ANNUAL REPORT 2022

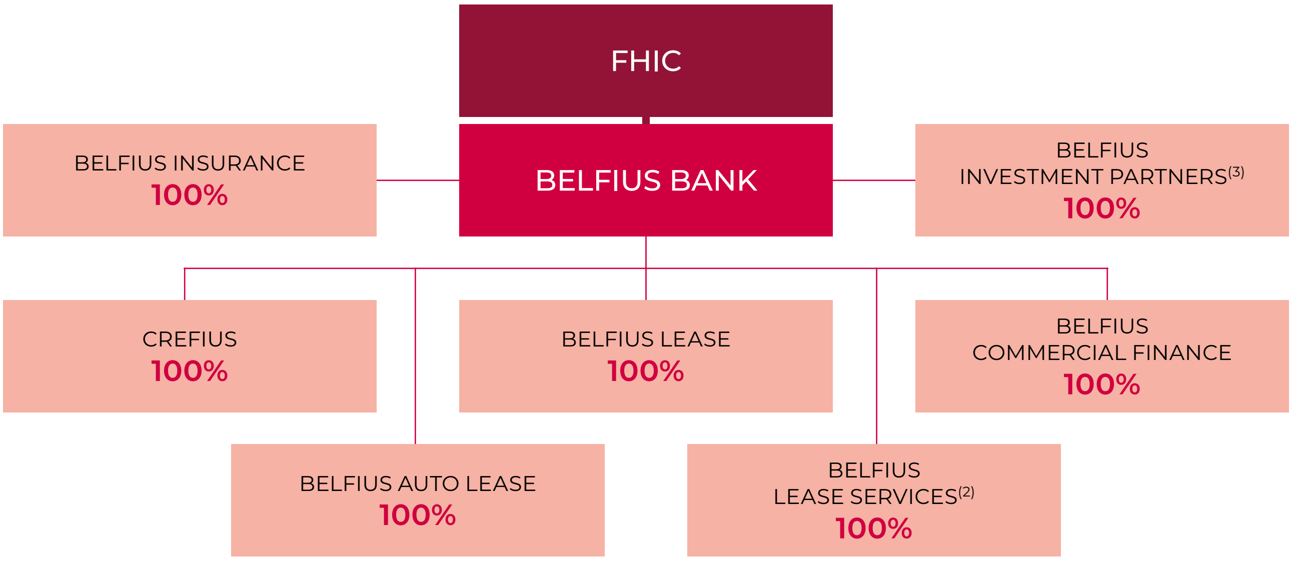
Belfius

Contents

Profile of Belfius

Belfius is a Belgian banking and insurance group wholly owned by the Belgian federal state through the Federal Holding and Investment Company (FHIC). At the end of 2022, the total consolidated balance sheet amounted to EUR 179 billion.

Simplified group structure[(1)]



Our main commercial subsidiaries

1. Belfius Insurance

Insurance company marketing life and non-life insurance products, savings products and investments for individuals, the self-employed, liberal professions, companies and the public and social sector. At the end of 2022, total consolidated balance sheet of Belfius Insurance amounted to EUR 20 billion[(4)].

2. Crefius

Company servicing and managing mortgage loans. At the end of 2022, total balance sheet of Crefius amounted to EUR 24 million[(5)].

3. Belfius Auto Lease

Company for operational vehicle leasing and car fleet management, maintenance and claims management services. At the end of 2022, total balance sheet of Belfius Auto Lease amounted to EUR 513 million[(5)].

4. Belfius Lease

Company for financial leasing and renting of professional capital goods. At the end of 2022, total balance sheet of Belfius Lease amounted to EUR 1,058 million[(5)].

5. Belfius Lease Services

Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions. At the end of 2022, total balance sheet of Belfius Lease Services amounted to EUR 2,556 million[(5)].

6. Belfius Commercial Finance

Company for financing commercial loans to debtors, debtor in-solvency risk cover and debt recovery from debtors (factoring). At the end of 2022, total balance sheet of Belfius Commercial Finance amounted to EUR 1,371 million[(5)].

7. Belfius Investment Partners

Company for administration and management of investment funds. At the end of 2022, total balance sheet of Belfius Investment Partners amounted to EUR 179 million[(5)] and assets under management amounted to EUR 28.4 billion.

(1) For more details, see the list of subsidiaries of the consolidated financial statements in this annual report.
(2) Belfius Lease Services operates under the same brand (logo) as Belfius Lease.
(3) Following the strategic partnership with Candriam, one share of Belfius Investment Partners is held by Candriam.
(4) For more details, cf. the annual report 2022 of Belfius Insurance.
(5) Total IFRS balance sheet before consolidation adjustments.

Our activities

Belfius is a Belgian bank-insurer serving all segments of the Belgian economy, including the retail, SME, public sector and corporate markets. As of 31 December 2022, it was the second largest retail bank-insurer in Belgium, with more than 3.8 million customers; the third largest bank for SMEs, with approximately 0.3 million professional customers; the largest bank in the public sector, with almost 100% penetration; and the third largest bank for corporates, serving approximately 50% of the Belgian market of companies with a turnover equal to or above EUR 10 million. Belfius serves approximately 30% of the Belgian population.

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

1. Individuals

Belfius offers **individuals** a comprehensive range of retail, private banking, wealth management and insurance products and services. Belfius serves its 3.4 million customers through its integrated omni-channel distribution network, which includes 482 branches, digital channels, its modern interaction platform Belfius Connect and a large number of automatised self-banking machines. Through executing its digital strategy, Belfius became a leader in mobile banking with over 1.88 million active mobile users.

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

2. Entrepreneurs, Enterprises & Public

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

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

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

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

Belfius Insurance also sells insurance products to its public and social sector clients. Specific life insurance solutions are offered, especially pension insurance in the first and second pension pillars for civil servants and investment products in Branch 26 (life insurance with a capital guarantee and guaranteed minimum return, to which a variable profit participation feature may be added). The development of the insurance policies specifically dedicated to the "Business" segment is one of the strategic development axes for both Life and Non-Life segments and are distributed via the Belfius Bank branches and multi-channel distribution network and the tied agent network of DVV Insurance.

