest rate risk	(1,510,286)	(1,510,286)	0
Subordinated debts	1,821,834	1,691,683	(130,151)
Measured at amortised cost	1,821,834	1,691,683	(130,151)
Measured at fair value through profit or loss	0	0	0
Liabilities included in disposal group and discontinued operations	0	0	0
TOTAL	**154,062,933**	**152,967,451**	**(1,095,482)**

For some liabilities, Belfius estimates that the fair value approximates the carrying value. Amongst others, for payment and savings accounts the market value equals the carrying amount.

Belfius estimates that the own credit risk has not changed significantly and has thus not taken into account a revaluation of the own credit risk.

2. Analysis of fair value of financial instruments

A. Assets

(in thousands of EUR)	31/12/22 Level 1	Level 2	Level 3	Total
Loans and advances	0	22,258,778	84,808,442	107,067,220
Measured at amortised cost	0	22,086,152	84,013,931	106,100,082
Measured at fair value through other comprehensive income	0	171,152	0	171,152
Measured at fair value through profit or loss	0	1,474	794,511	795,986
Debt securities	14,205,155	2,893,074	2,725,731	19,823,960
Measured at amortised cost	11,368,608	2,724,468	1,694,293	15,787,369
Measured at fair value through other comprehensive income	2,397,509	157,850	442,253	2,997,611
Measured at fair value through profit or loss	439,038	10,756	589,185	1,038,979
Equity instruments	1,052,162	0	443,043	1,495,205
Measured at fair value through other comprehensive income	600,264	0	443,038	1,043,302
Measured at fair value through profit or loss	451,898	0	4	451,902
Unit linked products	3,969,934	0	0	3,969,934
Derivatives	2,903	5,693,712	196,490	5,893,105
Non current assets (disposal group) held for sale and discontinued operations	0	26,624	24,453	51,078
TOTAL	19,230,153	30,872,189	88,198,159	138,300,501

(in thousands of EUR)	30/06/23 Level 1	Level 2	Level 3	Total
Loans and advances	0	23,165,851	86,360,933	109,526,784
Measured at amortised cost	0	22,972,668	81,712,243	104,684,910
Measured at fair value through other comprehensive income	0	192,369	3,926,722	4,119,091
Measured at fair value through profit or loss	0	814	721,968	722,782
Debt securities	16,300,353	1,594,438	2,347,767	20,242,558
Measured at amortised cost	9,800,666	1,231,257	982,796	12,014,718
Measured at fair value through other comprehensive income	6,166,392	353,058	760,131	7,279,582
Measured at fair value through profit or loss	333,295	(92,201)	707,164	948,258
Equity instruments	970,295	0	439,872	1,410,168
Measured at fair value through other comprehensive income	511,091	0	439,799	950,890
Measured at fair value through profit or loss	459,204	0	73	459,278
Unit linked products	4,111,431	0	0	4,111,431
Derivatives	727	5,338,207	150,217	5,489,152
Non current assets (disposal group) held for sale and discontinued operations	0	23,874	18,056	41,930
TOTAL	21,382,807	30,122,371	89,316,845	140,822,023

As a result of the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, a reclassification has taken place from the Belfius Insurance portfolio of loans (EUR 4.5 billion) and debt securities (EUR 4.4 billion) measured at amortised cost to measured at fair value through other comprehensive income.

The fair value of level 1 debt securities increased as a result of new investments in ALM Liquidity portfolio and switch from L2 to L1 due to increase of liquidity.

Level 3 loans and advances increased as a result of the increase in outstanding volume of mortgage loans, partially compensated by negative fair value evolutions resulting from higher interest rates.

B. Liabilities

	31/12/22			
(in thousands of EUR)	Level 1	Level 2	Level 3	Total
Borrowings and deposits	0	108,165,528	2,134,477	110,300,005
Measured at amortised cost	0	108,145,577	2,134,477	110,280,054
Measured at fair value through profit or loss	0	19,951	0	19,951
Debt securities issued and other financial liabilities	9,735,369	5,069,436	10,085,075	24,889,880
Measured at amortised cost	9,573,919	491,236	7,413,254	17,478,409
Measured at fair value through profit or loss	161,451	4,578,200	2,671,821	7,411,471
Unit linked products	3,969,934	0	0	3,969,934
Derivatives	4,151	7,716,625	527,732	8,248,509
Subordinated debts	1,201,795	77,173	141,818	1,420,786
Measured at amortised cost	1,201,795	77,173	141,818	1,420,786
Measured at fair value through profit or loss	0	0	0	0
Liabilities included in disposal group and discontinued operations	0	0	0	0
TOTAL	14,911,250	121,028,761	12,889,103	148,829,113

	30/06/23			
(in thousands of EUR)	Level 1	Level 2	Level 3	Total
Borrowings and deposits	0	104,233,428	5,872,793	110,106,221
Measured at amortised cost	0	104,213,276	5,872,793	110,086,069
Measured at fair value through profit or loss	0	20,152	0	20,152
Debt securities issued and other financial liabilities	9,227,799	5,192,654	13,800,152	28,220,605
Measured at amortised cost	9,170,749	908,251	10,349,524	20,428,525
Measured at fair value through profit or loss	57,050	4,284,403	3,450,628	7,792,080
Unit linked products	4,111,431	0	0	4,111,431
Derivatives	491	7,258,757	433,521	7,692,768
Subordinated debts	1,489,615	75,231	126,837	1,691,683
Measured at amortised cost	1,489,615	75,231	126,837	1,691,683
Measured at fair value through profit or loss	0	0	0	0
Liabilities included in disposal group and discontinued operations	0	0	0	0
TOTAL	14,829,336	116,760,070	20,233,303	151,822,709

The decrease in Level 2 borrowings and deposits is mainly related to the decrease in TLTRO funding for EUR 3.4 billion following maturities and the decrease of EUR 4.5 billion in demand deposits and saving accounts, only partially compensated by the increase in term deposits. Note that seeing the very short term character of these deposits, no fair value is determined. Level 3 debt securities issued increased mainly resulting from the increase of certificates of deposits and new issuances of debt securities.

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

A. Assets at fair value in the balance sheet

	31/12/22		30/06/23	
(in thousands of EUR)	From level 1 to 2	From level 2 to 1	From level 1 to 2	From level 2 to 1
Debt securities	43,259	10,162	87,956	80,868
Measured at fair value through other comprehensive income	43,259	10,162	87,956	80,868
TOTAL	43,259	10,162	87,956	80,868

B. Liabilities at fair value in the balance sheet

Nihil.