Our staff members

At the end of 2022, Belfius' operations provided employment for 6,715 staff members, and there were approximately 3,300 persons working in the Bank's and Insurer's independent networks.

Key figures

Consolidated statement of income

(In millions of EUR)	2018 IFRS 9	2019 IFRS 9	2020 IFRS 9	2021 IFRS 9	2022 IFRS 9
INCOME	2,361	2,489	2,614	2,703	2,982
EXPENSES	(1,426)	(1,452)	(1,465)	(1,477)	(1,620)
GROSS INCOME	935	1,036	1,149	1,226	1,362
Impairments on financial instruments and provisions for credit commitments	(66)	(111)	(453)	1	(106)
Impairments on tangible and intangible assets	(2)	(7)	(17)	(2)	(2)
NET INCOME BEFORE TAX	867	918	679	1,226	1,255
Tax (expense) income	(217)	(252)	(147)	(290)	(279)
NET INCOME AFTER TAX	650	666	532	936	976
Non-controlling interests	1	(1)	0	1	1
NET INCOME GROUP SHARE	649	667	532	935	975
of which					
Bank	445	461	319	716	762
Insurance[1]	205	207	212	219	212

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

Consolidated balance sheet

(In millions of EUR)	31/12/18 IFRS 9	31/12/19 IFRS 9	31/12/20 IFRS 9	31/12/21 IFRS 9	31/12/22 IFRS 9
TOTAL ASSETS	164,165	172,439	187,991	192,151	179,466
TOTAL LIABILITIES	154,206	161,933	177,258	180,658	167,845
TOTAL EQUITY	9,960	10,506	10,733	11,493	11,621

Consolidated balance sheet

(In millions of EUR)	31/12/21	31/12/22
TOTAL ASSETS	192,151	179,466
of which Cash and balances with central banks	31,640	27,295
Loans and advances due from credit institutions	10,411	4,144
Loans and advances	102,679	110,311
Debt securities & equity instruments	27,195	23,027
Unit linked products insurance activities	4,246	3,970
Derivatives	8,909	5,893
TOTAL LIABILITIES	180,658	167,845
of which Cash and balances from central banks	15,418	5,904
Credit institutions borrowings and deposits	3,591	1,870
Borrowings and deposits	104,404	108,447
Debt securities issued and other financial liabilities	23,145	25,929
Unit linked products insurance activities	4,246	3,970
Derivatives	14,019	8,249
TOTAL SHAREHOLDERS' EQUITY	10,963	11,089
of which Shareholders' core equity	10,560	11,167
Gains and losses not recognised in the statement of income	403	(78)
TOTAL EQUITY	11,493	11,621
of which Total shareholders' equity	10,963	11,089
Additional Tier-1 instruments included in equity	497	497
Non-controlling interests	33	35

Ratios[1]

	31/12/18 IFRS 9	31/12/19 IFRS 9	31/12/20 IFRS 9	31/12/21 IFRS 9	31/12/22 IFRS 9
Return on equity (ROE)	7.5%	7.4%	5.6%	9.2%	9.1%
Return on assets (ROA)	0.39%	0.4%	0.29%	0.48%	0.51%
Cost- income ratio (C/I ratio)	60.4%	58.4%	56.0%	54.6%	54.3%
Asset quality ratio	2.05%	2.0%	2.02%	1.95%	1.82%
Coverage ratio	61.6%	62.3%	60.0%	60.4%	59.6%
Liquidity Coverage Ratio (LCR)[2]	135%	129.0%	158%	195%	173%
Net Stable Funding Ratio (NSFR)	116%	116.0%	128%	136%	135%

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

Solvency ratios[1]

	31/12/18 IFRS 9	31/12/19 IFRS 9	31/12/20 IFRS 9	31/12/21 IFRS 9	31/12/22 IFRS 9
CET 1 capital ratio[2]	16.0%	15.9%	17.1%	16.4%	16.5%
Tier 1 capital ratio[2]	17.0%	16.7%	18.0%	17.1%	17.3%
Total capital ratio[2]	19.6%	19.2%	20.4%	19.8%	19.8%
Leverage ratio[3]	6.0%	6.0%	6.9%	7.1%	6.3%
Solvency II – ratio (before dividend)	219%	212%	212%	200%	205%
Solvency II – ratio (after dividend)	203%	212%	200%	190%	193%

(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 equity instruments held by Belfius Bank in Belfius Insurance after deduction of goodwill. This is commonly known as "Danish compromise".
(3) Note that the allowed Covid-19 relief measure, to exclude part of the exposures to Central Banks, expired on 1 April 2022. The leverage ratio at 31 December 2021 without this relief measure amounted to 5.93%.

ESG as a business driver[1]

(in billions of EUR)	2021	2022
Total volume in funds of the future	2.11	2.20
Total volume of investment portfolio Belfius Insurance managed according to Portfolio21 criteria (till 09/22) - TAP criteria (as of 09/22)	12.30	9.70
% art 8 & 9 in outstanding active investments offer submitted to SFDR (except mandates)	79%	84%

(1) Unaudited.

Human capital

	2021			2022		
Staff members	Male	Female	Total	Male	Female	Total
TOTAL	3,363	3,168	6,531	3,452	3,263	6,715

Ratings of Belfius Bank as at 21 March 2023

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

(1) Intrinsic creditworthness.

Management report

Message from the chairmen

With a strong net result of EUR 975 million, continued financial solidity and growth in all segments, Belfius posted excellent annual results in 2022. Moreover, with total shareholders' equity of EUR 11.1 billion and a CET 1 ratio of 16.5%, Belfius remains one of the strongest bank-insurers in Europe. Banking activities experienced particularly strong growth, which in turn translated into an impressive increase in Belfius Bank's contribution of EUR 762 million to this overall net result. The share provided by Belfius Insurance was EUR 212 million.

Belfius saw its total revenues increase to EUR 2,982 million, up by EUR 279 million or 10.3% compared with 2021. One striking feature was the diversified growth across all income components: ranging from increasing net interest income and net commission income at the bank to improved insurance income. Belfius also succeeded in increasing its income more strongly than its costs, which themselves were EUR 143 million or 9.7% higher than in 2021, as a result of historically high inflation and the deliberate decision to continue investing in human talent and technology. However, while costs were offset by income that rose even more strongly, the Cost-Income Ratio continued to fall, reaching 54% (compared with 55% in 2021).

In light of the economic uncertainties, Belfius continued to manage its credit provisions prudently and increased its buffer in anticipation of a worsening economic outlook and the needs of vulnerable sectors in the second half of 2022. This generated overall cost of risk of EUR 106 million for the full year 2022 and led to an increase in the anticipative provisions for future credit risks to EUR 235 million, compared with EUR 216 million in 2021.

In terms of solvency, Belfius maintained a strong and robust solvency position at the end of 2022, with a CET 1 ratio of 16.5% and a leverage ratio of 6.3%. The CET 1 ratio was slightly higher compared with the end of 2021 and was due in part to a slight decrease in risk weighted assets to EUR 64.8 billion. This keeps Belfius firmly at the forefront of the most strongly capitalised bank-insurers in Europe. Belfius Insurance also scored strongly in terms of solvency with a Solvency II ratio of 193%, which was 3% higher than in 2021. With an LCR ratio of 173% and an NSFR ratio of 135%, Belfius continued to comfortably meet its liquidity requirements and even saw its liquidity buffer increase to EUR 46.2 billion by the end of 2022. Belfius Group's equity ended 2022 at EUR 11.1 billion.

These strong results enabled Belfius to fully assume its role, even in a challenging macroeconomic and geo-political context, to be a strong partner for the Belgian economy and for all segments of Belgian society, ranging from the wealthiest to the most vulnerable. In addition, on the basis of these solid results, Belfius will pay a total dividend of EUR 384.4 million to the shareholder for the 2022 year, subject to approval from the

“Supporting Belgian society and strengthening the economy in a sustainable way has been Belfius’ commitment for 11 years already. Once again in 2022, it continued to underline and strengthen that role, thanks to a strong net result, financial solidity that is stronger than ever and, above all, growth in all segments of Belgian society. Even in a challenging business environment, Belfius kept feeding the Belgian economy even more in 2022, with a record EUR 25 billion (or +12%) of new long-term loans. This strong growth was spread evenly across all segments of the Belgian economy. It is precisely by relying on this unique mix of segments and activities that Belfius will be able to create a win-win situation for everyone and continue to fulfill its societal role and be ‘Meaningful & Inspiring for Belgian Society. Together’.”

Marc Raisière __ Chairman of the Management Board Belfius Bank

competent authorities. This brings the cumulative dividend that Belfius has returned to Belgian society since 2011 to EUR 2.1 billion. Mindful as ever of its commitments, Belfius will continue to invest the remainder of its profits sustainably in the Belgian economy and society, as it has done during the past eleven years.

Belfius finances the Belgian economy and society more than ever

Even in a challenging business environment, Belfius kept feeding the Belgian economy even more in 2022, with a record EUR 25 billion (or +12%) of new long-term loans. This strong growth was spread evenly across all segments of the Belgian economy and was reflected in the total amount of outstanding loans, which increased by 7.5% to EUR 109.8 billion.

In 2022, a total of EUR 9.3 billion of new long-term financing was provided to Individuals, up 3.4% compared to 2021. Despite a cooling housing market, rising mortgage interest rates and strong competition, Belfius saw its production of home loans increase by 2.1% to EUR 7.9 billion. As a result, its market share of new mortgages rose to 17.4%. Against a background of high energy prices and inflation, Belfius is aiming more than ever to help its customers keep their life affordable and to improve the energy performance and energy bills of their homes. This resulted in consumer loans increasing by 6.2% to EUR 752 million.

Belfius also made full use of its strength to support the Belgian economy and the public and social sector. Its ambition to help Belgian entrepreneurs to realise their dreams was reflected in a record EUR 12.5 billion (or +17.1%) of new long-term loans granted by Belfius to Belgian Entrepreneurs and Enterprises (E&E) in 2022. Belfius also remains the reference partner for the public and social sector, granting new long-term loans totalling EUR 3.2 billion to customers in this segment in 2022, up by 19.8% on 2021.

In addition to classic credit financing, Belfius also remained the key partner for alternative financing solutions to Belgian companies and (semi-)public customers. With 46 deals worth EUR 8.1 billion, Belfius was the undisputed number one in Debt Capital Markets transactions for Belgian issuers in 2022. Belfius also led the way in Equity Capital Markets: in 2022, it acted in no fewer than 14 deals for a total transaction value of EUR 1.9 billion. Finally, Belfius confirmed its leading role in the issue of 9 Green and Social Bonds totalling EUR 1.92 billion, with the successful issuance of the “Green Senior Bond”.

Belfius continues to path the way as the Bank for Investors with socially responsible investments

As part of its ambition to build a better society, Belfius also invites customers to co-invest in that society, purposefully playing the card of socially responsible investment. Total outstanding savings and investments across all segments amounted to EUR 179.4 billion in 2022. Despite the unavoidable negative market effect, this amount remained roughly stable compared with the previous year’s level. This was the result of continued strong organic growth of EUR 8.3 billion. Total outstanding savings and investments held by Individuals also stayed at a fairly good level of EUR 116.4 billion (down by 1.8% compared with 2021). In a context of interest rate rises linked to high inflation, Belfius has been the first major Belgian bank to increase interest rates on savings accounts, prompting a notable move from savings to fixed-interest products, such as term deposits, by the end of 2022. At the same time, the shift to investment alternatives also continued clearly, with a growing number of savers taking their first steps as investors. Funds of the Future remained the stand-out product, with total outstanding investments reaching EUR 2.2 billion by the end of 2022. Investments in these funds now account for 81% of total net fund production. Re=Bel, Belfius' digital trading platform, with its 71,000 users, is also increasingly inspiring committed investment choices. 76% of the total invested amount of EUR 1.2 billion are aligned with the bank's policy to limit investments in controversial sectors.