4. Reconciliation Level 3

A. Assets

(in thousands of EUR)	31/12/22									
	Opening balance	Total of unrealised gains and losses in P&L	Total gains/ losses in other comprehensive income	Purchases	Sales	Settlements	Transfer in Level 3	Transfer out of Level 3	Foreign exchange adjustments	Closing balance
Loans and advances	1,037,737	(204,817)	0	17,739	(54,638)	(1,509)	0	0	0	794,511
Measured at fair value through profit or loss	1,037,737	(204,817)		17,739	(54,638)	(1,509)	0	0	0	794,511
Debt securities	904,694	(10,907)	(31,720)	809,990	(338,036)	(271,138)	97	(31,542)	0	1,031,438
Measured at fair value through other comprehensive income	337,420	106	(31,720)	431,511	(7,000)	(256,735)	0	(31,329)	0	442,253
Measured at fair value through profit or loss	567,274	(11,013)		378,479	(331,036)	(14,402)	97	(214)	0	589,185
Equity instruments	374,966	21	47,672	40,904	(5,361)	(863)	1,968	(16,264)	0	443,043
Measured at fair value through other comprehensive income	361,007	21	47,672	40,904	(5,357)	(863)	1,968	(2,314)	0	443,038
Measured at fair value through profit or loss	13,959	0	0	0	(5)	0	0	(13,950)	0	4
Derivatives	509,164	(380,257)	0	124,112	0	(63,762)	9,807	(741)	(1,831)	196,490
TOTAL	2,826,561	(595,960)	15,952	992,744	(398,036)	(337,273)	11,872	(48,547)	(1,831)	2,465,482

(in thousands of EUR)	30/06/23									
	Opening balance	Total of unrealised gains and losses in P&L	Total gains/ losses in other comprehensive income	Purchases	Sales	Settlements	Transfer in Level 3	Transfer out of Level 3	Foreign exchange adjustments	Closing balance
Loans and advances	794,511	(47,697)	29,206	16,176	3,472	(13,629)	3,876,906	0	0	4,659,323
Measured at fair value through other comprehensive income	0	6,019	29,206	1,423	36,682	(13,259)	3,876,906	0	0	3,937,355
Measured at fair value through profit or loss	794,511	(53,716)		14,753	(33,210)	(369)	0	0	0	721,968
Debt securities	1,031,438	9,271	1,164	325,549	(158,778)	(161,791)	425,422	(107,315)	0	1,364,971
Measured at fair value through other comprehensive income	442,253	6,791	1,164	145,905	0	(154,100)	425,422	(107,315)	0	760,131
Measured at fair value through profit or loss	589,185	2,480		179,644	(158,778)	(7,690)	0	0	0	604,840
Equity instruments	443,043	(3)	(13,708)	26,510	(16,038)	(0)	69	0	0	439,872
Measured at fair value through other comprehensive income	443,038	(3)	(13,708)	26,510	(16,038)	0	0	0	0	439,799
Measured at fair value through profit or loss	4	0		0	0	0	69	0	0	73
Derivatives	196,490	(42,345)		48,446	0	(53,218)	0	0	844	150,217
TOTAL	2,465,482	(80,774)	16,662	416,681	(171,345)	(228,638)	4,302,397	(107,315)	844	6,614,384

The transfer in level 3 loans and advances measured at fair value through other comprehensive income is explained by the IFRS 9 business model reassessment that took place on 1 January 2023, in accordance with the implementation of IFRS 17, resulting in a reclassification of Belfius Insurance's loan portfolio measured at amortised cost to measured at fair value through other comprehensive income.

B. Liabilities

(in thousands of EUR)	31/12/22 Opening balance	Total of unrealised gains and losses in P&L	Total gains/ losses in other comprehen-sive income	Purchases	Sales	Direct origination	Settlements	Transfer in Level 3	Transfer out of Level 3	Closing balance
Debt securities issued and other financial liabilities	2,271,616	(234,661)	0	0	0	891,382	(239,491)	0	(17,026)	2,671,821
Measured at fair value through profit or loss	2,271,616	(234,661)	0	0	0	891,382	(239,491)	0	(17,026)	2,671,821
Derivatives	521,029	(202,396)	0	361,752	0	0	(164,036)	12,048	(665)	527,732
TOTAL	2,792,646	(437,057)	0	361,752	0	891,382	(403,527)	12,048	(17,691)	3,199,553

(in thousands of EUR)	30/06/23 Opening balance	Total of unrealised gains and losses in P&L	Total gains/ losses in other comprehen-sive income	Purchases	Sales	Direct origination	Settlements	Transfer in Level 3	Transfer out of Level 3	Closing balance
Debt securities issued and other financial liabilities	2,671,821	8,131	0	0	0	583,593	(117,507)	1,817,075	(1,512,484)	3,450,628
Measured at fair value through profit or loss	2,671,821	8,131	0	0	0	583,593	(117,507)	1,817,075	(1,512,484)	3,450,628
Derivatives	527,732	(57,832)	0	53,341	0	0	(89,721)	0	0	433,521
TOTAL	3,199,553	(49,701)	0	53,341	0	583,593	(207,228)	1,817,075	(1,512,484)	3,884,148

During the first semester of 2023, the change in level determination methodology to determine the level of liabilities has been refined. Transfers from L2 to L3 were mainly linked to equity structured bonds as certain parameters became unobservable. Transfers from L3 to L2 were linked to interest rate structured bonds following additional liquidity as well as some covered bonds that moved to L1. See note 9.1.5. for more information.

The column "total of unrealised gains and losses in P&L" cannot be analysed on a stand alone basis, as some assets or liabilities classified at amortised cost or some assets and liabilities classified in level 1 or 2 may be hedged by derivatives classified in level 3. The column direct origination refers to the issuance of Belfius bonds.

5. Valuation techniques and data (level 1, 2 en 3)

Financial instruments measured at fair value (trading, designated at fair value through profit or loss, debt instruments and investments in equity instruments measured at fair value through other comprehensive income, non-trading financial assets mandatorily measured at fair value through profit or loss, derivatives).

The financial instruments accounted for at fair value are measured by maximizing the usage of observable inputs, resulting in three possible levels reflecting the degree of observability and reliability of the inputs.

Financial instruments measured at fair value for which reliable quoted market prices are available (level 1)

Level 1 represents the highest level of observability. When Fair Value can be derived directly from quoted prices in an active market for identical instruments with no adjustments they classify as Level 1 within IFRS 13 fair value hierarchy. These prices are readily available and require minimal judgment. Hence, the quotes provide for reliable evidence of fair value and are therefore used for fair value measurement (for example interest rate futures, liquid bonds, etc).

The determination whether or not there is an active market is based on criteria such as volume, bid- offer spread and the number of price/spread contributions.

Financial instruments measured at fair value for which no reliable quoted market prices are available and for which valuations are obtained by means of valuation techniques (level 2 and 3)

Financial instruments for which no quoted market prices in active markets are available, are valued by means of valuation techniques. This is done by using a model based on observable or unobservable inputs. The models that Belfius uses range from standard models available in the market to in-house developed valuation models. Availability of some observable market prices and model inputs reduces the need for management judgement and estimation and the uncertainty associated with the determination of fair values. These availabilities vary depending on the products and markets and are subject to changes based on specific events and general conditions in the financial markets. The use of observable inputs must be maximised.

Once a financial instrument is not classified as level 1, Belfius will identify each input of the Valuation model (including Unearned Credit Spread and Funding Spread components of the valuation) and classify the input as observable or unobservable.