Both the strategy used by Belfius to become the reference bank in Private Banking and Wealth Management and the investments made in in-house wealth management specialists within its asset management business are paying off. Excellent commercial dynamics led to EUR 36.3 billion in total outstanding savings and investments for Private and Wealth customers. Organic growth in total outstanding savings and investments amounted to EUR 2.1 billion.

Belfius is committed to everyone, including the most vulnerable groups

"There is Love for Everyone" is a commitment that Belfius also converts into action. From the youngest to the oldest, from start-ups to large corporates, from local authorities to Individuals, from the strongest to the most vulnerable. Moreover, Belfius remains the only bank to offer a wide range of social products to the most vulnerable groups in our society, via 169,431 social accounts. In addition, Belfius accounts for approximately 40% of the basic banking services for the most disadvantaged on the Belgian market. Continuing to focus on digital innovation does not mean that less digitally-minded customers will be left behind. For example, Belfius Phone Banking, a free service, enables non-digital or less mobile customers to manage their daily banking business independently. Customers over the age of 70 pay no fees if they wish to make paper transfers or receive their monthly account statements by post. With a total outstanding of EUR 23.9 billion in loans to the public and social sector, Belfius continues to contribute to the development of society by supporting the construction of bike paths, schools, swimming pools and hospitals. As the banker of 46 universities and colleges in Belgium, we support the education and well-being of young talents.

Belfius continues to focus on digital innovation

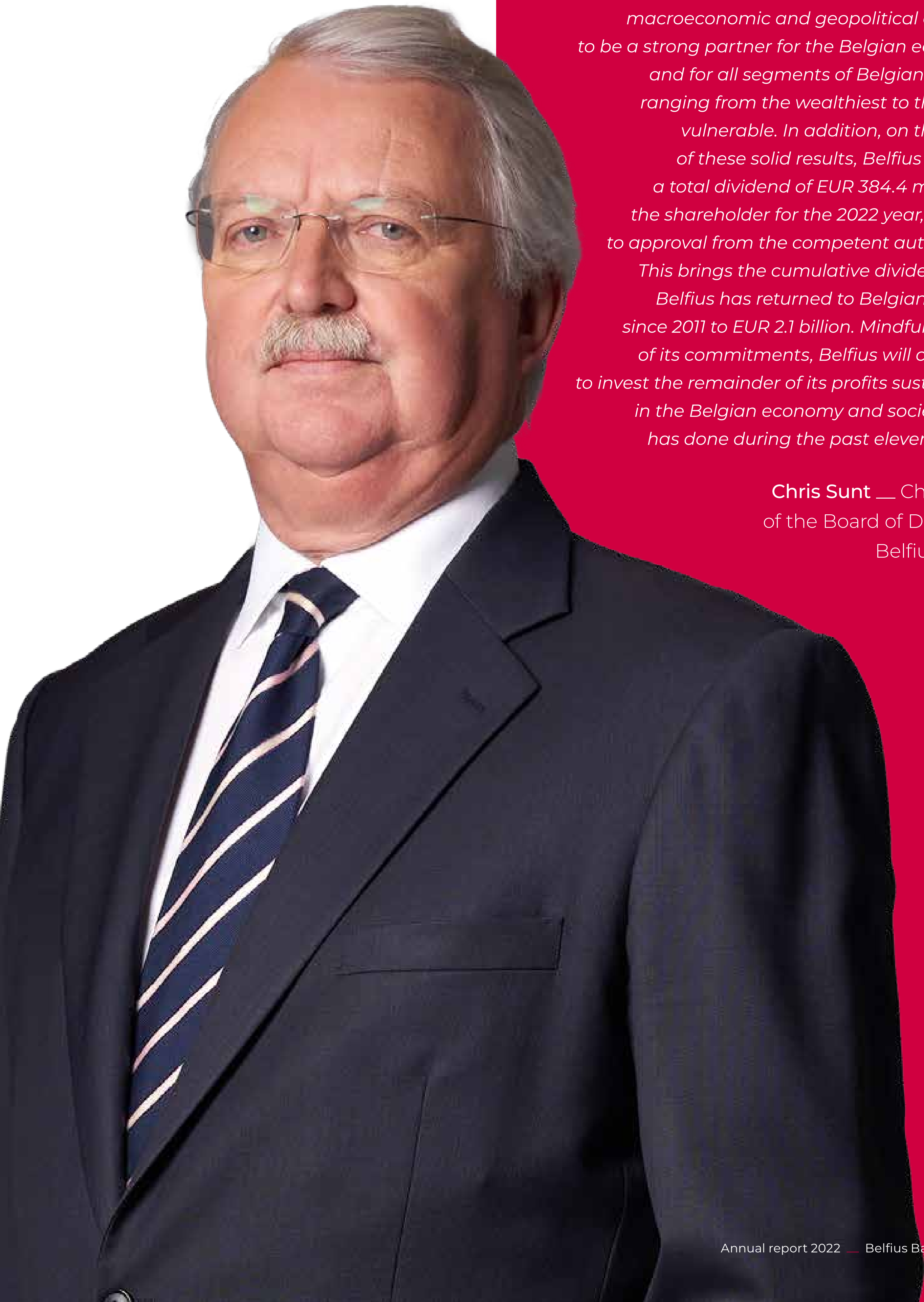
Belfius continues to focus on innovation and diversification. Its digital leadership is confirmed by the 5% increase in the number of active users of Belfius' apps (1.88 million), with an average of 38.5 log-ons per month on a smartphone or tablet. The digital acceleration is also reflected in the

sale of products via digital channels, the proportion of which continues to grow. Moreover, with an average of 40,000 conversations per month, the chatbot adds an extra dimension to the service which customers receive via the digital channels.