Observable or Level 2 inputs are those that are implied or extracted using market data (e.g. bootstrapping of an IR Curve), such as publicly available broker data or information about transactions which reflect the assumptions that market participants would use when pricing the asset or liability. Examples of observable inputs are the risk-free rate, exchange rates, stock prices and volatility implied from active listed options.

Unobservable inputs or Level 3 inputs are inputs which do not meet the requirements of demonstrating observability, either directly or indirectly per similarity, market corroboration. They reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the instrument (e.g. proxies or correlation factors are usually not observable).

Once we classified each input of the model used to value the instrument as observable or unobservable, we test the materiality of the unobservable inputs in the pricing of the instrument. If the combined effect of non-observable inputs is significant, then the instrument is considered as Level 3 instrument. Otherwise, if only observable inputs materially affect the valuation, the instrument will be considered as Level 2.

For that reason, structured loans measured at fair value through profit and loss are classified as level 3. These financial assets are illiquid and not traded on an active market. The fair value is determined by a valuation model essentially based on non-observable data including additional value adjustments as described below.

Bonds traded in inactive markets are valued using valuation techniques. To price its portfolio of illiquid bonds, Belfius calculates spreads based on a cross section method using a large universe of bonds and CDS spreads. The calculated spreads are challenged every quarter by means of comparisons with observable market spreads.

Unquoted equity instruments are systematically classified as level 3. In accordance with the principles set out in IFRS 13, different fair value measurement models for unquoted equity instruments are possible (discounted cash flow, net asset value, recent transaction price, etc).

Derivatives are valued at mid-market prices for which the former described cascade (level 1, 2, 3) is applied. For level 2 fair values, Belfius uses observable market parameters and valuation models that are in line with market practice. Models used may include discounted cashflow analysis based on discount and estimation curves, option pricing models, convexity adjustments, proxy methods or non-arbitrage relationships. The discount interest rate curves take account of any collateral agreements and value adjustments may apply.

Following value adjustments and so-called XVA's are applied within Belfius:

- Unearned credit spread: this value adjustment takes account of the possibility that a counterparty might default and part of the fair value cannot be recovered (Credit Value Adjustment) and of the creditworthiness of Belfius (Debit Value Adjustment). The Unearned credit spread is calculated both on collateralised and non-collateralised derivatives. For collateralised derivatives with standard ISDA/CSA agreements, the unearned credit spread is calculated taking into account the Margin Period of Risk and the collateral exchanged. An estimation is made of the expected exposures, by forecasting the future fair value of the derivative in line with market practice. These expected exposures are then multiplied by an expected loss indication. Seeing that the majority of these expected losses are not directly observable in the market, Belfius uses market-derived spreads which are determined by means of a method based on cross-sections on a large universe of bonds and CDS spreads.
- Bid/ask spread adjustment: because the mid-market prices do not take account of the direction in which the deal was closed, the bid/ask adjustment does take account of this information in the total fair value.
- Funding spread: this value adjustment takes into account the funding cost or benefit for uncollateralised transactions. For all uncollateralised transactions, a correction is made for the funding value adjustment based on the average funding cost of Belfius Bank. This funding cost is determined by ALM taking into account the different funding sources. For collateralised transactions where not only a variation margin but also an initial margin is posted, a correction is made for the funding of this margin.
- Market price uncertainty: value adjustment for uncertainty of market parameters.
- Model risk: this value adjustment is made if the assumptions used in a valuation model cannot be verified with sufficient accuracy.

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

The fair value of debt instruments held within the business model "hold to collect contractual cash flows", is determined using the following valuation principles.

General principles

- the carrying amount of loans maturing within 12 months is assumed to reflect their fair value;
- for bonds the valuation is done in the same way as bonds measured at fair value through other comprehensive income;

Interest-rate part

- the fair value of fixed-rate loans and mortgage loans reflects interest-rate movements since inception;
- loans with an adjustable rate are priced using the corresponding forward rates increased with the contractual margin;
- market or model values for caps, floors and prepayment options are included in the fair value of loans and receivables;
- the fair value of variable-rate loans (e.g. 3M-euribor) is assumed to be approximated by their carrying amounts;
- target net commercial margins of loans are also included in the fair value;
- the future potential prepayment rate has been approximated by taking into account an internal estimate.
- As general method, the Fair Value of loans is calculated by discounting the future cash flows. The discount curve includes the risk free rate (Interest Rate Swap curve), a liquidity premium (derived from Belfius' internal transfer price methodology) & a commercial margin.

A. Quantitative information on significant unobservable data (level 3)

If the fair value of a financial instrument is determined based on valuation techniques using inputs that are not based on observable market data, alternative assumptions may impact the equity and the result.

Financial instrument	Non-observable items	Difference with alternative assumptions	Impact in P&L of alternative assumptions (in millions of EUR)	Impact in equity of alternative assumptions (in millions of EUR)
OTC swaps on Belgian inflation	Expectations in Belgian inflation	+30 bps	-1.19	
OTC derivatives on CMS spread	Correlation between CMS interest rates	10%	0.07	
OTC swaps Bermudian Feature	Mean Reversion	1%	0.68	
Collateralised Debt Obligation	Credit spread	-10 bps	-2.80	
Credit Default Swap	Credit spread	-10 bps	-1.94	
Illiquid bonds	Credit spread	-10 bps	0.00	0.00

B. Valuation process

The valuation process follows a strict governance. First of all, the Risk department operates a strong Independent Price Verification process by performing independent controls on the parameters used for the valuation process before injection into the systems.

Secondly, the models used are validated by the Validation department which reports directly to the CRO. Validation reports and model change proposals are presented to the Financial Markets Fair Value committee for decision. This committee reports directly to the Financial Markets Committee which is led by three members of the Management Board (CRO, CFO, Head of WEP). For unquoted equities and participations, the fair values are challenged by the Participation Forum which presents the main fair value changes to the Financial Markets Fair Value committee for approval.

C. Transfers between valuation levels

For derivative products, the level was previously based on market data observability criteria and validation status of the model. Hierarchy rules are now based on reviewed observability rules, on significance of the unobservable inputs and they include the inputs related to credit and funding value adjustments.

Besides new, matured or ended transactions, and changes in fair values due to market evolutions, these adaptations of levelling rules have also caused some changes in level of different instruments.

Related transfers to Level 1 mostly concern new liquid listed options. Related transfers from L2 of L3 mainly concern equity structured products with unobservable volatility or derivatives for which unobservable credit or funding spread are considered significant. Transfers from L3 to L2 concern mainly liquid CDS Index swaps or CMS products for which unobservable inputs are not significant. In the future, additional changes may be expected due to changes in observability or significance of unobservable parameters.

Levels for bonds are depending on an internal liquidity score. The liquidity score is distributed between very liquid (high score) and illiquid (low score). Therefore, a small change in the liquidity on the market does not influence the distribution of level 1, 2 or 3. Some bonds are nevertheless close to the border of illiquidity and may change from level. For structured bonds on the liability side, levels are determined following the methodology of the hedging derivatives.