Strong focus on sustainability in everything we do

Together with our customers, partners and employees, we are fully committed to accelerating the transition to sustainability. Because being Meaningful & Inspiring for Belgian society means striving to achieve maximum positive impact. And that's something we do with our customers by providing impactful banking and insurance solutions. For example, we issued EUR 1.9 billion of green, social or sustainable bonds in 2022 and won the award for ESG Bond Finance House of the Year. We also doubled our production of Energy Renovation loans and provided EUR 106 million to finance the installation of solar panels on the roofs of 52,500 social housing units in Flanders through the Aster project. Meaningful investments can now be made through Re=Bel, our trading platform that informs customers about the sustainable nature of their transactions. By the end of 2022, Re=Bel already had 71,000 customers who conducted a little over 400,000 transactions totalling EUR 1.4 billion. More than 75% of the amount invested in this way meets the sustainability criteria set by Belfius' Transition Acceleration Policy.

Belfius is also focusing on sustainability in its own operations. We do what we say and we aim at achieving greater sustainability across all aspects of our activities. For instance, at the end of 2022, there were more than 40% women in managerial roles and we guarantee equal pay for men and women. We are also working hard on making our vehicle fleet green, and electric or plug-in hybrid models now account for 64% of newly ordered "flex" and company cars within the Belfius Group. We have achieved a 30% reduction in CO_2 emissions from our own operations, compared with 2019. This will enable us to meet the targets we have set ourselves for 2025 better and more quickly. Our partners are also continuing to help us make a greater positive impact for Belgian society, being mobility (Skipr, CenEnergy, Cyclis), sustainable building and energy (Evergreen, Izen, etc.) or the areas in which we have been making a significant social commitment for many years (Viva for Life, JEZ, Special Olympics, etc.). We can rely on the way we closely work together to speed up the transition to sustainability.



"These strong results enabled Belfius to fully assume its role, even in a challenging macroeconomic and geopolitical context, to be a strong partner for the Belgian economy and for all segments of Belgian society, ranging from the wealthiest to the most vulnerable. In addition, on the basis of these solid results, Belfius will pay a total dividend of EUR 384.4 million to the shareholder for the 2022 year, subject to approval from the competent authorities. This brings the cumulative dividend that Belfius has returned to Belgian society since 2011 to EUR 2.1 billion. Mindful as ever of its commitments, Belfius will continue to invest the remainder of its profits sustainably in the Belgian economy and society, as it has done during the past eleven years."

Chris Sunt — Chairman of the Board of Directors Belfius Bank

Dynamic bank-insurance model allows Belfius to grow further as an insurer

Once again in 2022, Belfius did everything it could to be on the side of the customer thanks to its dynamic bank-insurance model. Since the storms in February, the affected customers have already been compensated for 95% of the total EUR 50.6 million of damage they suffered. Despite higher claims costs due to high inflation and the cooling car market, the commercial dynamics for the Non-Life insurance activity held up very well, with an increase in Non-Life gross written premiums at Group level, reaching EUR 805 million (up by 4.7%). Life production also benefited from rising interest rates and amounted to EUR 2.2 billion at the end of 2022. This was an increase of 7.6% compared with the end of 2021 which was partly due to the renewed interest in Branch 21 insurance policies, which offered a safe haven in what was a poor year on the financial markets. With Belfius Invest Capital, Belfius Insurance became the first insurance company in Belgium to launch a Branch 21 product with a higher guaranteed return in the second half of the year.

Belfius can look to the future with confidence

Supporting Belgian society and strengthening the economy in a sustainable way has been Belfius' commitment for 11 years already. Once again in 2022, it continued to underline and strengthen that role, thanks to a strong net result, financial solidity that is stronger than ever and, above all, growth in all segments of Belgian society. By focusing on that unique mix of segments and business areas, we create a win-win situation for everyone. These strong results did not happen by chance and are the result of a clear long-term customer-centric strategy, combined with disciplined balance sheet management and excellent commercial dynamics.

This strategy is driven forward by a strong brand and by the 10,000 talented people who work at Belfius and who, within a unique corporate culture, aim to make a difference for customers every day. We are extremely grateful to all our staff and agents. Our thanks also go to our shareholder and Board members for their confidence and support in developing our ambitious strategy. But above all, we address our particular thanks to our customers for their many years of trust. Because this is what inspires us to achieve so enthusiastically our purpose every day: to be Meaningful & Inspiring for Belgian society as a whole. And that is more than a commitment; that is Love. The truly most beautiful result there can be.

Brussels, 21 03 2023

Marc Raisière
Chairman of the Management Board
Belfius Bank

Chris Sunt
Chairman of the Board of Directors
Belfius Bank


2022
highlights

2022 demonstrated Belfius' eleventh year of consistent strategy, to live up to its purpose of being "Meaningful and inspiring for Belgian Society. Together." Even in this uncertain financial and economic environment, Belfius continued to deliver strong commercial performance and solid financial results, while benefiting from a sound capital position. Macroeconomic perspectives were jeopardized by inflationary pressures, slowing economic growth and rising geopolitical tensions. Central banks' commitment to fight inflation combined with upcoming recession have weighed on credit spreads and equity markets in 2022.