During the first semester, the change in level determination methodology had an impact on the liability side. Transfers from L2 to L3 were mainly linked to equity structured bonds. Transfers from L3 to L2 were linked to interest rate structured bonds. There were also some covered bonds that moved to L1.

On asset side, the biggest impact is due to the application of IFRS 17 for Belfius Insurance. Other transfers are related to changes of liquidity.

6. Disclosure of difference between transaction prices and model values (deferred day one profit)

During first semester, around EUR 0.6 million has been recognised as deferred Day One Profit or Loss (DOP). This amount comes from a unique transaction.

As Belfius principally treats plain vanilla products (like interest rate swaps), and some more complex products (like structured transactions) which are hedged in the market in line with market risk limits and framework, the resulting day one profit is recognised up-front. Apart from the above mentioned transaction, only a few transactions of insignificant amounts have unobservable parameters, consequently the Deferred DOP is immaterial.

9.2. Credit risk exposure

(refers to table 9.2. of the annual report 2022)

We refer to the Risk Management chapter of the Management Report for further information.

1. Financial assets subject to impairment that are past due

A financial asset is past due when the counterparty has failed to make a payment when contractually due. This is considered on a contract by contract basis. For example, if a counterpart fails to pay the required interests at due date, the entire loan is considered as past due.

31/12/22	Financial instruments without significant increase in credit risk since initial recognition (stage 1)			Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)			Carrying amount Credit impaired financial assets (stage 3)		
(in thousands of EUR)	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Loans and advances due from credit institutions	0	0	0	1,432	0	8	0	0	0
Loans and advances	177,280	40,310	16,594	117,255	46,774	26,214	255,488	40,872	522,392
Debt securities	0	0	0	0	0	0	942	0	0
TOTAL	177,280	40,310	16,594	118,686	46,774	26,222	256,431	40,872	522,392

30/06/23	Financial instruments without significant increase in credit risk since initial recognition (stage 1)			Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)			Carrying amount Credit impaired financial assets (stage 3)		
(in thousands of EUR)	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Loans and advances due from credit institutions	156	0	0	16	0	21	0	0	0
Loans and advances	143,336	32,003	9,017	160,692	54,690	30,434	355,693	31,760	552,244
Debt securities	0	0	0	0	0	0	0	0	0
TOTAL	143,492	32,003	9,017	160,708	54,690	30,454	355,693	31,760	552,244

A default status is assigned to the debtors who satisfy either one or both of the following criteria:

- The debtor has material exposures which are more than 90 days past due;
- The debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless the existence of any past due amount or the number of days past due.

Refer to the section "The risk management process concerning Forbearance, Watchlist, Default and Impairments" in the Credit Risk chapter of the Management Report for further information.

2. Forbearance

	31/12/22			
	Gross carrying amount of exposures with forbearance measures	Impairment	Collateral received and financial guarantees received	
(in thousands of EUR)			Collateral received on exposures with forbearance measures	Financial guarantees received on exposures with forbearance measures
Loans and advances due from credit institutions	0	0	0	0
Loans and advances	1,781,569	(249,044)	1,246,337	49,853
Debt securities	0	0	0	0
Off-Balance sheet exposure	43,958	0	23,441	377

	30/06/23			
	Gross carrying amount of exposures with forbearance measures	Impairment	Collateral received and financial guarantees received	
(in thousands of EUR)			Collateral received on exposures with forbearance measures	Financial guarantees received on exposures with forbearance measures
Loans and advances due from credit institutions	0	0	0	0
Loans and advances	1,596,038	(229,286)	1,080,231	59,862
Debt securities	0	0	0	0
Off-Balance sheet exposure	46,805	0	0	0

During the Covid-19 pandemic, legislative, non-legislative and other payment moratoria were granted, and also the energy crisis that followed, gave rise to additional payment holiday facilities, although used to a much lesser extent. Requests for contractual concessions continue to be assessed according to the Belfius forbearance policy, taking into consideration the forbearance criteria and longer-term capacity to repay. Contracts which have reached their probation period of 2 years are assessed to determine if they should no longer be considered as forbearance measures. Forbearance outflow linked to Covid started in the second quarter of 2022 and has progressed in 1H 2023.

Refer to the section "The risk management process concerning Forbearance, Watchlist, Default and Impairments" in the Credit Risk chapter of the Management Report for further information.

3. Movements in allowances for credit losses

	31/12/22			
(in thousands of EUR)	Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
LOANS AND ADVANCES DUE FROM CREDIT INSTITUTIONS				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(213)	(110)	0	(323)
Changes due to origination, acquisition and derecognition	126	5	0	132
Changes due to credit risk[1]	28	50	0	78
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(12)	12	0	0
Foreign exchange and other movements	(4)	0	0	(4)
BALANCE AT 31 DECEMBER	(75)	(43)	0	(118)
LOANS AND ADVANCES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(128,120)	(422,498)	(1,214,893)	(1,765,512)
Changes due to origination, acquisition and derecognition	(145,301)	47,303	17,910	(80,088)
Changes due to credit risk[1]	218,533	(147,923)	(73,893)	(3,284)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	32,268	(31,382)	(885)	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(145,833)	175,974	(30,142)	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	(1,014)	(45,947)	46,961	0
Decrease in allowance due to write off	0	0	50,310	50,310
Foreign exchange and other movements	(79)	(778)	(2,911)	(3,769)
BALANCE AT 31 DECEMBER	(169,546)	(425,251)	(1,207,544)	(1,802,342)
LOANS AND ADVANCES				
Measured at fair value through other comprehensive income				
BALANCE AT 1 JANUARY	(2,951)	(190)	0	(3,141)
Changes due to origination, acquisition and derecognition	(2,344)	43	0	(2,301)
Changes due to credit risk[1]	(1,825)	(1,153)	0	(2,978)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	24	(24)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(1,110)	1,110	0	0
BALANCE AT 31 DECEMBER	(8,206)	(214)	0	(8,420)

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

(in thousands of EUR)	31/12/22 Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
DEBT SECURITIES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(1,568)	(169,362)	(3,325)	(174,255)
Changes due to origination, acquisition and derecognition	(100)	1,225	0	1,125
Changes due to credit risk(1)	(119)	13,031	0	12,912
Transfer from stage 1 (12-month ECL) to stages 2 & 3	218	(218)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(329)	329	0	0
Foreign exchange and other movements	20	5,346	0	5,367
BALANCE AT 31 DECEMBER	(1,877)	(149,649)	(3,325)	(154,852)
Measured at fair value through other comprehensive income				
BALANCE AT 1 JANUARY	(1,964)	(17,126)	0	(19,090)
Changes due to origination, acquisition and derecognition	(848)	3,934	0	3,086
Changes due to credit risk(1)	350	(6,232)	(2,995)	(8,877)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	218	(218)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(383)	5,388	(5,005)	0
BALANCE AT 31 DECEMBER	(2,627)	(14,254)	(8,000)	(24,881)
OFF-BALANCE SHEET EXPOSURE				
BALANCE AT 1 JANUARY	36,562	113,652	12,049	162,263
Changes due to origination, acquisition and derecognition	104,870	(48,933)	(7,544)	48,393
Changes due to credit risk(1)	(119,756)	69,326	11,693	(38,737)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	(6,245)	6,146	99	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	37,661	(39,185)	1,523	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	255	5,472	(5,727)	0
Foreign exchange and other movements	38	233	32	304
BALANCE AT 31 DECEMBER	53,385	106,712	12,126	172,222

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

An increase in stage 1 and 2 impairment allowances can be noted following the increased macro-economic uncertainties. In particular, Belfius has updated the underlying macroeconomic scenarios as well as reassessed the overlays for specific risk pockets and individual counterparts. As customary, impairments were also recognised on a limited number of defaulted (stage 3) exposures during 2022 and as a result of portfolio evolutions.

The impact on the statement of income (impairments on financial instruments and provisions for credit commitments) is EUR -106 million in 2022, compared to EUR +1 million in 2021. The ex-ante provisioning of EUR 216 million per end 2021 increased to EUR 235 million per end 2022, and is explained by the update of the macroeconomic factors (increase of EUR 68 million) and the reassessment of the overlays for specific risk pockets and individual counterparts (decrease of EUR 49 million).

(in thousands of EUR)	30/06/23 Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
LOANS AND ADVANCES DUE FROM CREDIT INSTITUTIONS				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(75)	(43)	0	(118)
Changes due to origination, acquisition and derecognition	(2)	17	0	15
Changes due to credit risk[1]	30	(74)	0	(44)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	13	(13)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	0	0	0	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	0	0	0	0
Changes due to modification without derecognition	0	0	0	0
Changes due to update of methodology for estimation	0	0	0	0
Decrease in allowance due to write off	0	0	0	0
Foreign exchange and other movements	2	0	0	2
BALANCE AT 30 JUNE	(33)	(112)	0	(145)
LOANS AND ADVANCES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(169,546)	(425,251)	(1,207,544)	(1,802,342)
Changes due to origination, acquisition and derecognition	(76,545)	35,759	6,133	(34,652)
Changes due to credit risk[1]	141,310	(55,905)	(46,121)	39,284
Transfer from stage 1 (12-month ECL) to stages 2 & 3	13,850	(13,064)	(786)	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(64,474)	91,717	(27,243)	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	(542)	(11,108)	11,649	0
Decrease in allowance due to write off	0	0	31,152	31,152
Foreign exchange and other movements	3,373	8,797	2,734	14,904
BALANCE AT 30 JUNE	(152,575)	(369,054)	(1,230,025)	(1,751,654)
LOANS AND ADVANCES				
Measured at fair value through other comprehensive income				
BALANCE AT 1 JANUARY	(8,206)	(214)	0	(8,420)
Changes due to origination, acquisition and derecognition	430	621	0	1,051
Changes due to credit risk[1]	3,771	(5,261)	936	(554)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	377	(347)	(30)	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(3,387)	4,232	(845)	0
Foreign exchange and other movements	(3,284)	(8,671)	(192)	(12,148)
BALANCE AT 30 JUNE	(10,299)	(9,640)	(131)	(20,070)

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

(in thousands of EUR)	30/06/23 Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
DEBT SECURITIES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(1,877)	(149,649)	(3,325)	(154,852)
Changes due to origination, acquisition and derecognition	(602)	34	0	(568)
Changes due to credit risk(1)	1,389	(8,638)	840	(6,408)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	223	(223)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(693)	693	0	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	0	0	0	0
Changes due to modification without derecognition	0	0	0	0
Changes due to update of methodology for estimation	0	0	0	0
Decrease in allowance due to write off	0	0	0	0
Foreign exchange and other movements	451	(3,498)	0	(3,046)
BALANCE AT 30 JUNE	(1,108)	(161,282)	(2,485)	(164,874)
Measured at fair value through other comprehensive income				
BALANCE AT 1 JANUARY	(2,627)	(14,254)	(8,000)	(24,881)
Changes due to origination, acquisition and derecognition	(953)	970	8,000	8,017
Changes due to credit risk(1)	2,265	(1,742)	0	523
Transfer from stage 1 (12-month ECL) to stages 2 & 3	311	(311)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(1,537)	1,537	0	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	0	0	0	0
Changes due to modification without derecognition	0	0	0	0
Changes due to update of methodology for estimation	0	0	0	0
Decrease in allowance due to write off	0	0	0	0
Foreign exchange and other movements	(450)	(714)	0	(1,164)
BALANCE AT 30 JUNE	(2,990)	(14,514)	0	(17,504)
OFF-BALANCE SHEET EXPOSURE				
BALANCE AT 1 JANUARY	53,385	106,712	12,126	172,222
Changes due to origination, acquisition and derecognition	36,016	(13,155)	(126)	22,735
Changes due to credit risk(1)	(43,961)	15,619	13,695	(14,646)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	(3,534)	3,099	435	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	8,097	(13,761)	5,664	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	137	3,055	(3,192)	0
Changes due to modification without derecognition	0	0	0	0
Changes due to update of methodology for estimation	0	0	0	0
Decrease in allowance due to write off	0	0	0	0
Foreign exchange and other movements	(48)	(52)	(36)	(136)
BALANCE AT 30 JUNE	50,091	101,517	28,567	180,175

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

A decrease in stage 1 and 2 impairment allowances can be noted reflecting a.o. the gradual reduction of the overlay for economic uncertainties and vulnerable exposures. On the other hand, stage 3 impairments for loans in default show a slight increase.

Overall, this resulted in an impact on the statement of income (impairments on financial instruments and provisions for credit commitments) of EUR -17 million in 1H 2023, compared to EUR +13 million in 1H 2022.

We refer to the section "Fundamentals of credit risk in 1H 2023" in the Credit Risk chapter of the Management Report for further information.

9.3. Market risk and ALM

(refers to table 9.5. of the annual report 2022)

1. Financial markets

Within Belfius Bank, the Financial Markets department (FM) is the central point of entry to the financial markets. In general aspect, the department does not negotiate positions for own account: all transactions are based on client transactions. Transactions made by external or internal clients, for instance ALM including liquidity management belonging to the last category, are hedged overall within a framework of limits that complies with Belfius' risk policies. As a result, the various market risks are kept within that framework, a.o. by hedging transactions. The VaR figures stated below reflect these residual positions.

The risks on client flow management activities include general interest rate (including inflation), foreign exchange, equity prices, credit spread and other risks (CO_2). These risks are managed within Value at Risk limits and other appropriate risk limits.

Cash and Liquidity Management (CLM) is monitored by means of Value at Risk limits (VaR) and interest rate sensitivity limits.

The spread risk of credit derivatives, value adjustments (XVA) and client flow management activities are managed with spread limits.