The **consolidated net income** stood at EUR 975 million, which is EUR 40 million higher than in 2021 (EUR 935 million), the highest net income since Belfius' origins. The main drivers for this material increase are primarily the very healthy commercial dynamics with total income increasing by EUR +279 million or +10% (from EUR 2,703 million to EUR 2,982 million), driven by net interest income, fee & commission, life and non-life insurance and other income, outweighing the increase of the Operating Expenses by +10% due to higher workforce expenses, brand campaigns and continued investments in our data and digital transformation journey. In addition, the Cost of Risk has increased on the basis of a consistent approach to determine our best estimate "ex-ante provisioning" of expected losses due to the effects of the multi-dimensional turmoil events, which translated into a net allowance of EUR -106 million compared to a net reversal of EUR +1 million in 2021. The level of Pre-Provision Income, at EUR 1,362 million, increased with EUR +136 million vs 2021.

Belfius Bank contributed EUR 762 million to the consolidated net profit. Impacted by heavy storms in Q1 2022, Belfius Insurance's contribution amounted to EUR 212 million.

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

- new record production of EUR 25.0 billion of new long-term loans (including leasing), a growth of +12% vs 2021. Overall, the stock of outstanding commercial loans reached EUR 109.8 billion as of end December 2022;
- our strategy "Bank for Investors" is also flourishing with the outstanding Savings & Investments remaining stable at EUR 179.4 billion, thanks to strong organic growth effects in both on-balance sheet and off-balance sheet, with the latter impacted by material negative market effect;
- the insurance business continued to grow steadily, with the non-life GWP reaching EUR 805 million mostly thanks to a strong growth of the bancassurance channel (+9%), whereas life production reached EUR 2.2 billion, a consistent growth of EUR +156 million (or +8%) compared to 2021, mostly thanks to solid production figures in Branch 21.

In 2022, Belfius has grown **more mature** in serving all segments of the Belgian economy, **more scalable** towards the future, as illustrated by its competitive, resilient and improving cost-to-income ratio of 54%, and **more solid** by growing its profit capacity close to the EUR 1 billion mark, by keeping its RoNRE (Return on Normative Regulatory Equity) for the second year in a row above the 10% mark (11.2% RoNRE as per end of December 2022), and by keeping its CET 1 ratio at a very solid solvency level of 16.5%, Belfius Insurance SII ratio at 193% and LCR ratio at 173%.

Sustained commercial activity in all segments in 2022

Belfius has granted an amount of EUR 25.0 billion in new long-term financing to the Belgian economy. Out of these EUR 25.0 billion, more than 50% (EUR 12.5 billion) went to Entrepreneurs and Enterprises. Belfius also granted EUR 3.2 billion of new long-term loans to the Public and Social sector and as such remains the reference partner for those clients. Furthermore, EUR 9.3 billion in new long-term financing went to Individuals, including EUR 7.9 billion in mortgage loans.

These strong commercial dynamics resulted in a continued solid increase of our outstanding stock of loans in all segments of the Belgian economy. Assets under management of **Private and Wealth** grew with EUR +2.1 billion (before market impact) and Belgian **Corporate** loan market reached an estimated market share close to 20%.

In 2022, **Savings and Investments** remained stable despite the unfavourable financial market context, reaching a stock of EUR 179.4 billion, a decline of EUR -0.2 billion compared to end December 2021, composed of a solid EUR +8.3 billion organic growth in Asset Management, Bonds and Equity investments, Straight Deposits and Term Deposits, and a material negative market effect of EUR -8.5 billion. Non-Maturing Deposits remained stable at EUR 102.1 billion.

The Individuals (IND) segment displayed a decline of EUR -2.1 billion driven by a negative market effect of EUR -6.8 billion which has partially been compensated by a strong organic growth (EUR +4.7 billion), while Savings & Investments for the Entrepreneurs, Enterprises & Public (E&E&P) segment have grown steadily by EUR +1.9 billion, driven by a solid organic growth of EUR +3.6 billion.

Within our Insurance activities, **non-life GWP** reached EUR 805 million, a growth of +5% (y-o-y). This strong performance was mainly achieved in the Belfius Bank's distribution channel (+9%).

Life production reached EUR 2.2 billion, a consistent growth of +8% compared to 2021. At the same time, **life reserves** were down by -4% at EUR 13.8 billion compared to end 2021, mainly driven by outflows in Branch 21 combined with negative market effect in Branch 23.

Belfius continues to perform well on the **digital** front. The number of active mobile users reached 1.88 million at the end of December 2022, up +5% compared to year end 2021. Belfius offers a leading & award-winning mobile banking app, while our insurance digital features were ranked #1 in 2021 in Belgium. Belfius will continue to leverage its world-class mobile app as the cornerstone, including to offer inspiring and innovative **"beyond bank-insurance"** solutions to our customers.

In 2022, Belfius continues to take an active role in the **transition towards a sustainable future** of the Belgian society. Belfius is committed to making a difference in the social challenges and to encourage solutions that contribute to a more sustainable society in Belgium. Belfius' commitments for 2025 prove to be more relevant than ever as a guiding compass for its sustainability strategic goals. From reinventing mobility to equal opportunities and social commitment, to CO_2 neutral stance, Belfius positions itself as a leading actor in this field.

Excellent financial performance in 2022

Belfius' consolidated net income 2022 reached the outstanding amount of EUR 975 million, driven by strong commercial dynamics and increasing income and despite inflationary pressures on the cost side.

Total income amounted to EUR 2,982 million in 2022, up +10% or EUR +279 million compared to 2021 (EUR 2,703 million) thanks to:

- strong increase of the **net interest income bank**, in sharply rising interest rate environment, by +8% (EUR 1,752 million in 2022 vs EUR 1,623 million in 2021) driven by:
  - improving interest margin on non-maturing deposits,
  - positive impact from the TLTRO III and ECB deposit tiering till November 23rd, 2022; and
  - higher margin on the large liquidity buffer held in cash during the year;
- outstanding resilience of the **net fee and commission income bank** growing by +3% (EUR 757 million in 2022 vs EUR 732 million in 2021) mainly thanks to higher payment service fees and resilient fees from asset management services (in line with our 'Bank for Investors' strategy);
- **growing insurance contribution to income**, with strong life insurance income (EUR 338 million in 2022 vs EUR 302 million in 2021), mainly thanks to continuously strong financial margin on life insurance reserves (including a partial release of excess reserves), complemented with rising non-life insurance income (EUR 226 million in 2022 vs EUR 210 million in 2021), where growing non-life activity has been partially neutralized by higher claims cost due to inflationary pressures and to the storms of Q1 2022;
- **other income** amounted to EUR -91 million in 2022, less negative than in 2021 (EUR -165 million). The y-o-y delta is mainly stemming from stronger results in Financial Markets activities, higher contribution from Belfius' subsidiaries, positive impacts from higher interest rates and credit spread hedges, despite continuously higher bank levies (EUR 264 million in 2022 vs EUR 256 million in 2021).