The Value-at-Risk (VaR) concept is used as the principal metric for management of the market risk Belfius Bank is facing. The VaR measures the maximum loss in Net Present Value (NPV) the bank might be facing in historical market conditions over a period of 10 days with a confidence interval of 99%. The following risks are monitored at Belfius using a VaR computation:

- The interest rate, inflation and foreign-exchange (forex) rate risk: this category of risk is monitored via a historical VaR based on an internal model approved by the National Bank of Belgium and the European Central Bank. The historical simulation approach consists of managing the portfolio through a time series of historical asset yields. These revaluations generate a distribution of portfolio values (yield histogram) on the basis of which a VaR (% percentile) may be calculated.

The main advantages of this type of VaR are its simplicity and the fact that it does not assume a normal but a historical distribution of asset yields (distributions may be non-normal and the behaviour of the observations may be non-linear).

- The general and specific equity risks are measured on the basis of a historical VaR with full valuation based on 300 scenarios.
- The spread risk and the inflation risk are measured via a historical approach, applying 300 observed variations on the sensitivities.

In addition, Belfius computes a Stressed Value-at-Risk (S-VaR) on top of its regular VaR, which is also used for the computation of weighted risks for Market Risk. This S-VaR measure consists of calculating a historical VaR based on a 12 consecutive months observation period which generates the largest negative variations of Net Present Value in the bank's current portfolio of financial instruments.

VaR(1) (99%, 10 days)	31/12/22				30/06/23			
(in thousands of EUR)	IR & FX(2)(3)	Equity	Spread	Other risks(4)	IR & FX(2)(3)	Equity	Spread	Other risks(4)
By activity								
Average	7,457	4,620	1,092	433	6,034	4,253	1,076	814
EOY	6,269	5,792	823	395	7,012	2,965	1,226	557
Maximum	17,451	11,960	2,334	843	8,882	7,889	1,731	3,812
Minimum	3,653	2,245	194	365	3,543	2,257	715	395
Global								
Average	13,602				12,035			
EOY	13,279				11,762			
Maximum	25,270				17,302			
Minimum	7,802				7,146			
Limit	26,300				26,300			

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

Interest rate risk (IR) and forex risk (FX) are not measured separately. The forex risk is however not material.

2. FM Positions monitored outside of VaR

A separate sensitivity based monitoring is in place for three blocks of activities that are not part of the VaR scope. For each type separately and for all three combined, limits are in place for interest rate, FX, inflation and credit spread sensitivities

First, the value adjustments (CVA/DVA/FVA) related to Belfius' derivative exposures are sensitive to market risk as well. While certain sensitivities can be hedged almost completely (interest rate, inflation and currency), other risks like credit spreads and funding spread can only be hedged with proxies (like ITRAXX).

Similarly for the credit derivatives, the IR, FX and inflation sensitivities are well hedged, and also credit spreads sensitivity is within limits.

Finally, the hedge inefficiency of the bond portfolio following the difference in discount curve for the bond and its accounting hedge swap is managed on a daily basis as well as hedges for the inefficiency stemming from inflation, basis risk and directional IR exposure.

Basis Point Sensitivity	31/12/22					30/06/23				
(in thousands of EUR)	IR	Spread(1)	Tenor Basis	Cross currency	Inflation risk	IR	Spread(1)	Tenor Basis	Cross currency	Inflation risk
EOY	(7)	(53)	(23)	(66)	2	(31)	(90)	(24)	(71)	16

(1) Impact of a 1 bp increase in spread (either credit spread, or bond-cds basis spread).

3. Asset-liability management (ALM)

A. Interest rate risk

In respect to the interest rate risk, Belfius Bank pursues a prudent risk management of its interest rate positions in the banking book within a well-defined internal and regulatory limit framework, with a clear focus on generating stable earnings and preserving the economic value of the balance sheet and this in a macro-hedging approach, thoughtfully considering natural hedges available in the bank balance sheet.

The management of non-maturing 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. All ALM models are following the three lines of defence.

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 risks in the banking book.

Banks' ALM objective is to protect the net interest income from downward/upward pressures in the current volatile interest rate environment, while respecting the limits on variation of economic value.

Economic value indicators capture the long-term effect of the interest rate changes on the economic value of the Bank. Interest rate sensitivity of economic value measures the net change in the ALM balance sheet's economic value (at run off balance sheet assumption) if interest rates move by 10 bps across the entire curve. The long-term sensitivity of the ALM perimeter was EUR -72 million per 10 bps on 30 June 2023 (compared to EUR -59 million per 10 bps on 31 December 2022), excluding interest rate positions of Belfius Insurance and of the pension funds of Belfius Bank.

The Earnings at Risk indicators capture the more shorter-term effect of the interest rate changes on the earnings of the Bank (under a stable balance sheet assumption). Therefore, indirectly through profitability, interest rate changes can also have a shorter-term solvency impact. A 95 bps increase of interest rates has an estimated impact on net interest income (before tax) of EUR +40 million of the next book year and an estimated cumulative impact of EUR +72 million over a three year period, whereas a 95 bps decrease would lead to an estimated impact of EUR -22 million over the next book year and an estimated cumulative impact of EUR -95 million over a three year period (compared to EUR +32 million, resp. EUR +87 million for a rate shock of +50 bps and EUR +8 million, resp. EUR +2 million for a rate shock of -50 bps end of last year).

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

The continued increase in interest rates over the first half of 2023 has an overall positive impact on the Bank's standard transformation model. On the one hand, the interest to receive on new production of commercial loans starts to increase and the interest paid to depositors still remained close to zero for payment accounts and is only gradually increasing for savings accounts and term funding for the time being. On the other hand, refinancing or pre-paying mortgages have become less interesting for the customers. Furthermore, this increase in rates has further improved the net collateral cost for derivative contracts used to hedge the Bank's exposure to interest rate risk. The ALCo remains attentive to a volatile interest rate environment with primary objective to respect the Risk Appetite Framework (RAF). ALM conventional models are regularly reviewed at the light of the macro-economic environment and prevailing interest rates. During the first half of 2023, the continued increase in interest rates has modified the expected interest rate sensitivities of the 'on demand' (or non-maturing) deposits, which triggered additional hedging to remain within Belfius' risk appetite.

(in thousands of EUR)	31/12/22	30/06/23
Bank		
Economic value (+10 bps)	(58,734)	(71,887)
Earnings at risk (+95 bps)(1)	31,980	39,831
Insurance		
Economic value (+10 bps)	382	1,378
Earnings at risk (+95 bps)(1)	4,392	(989)

(1) Note that for 31/12/2022 an EaR of +50 bps was calculated.

B. Real estate – direct property

	31/12/22	30/06/23
(in thousands of EUR)	Measured at amortised cost	Measured at amortised cost
Insurance		
Market value	720,198	720,201
Shock 15% (negative)	(108,030)	(108,030)

Sensitivities are only reported for the direct property investment portfolio of Belfius Insurance group. The direct property held by Belfius bank mainly includes leasing contracts for the construction of property and property for own use.

4. Debt securities

A. Outstanding nominal amounts debt securities

	31/12/22			30/06/23		
(in thousands of EUR)	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss
Bank – bond portfolio (nominal value)	10,188,987		10,000	10,819,833		10,000
Insurance – bond portfolio (nominal value)	4,081,675	3,109,934	33,384	0	7,388,525	22,524
Insurance – investment funds (market value)			844,001			727,238

B. Interest-rate sensitivity

(in thousands of EUR)	31/12/22 Measured at amortised cost	31/12/22 Measured at fair value through other comprehensive income	31/12/22 Measured at fair value through profit or loss	30/06/23 Measured at amortised cost	30/06/23 Measured at fair value through other comprehensive income	30/06/23 Measured at fair value through profit or loss
Bond portfolio	(2,958)	(1,860)	(27)	0	(4,772)	(26)

The interest rate risk of the bond portfolio of the bank is either micro-hedged (for the former Side portfolio; hence low net interest rate sensitivity) or is managed through the ALM-framework (hence net interest rate sensitivity part of global ALM interest rate sensitivity). We refer to the section “5.5. Derivatives” for further information. Furthermore, for all debt securities mandatorily measured at fair value through profit and loss the interest rate is managed within the framework of the financial markets. The sensitivity to 1 bp interest rate increase of the value of the bond portfolio of the insurance companies amounted to EUR -4.8 million at the end June 2023, part of the global ALM management of the insurance companies.

C. Credit-spread sensitivity

This calculation estimates the sensitivity of the value of the bond portfolio after one basis point spread widening.

(in thousands of EUR)	31/12/22 Measured at amortised cost	31/12/22 Measured at fair value through other comprehensive income	31/12/22 Measured at fair value through profit or loss	30/06/23 Measured at amortised cost	30/06/23 Measured at fair value through other comprehensive income	30/06/23 Measured at fair value through profit or loss
Bank	(9,664)		(3)	(9,726)		(3)
Insurance	(3,149)	(2,111)	(92)	0	(5,002)	(89)

D. Shock Equity risk 30% (negative)

Concerns equity shock on investment funds within Belfius Insurance.

(in thousands of EUR)	31/12/22 Measured at fair value through other comprehensive income	30/06/23 Measured at fair value through other comprehensive income
Insurance – investment funds	(74,863)	(79,116)

5. Listed equity & real estate

(in thousands of EUR)	31/12/22 Measured at fair value through other comprehensive income	30/06/23 Measured at fair value through other comprehensive income
Insurance		
Market value – quoted shares & assimilated	277,322	232,953
Market value – quoted real estate	97,448	121,525
Shock 30% (negative)	(112,431)	(106,343)
VaR (99%, 10 days)	47,999	31,090

X. Notes on the significant changes in scope of consolidation and list of subsidiaries and affiliated enterprises of Belfius

10.1. Significant changes in scope of consolidation

(Only those changes that have a material impact (i.e. an impact of more than 1% of balance sheet total and/or P&L) have been reported).

1. As at 31 December 2022

Belfius Insurance acquired a 100% stake in the real estate company MC2 (investing in an office building in Belgium) in January 2022 for a total amount of EUR 18 million.

Belfius Insurance sold the subsidiary Alysea (a real estate company investing in a retirement home in Luxembourg) in June 2022 for a total amount of EUR 52 million.

The fully consolidated company The Studio was liquidated in June 2022.

At the end of June 2022 Belfius acquired a majority stake in CenEnergy. CenEnergy's offering consists of a complete package of services for e-mobility, ranging from charging infrastructure to all services needed for the implementation and optimization in e-mobility transformation. This move reinforces Belfius' position in sustainable mobility, next to its participations in Cyclis Bike Lease and Skipr with its Mobility as a Service App. CenEnergy is excluded from the consolidated financial statements as the participation is considered as non-significant as at 31 December 2022 and 30 June 2023.

Belfius Insurance acquired a 25% stake in Land Investment Vehicle (LIVE), a real estate investment collaboration with Ethias and Eiffage, in October 2022 for a total amount of EUR 1.5 million. The investment is consolidated using the equity method.

Belfius Insurance invested additional capital of EUR 1.7 million into Jaimy. This investment ensures that Jaimy can further develop and commercially expand in its respective market. The shareholding of Belfius Insurance in Jaimy amounts to 91.08% at the end of 2022.

The fully consolidated special purpose vehicle Penates Funding was liquidated in December 2022.

2. As at 30 June 2023

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

10.2. Acquisitions and disposals of consolidated companies

1. Main acquisitions

A. Year 2022

Belfius Insurance acquired a 100% stake in the real estate company MC² in January 2022 and performed a capital increase for a total amount of EUR 18 million.

Belfius Insurance acquired a 25% stake in Land Investment Vehicle (LIVE), a real estate investment collaboration with Ethias and Eiffage, in October 2022 for a total amount of EUR 1.5 million. The investment is consolidated using the equity method.

The assets and liabilities acquired were as follows:

	2022	
(in thousands of EUR)	MC²	Land Investment Vehicle
Loans and advances due from credit institutions	901	0
Investments in equity method companies	0	1,550
Tangible fixed assets	40,755	0
Tax assets	48	0
Other assets	661	0
Borrowings and deposits	(22,436)	0
Debt securities issued and other financial liabilities	(1,428)	0
Tax liabilities	(146)	0
Other liabilities	(554)	0
NET ASSETS	**17,800**	**1,550**
Group share	17,800	1,550
Already in possession of the Group	0	0
Purchase price (in cash)	17,760	1,550
Less: cost of the transaction	0	0
Less: cash and cash equivalents in the subsidiary acquired	(1,105)	0
NET CASH OUTFLOW THROUGH ACQUISITION	**16,655**	**1,550**

B. 30 June 2023

As at 30 June 2023 there are no significant acquisitions.

2. Main disposals

A. Year 2022

Belfius Insurance sold the subsidiary Alysea (a real estate company investing in a retirement home in Luxembourg) in June 2022 for a total amount of EUR 52 million.

The assets and liabilities disposed were as follows:

	2022
(in thousands of EUR)	Alysea
Loans and advances due from credit institutions	692
Tangible fixed assets	45,396
Tax assets	1,178
Tax liabilities	(11)
Other liabilities	(8,045)
NET ASSETS	39,210
Group share	39,210
Proceeds from sale (in cash)	52,129
Less: cost of the transaction	0
Less: Cash and cash equivalents in the subsidiary sold	(692)
NET CASH INFLOW ON SALE	**51,437**

B. 30 June 2023

Belfius Insurance and a.s.r. (one of the largest Dutch insurers) have founded Fixxer to internationally develop the "repair in kind" activity of Jaimy. This new company includes the technology platform of Jaimy after a demerger of Jaimy that took place in April 2023. Belfius Insurance has a share of 50.16% in Fixxer. Fixxer is consolidated using the equity method as joint control is exercised. The remaining 49.84% stake held by A.S.R. is considered as a disposal, on which Belfius Insurance realised a capital gain of EUR 4 million.