Belfius continued to develop its strong footprint, in operational, commercial and financial terms, by investing in brand, human talent and digital capital. The year 2022 has been marked by very strong investments in our Belfius' brand positioning, with amongst others successful campaigns towards Entrepreneurs and Corporates, and the Private and Wealth segments in Belgium. Nevertheless, the increase of **operating costs** by +10% (EUR 1,620 million in 2022 vs EUR 1,477 million in 2021) remained well below the increase of income, leading to a further improving C/I ratio at 54% in 2022 (compared to 55% in 2021), despite inflationary pressures and these investments in brand, human and digital capital.

All in all, the combination of strong income dynamics, rising interest rate environment, disciplined cost strategy, notwithstanding inflationary pressures and unfavourable financial markets and continuing investments in commercial activities, ESG, IT and digitalization, led to an increase in **pre-provision income** by +11%, to EUR 1,362 million in 2022 vs EUR 1,226 million in 2021.

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

- the Russian invasion in Ukraine aggravating the geopolitical, economic and financial turmoil;
- additional Covid-19 related lockdowns in China; and
- historically very high inflation readings worldwide,

the anticipated economic recovery as of end 2021 was tempered and worldwide short and medium-term economic growth estimates continuously decreased.

In this multi-dimensional change of the economic and financial environment, Belfius decided to increase its risk provisions, resulting in an overall **cost of risk** 2022 of EUR -106 million (net allowance) compared to EUR +1 million or a net reversal in 2021.

As a result, the **net income before taxes** amounted to EUR 1,255 million compared to EUR 1,226 million in 2021.

The **tax expenses** amounted to EUR 279 million in 2022 compared to EUR 290 million in 2021, notwithstanding higher taxable profit. The consolidated effective tax rate (ETR) stood at 22%, slightly below the statutory tax rate (25% in 2021), benefitting from higher non-taxable results (positive result on credit spread hedges in Ireland, capital gains on real estate project, etc.) and innovation deduction regime in line with our innovation investments.

As a consequence, **consolidated net income 2022** reached EUR 975 million compared to EUR 935 million in 2021. This is Belfius' highest net income since its origins, back in 2011.

Continued investment in the future, with a focus on sustainability

Beyond these excellent financial results, Belfius has continued to invest in its future with a very clear focus on sustainability, a value that is at the core of our purpose "Meaningful and Inspiring for Belgian society. Together.", and on digitalization. This drive is the foundation of all the major strategic and innovative initiatives launched by Belfius in 2022:

- **Acquisition of CenEnergy**: Belfius has taken green mobility a step further, becoming the majority shareholder of CenEnergy after a few years of active commercial collaboration. Belfius' majority stake in this Belgian scale-up will propagate safe and clever electric charging infrastructure across Belgium with adjacent e-mobility services. This move reinforces Belfius' position in sustainable mobility, next to its participations in Cyclis Bike Lease and Skipr with its Mobility as a Service App;
- **Launch of Ambition Loans and Ambition Lease**, investment credit and financial leasing formulas dedicated to financing projects with pre-defined environmental and climate targets;
- **Launch of three additional Funds of the future on circular economy, the metaverse economy and durable food production.** These complement the society-related themes that were already available: oncology, environment, gender equality, happy and healthy longevity, cleaner, safer and smarter mobility and the development of children. As of December 2022, these nine Funds of the future had already attracted EUR 2.2 billion, generating from shared commissions thereon EUR 4.8 million of donations to charities since inception.

Next to this, Belfius is also proud that:

- Belfius Bike Insurance won a **2022 DECAVI Award**. This market recognition supports Belfius' focus on assisting Belgian Society in its shift towards low carbon mobility;
- **over 85% of the new production** in mutual funds and Branch 23 went to "meaningful" investments (art 9 or art 8 under SFDR)[1];
- Belfius' innovative investment app **Re=Bel** onboarded 71k customers since its start and executed EUR 679 millions of transactions during 2022. Launched 18 months ago, this platform is fully integrated into our mobile app making 'investing with a cause' accessible to everyone. With a range of 40,000 shares and over 900 ETFs over 25 markets, Re=Bel relies on the Belfius TAP[2] to inform customers about the sustainability of their investments at purchase;
- Belfius contributed to the roll-out of meaningful infrastructure as the financial partner of Aster to equip social housing with solar panels;
- Belfius computed its Financed Emissions for 2022, as a first step in delivering on its Science Based Target initiative commitment to limit global warming to well-below 2°C.

(1) SFDR = Sustainable Finance Disclosure Regulation.
(2) 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.