The assets and liabilities disposed were as follows:

(in thousands of EUR)	2023 Fixxer
Investments in equity method companies	2,113
Tangible fixed assets	0
Tax assets	0
Other assets	0
Tax liabilities	0
Other liabilities	0
NET ASSETS	**2,113**
Group share	2,113
Proceeds from sale (in cash)	4,250
Less: cost of the transaction	0
Less: Cash and cash equivalents in the subsidiary sold	0
NET CASH INFLOW ON SALE	**4,250**

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

A. Year 2022

As at 31 December 2022 no subsidiaries were recorded as "Non current assets (disposal group) held for sale and discontinued operations".

B. Year 2023

As at 30 June 2023 no subsidiaries were recorded as "Non current assets (disposal group) held for sale and discontinued operations".

XI. Related parties transactions

The standard IAS 24 "Related Parties Disclosures" provides a partial exemption from the disclosure requirements for government related entities. Consequently these government related entities are not included in the table "Related parties transactions". The exposure of Belfius on for instance Belgian Government bonds can be found in the chapter "Risk Management" of the management report.

1. Related parties transactions

	Directors and key management personnel(1)		Subsidiaries(2)	
(in thousands of EUR)	31/12/22	30/06/23	31/12/22	30/06/23
Loans(3)	3,201	3,586	4,660	5,072
of which impaired loans stage 3	0	0	0	0
Interest income	37	28	157	111
Deposits and debt securities(3)	12,529	14,131	9,454	8,200
Interest expense	(4)	(16)	(2)	(13)
Net commission	0	0	155	47
Guarantees issued and commitments provided by the Group(4)	0	0	14	1,014
Guarantees and commitments received by the Group	5,215	6,655	973	3,035

(1) Key management includes the Board of Directors and the Managing Board, as well as these persons' children and spouses or domestic partners and children of these persons' spouses or domestic partners.
(2) The amounts reported relate to transactions with subsidiaries that are not consolidated due to immateriality.
(3) Transactions with related parties are concluded at general market conditions.
(4) Unused lines granted.

Statutory auditor's report to the board of directors of Belfius Bank NV/SA on the review of the condensed consolidated interim financial information as at 30 June 2023 and for the six-month period then ended

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Belfius Bank NV/SA as at 30 June 2023, the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2023 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Zaventem, 31 August 2023

KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises
Statutory auditor
represented by

Olivier Macq
Bedrijfsrevisor / Réviseur d'Entreprises

Abbreviations

Acronym	
ABS	Asset-Backed Securities
AC	Amortised Cost
ALM	Asset-Liability Management
AML	Anti-Money Laundering
AUM	Assets Under Management
B/S	Balance Sheet
BACA	Belgian Alliance for Climate Action
BIP	Belfius Investment Partners
bp	basis point
BRRD	Bank Recovery and Resolution Directive
C/I RATIO	Cost-Income ratio
CCF	Credit Conversion Factor
CET1	Common Equity Tier 1
CO_2e	CO_2 equivalent
CoR	Cost of Risk
CPRS	Climate Policy Relevant Sectors
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CSDD	Corporate Sustainability Due Diligence Directive
CSM	Contractual Service Margin
CSRD	Corporate Sustainability Reporting Directive
CVA	Credit Value Adjustment
DCM	Debt Capital Markets
DPF	Discretionary Participation Feature
EAD	Exposure At Default
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Loss
ECM	Equity Capital Markets
EIF	European Investment Fund
EPC	Energy Performance Certificate
ESG	Environmental, Social & Governance
EUR	Presentation currency EURO
FCF	Fulfilment Cash Flows
FEAD	Full Exposure At Default
FHIC	Federal Holding and Investment Company
FTA	First Time Adoption
FVO	Fair value option
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GAR	Green Asset Ratio
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas
GMM	General Measurement Model
GRI	Global Reporting Initiative
IASB	International Accounting Standards Board
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
IRBA	Internal Rating-Based Approach
IRS	Internal Rating System
LC	Loss Component
LCM	Liquidity and Capital Management
LCR	Liquidity Coverage Ratio

Acronym	
LGD	Loss Given Default
LIC	Liability for Incurred Claims
LRC	Liability for Remaining Coverage
LRE	Leverage Ratio Exposure
LT	Long-Term
LTRO	Long-Term Refinancing Operations
MREL	Minimum Requirement for own funds and Eligible Liabilities
NBB	National Bank of Belgium
NFR	Non-Financial Risks
NGFS	Network for Greening the Financial System
NIG	Non-Investment Grade
NPS	Non Preferred Senior Bonds
NSFR	Net Stable Funding Ratio
OCI	Other comprehensive income
PAA	Premium Allocation Approach
P&L	Profit and Loss
PACTA	Paris Agreement Capital Transition Assessment
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of Default
PS	Preferred Senior Bonds
PVFCF	Present Value of Future Cash Flows
RA	Risk Adjustment
RAF	Risk Appetite Framework
RICAP	Risk Identification & Cartography Assessment
RMBS	Residential Mortgage-Backed Securities
ROA	Return On Assets
ROE	Return On Equity
RONRE	Return on Normative Regulatory Equity
SARIC	Self-assessment of Risks & Internal Controls
SBTi	Science-Based Target initiative
SFDR	Sustainable Finance Disclosure Regulation
SME	Small and Medium Enterprises
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SRM	Single Resolution Mechanism
T-LTRO	Targeted Longer-Term Refinancing Operations
TAP	Transition Acceleration Policy
TCFD	Taskforce on Climate-related Financial Disclosures
TLOF	Total Liabilities and Own Funds
TREA	Total Risk Exposure Amount
TRIM	Targeted Review of Internal Models
UNEP FI	United Nations Environment Programme Finance Initiative
UNEP FI PRB	United Nations Environment Programme Finance Initiative - Principles for Responsible Banking
UNEP FI PSI	United Nations Environment Programme Finance Initiative - Principles for Sustainable Insurance
VAR	Value at Risk
VFA	Variable Fee Approach
WACI	Weighted Average Carbon Intensity

Additional information

General information about Belfius Bank

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FSMA number
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Website
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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 – Colis 7908
Place Charles Rogier 11 – B-1210 Brussels
E-mail: *complaints@belfius.be*

If you are not satisfied with the response you receive, you can turnto the Negotation department of Belfius Bank

Belfius Bank
Negotiation – Colis 7908
Place Charles Rogier 44 – B-1210 Brussels
E-mail: *negotiation@belfius.be*

If you are a natural person acting in a private capacity and you are not satisfied with the responses you have received from the Bank's official bodies mentioned above, you can take your complaint to the Ombudsman in financial conflicts if it relates to banking products.

Ombudsman in financial conflicts
North Gate II
Boulevard du Roi Albert II 8, boîte 2 – B-1000 Brussels
Tel.: +32 2 545 77 70 – Fax: +32 2 545 77 79
E-mail: *Ombudsman@Ombudsfin.be*

For insurance products, you can take your complaint to the Insurance Ombudsman.

Insurance Ombudsman
Square de Meeûs 35 – B-1000 Brussels
E-mail: *info@ombudsman-insurance.be*

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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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