Improving solvency ratios and sound liquidity position

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

- the CET 1 ratio stood at 16.55%, up +0.17 pp compared to December 2021. This increase is mainly explained by a decreased credit risk exposure following a release of the NBB macroprudential add-on on mortgage loans exposure and a decrease in financial market exposures following positive market parameter evolutions, partially offset by an increase in credit risk due to higher commercial volumes;
- this strong and solid CET 1 level is net of a 40% dividend pay-out ratio, hence a potential 2022 dividend of EUR 384.4 million[1], thanks to which Belfius continued to support its commercial franchise development;
- total capital ratio stood at 19.8%, stable compared to end 2021;
- the leverage ratio decreased to 6.3%, down -0.87 pp compared to December 2021, due to a higher leverage exposure by EUR +22.8 billion than in 2021, stemming mainly from the end of a COVID-19 release measure for partial exclusion of Central Bank exposures and from higher off balance volumes;
- insurance activities also posted continued solid solvency metrics, with a Solvency II ratio of 193% end of December 2022;
- Belfius also showed an excellent liquidity and funding profile with a LCR of 173% and a NSFR of 135%;
- total shareholders' equity (Net Asset Value) further improved to EUR 11.1 billion end December 2022 (vs EUR 11.0 billion end 2021), as a result of strong financial results despite unfavourable financial markets.

(1) As decided by the Board of Directors of 21 March 2023 upon a proposal for dividend (to the General Assembly of 26 April 2023) over 2022 year-end results.

Sustainability Report 2022

1. About this report

The 2022 Belfius Sustainability Report is designed to present the Belfius Group's ('Belfius') strategy, business model, governance, risks and opportunities, performance and future outlook regarding sustainable development. This report is Belfius' opportunity to guide its stakeholders, and any external reader, in their understanding of the Group's values, initiatives and overall progress made on sustainability in 2022.

This report's content is determined by economic, environmental and social topics considered from both "impact materiality" and "financial materiality" perspectives in line with the principles of "double-materiality".

To ensure a thorough and comprehensive understanding of the Group's overall performance, this report should be read in conjunction with the 2022 Belfius Annual Report, both having been approved by the Board of Directors in March 2023.

This report deals with the sustainability performance of Belfius' activities which are predominantly located in Belgium and covers Belfius Bank and its consolidated subsidiaries(1) amongst which Belfius Insurance, Belfius Investment Partners, Belfius Auto Lease and Belfius Lease. Belfius publishes its sustainability reports on an annual basis - reports from previous years can be found here.

Belfius has prepared the 2022 Belfius Sustainability Report in accordance with the Global Reporting Initiative (GRI) Standards for the period from 1 January 2022 to 31 December 2022. Unless otherwise stated, the use of the terms such as green or sustainable is not aligned with the EU taxonomy.

In 2022, we reviewed our materiality assessment considering current market practices, sustainability trends and regulatory evolutions. More information on our materiality assessment and material topics can be found in section 4.3.

In line with last year's sustainability report, the Sustainable Development Goals (SDGs) are also used as a reference to highlight important strategic topics and realizations as they provide us with an important framework for our value creation and material topics.

Additionally, the chapter focusing on climate- and environmental action takes into account the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, upon which the environmental prudential qualitative "Pillar III" requirements prepared by the European Banking Authority (EBA) were built.

Finally, the GRI content index, the United Nations Global Compact (UNGC) progress index, the Principles for Responsible Banking (PRB) report and Principles for Sustainable Insurance (PSI) report can be found within the Appendices section of the Sustainability Report.

In order to further increase its transparency, Belfius aims to obtain external assurance on its sustainability data in the future, which has not been the case till now.

For any feedback and questions regarding the Belfius Sustainability Report, please send an e-mail to esg@belfius.be

(1) For full list of consolidated subsidiaries see Annual Report 2022.

2. Highlights

20/01

Belfius joins the Science Based Targets initiative (SBTi), committing to set company-wide GHG emission reduction targets in line with the Paris Agreement's ambitions and climate science

28/04

Belfius receives the **DECAVI award** for the quality and scope of its **bike insurance** product

02/05

Start of the installation of LED lighting and sensors to increase the energy efficiency of the Belfius Tower

03/05

Belfius partners with CAPITAL to introduce young adults in Brussels to the banking and insurance sector and its opportunities

01/06

Belfius receives the **"Best of the Test" label** from Test Achats for its **energy renovation loan** for individuals

08/07

Belfius becomes the **main shareholder of CenEnergy**, marking Belfius' continuous efforts to accelerate the transition to a low-carbon society

14/07

Familiehulp partners with Jane, a Belfius Insurance subsidiary providing care technology to ensure a safer home environment for senior citizens

29/07

ASTER, Energyvision and Belfius join forces to fight energy poverty by installing 395,000 solar panels on 52,500 social housing units in Flanders over the next three years

25/08

Launch of Corona Direct's insurance alphabet, a tool to improve transparency, clarity and accessibility for all on typical insurance terms

14/09

Belfius becomes an Open@Work partner, taking a further step towards diversity and inclusiveness for the LGBTQIA+ community

26/09

Launch of Belfius' Ambition loans and lease investment credit and financial leasing formulas dedicated to financing projects with environmental and climate targets as defined by Belfius

05/10

Launch of JEZ!, an initiative focused on youth and positive change for society, with the support of VTM, HLN, Qmusic and Belfius

23/11

Belfius is awarded an **OKRA Award for its Belfius Phone Banking service**, improving accessibility to daily banking operations for non-digital customers

17/12

Launch of the 10th edition of Viva for Life fighting child poverty, of which Belfius has been a partner for nine years

30/12

Belfius celebrates its ten-year-long **cooperation with Passwerk**, that employs people with autism spectrum profile

3. About Belfius

3.1. Strategy Inspire 2025

Belfius' underlying strategy has been stable for the past 10 years: to be a digital leading, integrated bank-insurer, present in all segments of the Belgian economy and society, committed to customer satisfaction and the creation of societal value, with robust "risk management" and strong "financial management".

This is further reinforced in Belfius' Inspire 2025 strategy. Our purpose, "Belfius, meaningful and inspiring for Belgian society. Together." is our guide in all important choices and decisions we make.

Belfius continues to put the customer at the heart of everything. As a universal, integrated bank-insurer, we bring differentiated value propositions to each customer segment, whilst leveraging synergies across those customer segments as well as products, and expanding into Asset Management and Financial Markets.

In the "individuals" segment, for both Savers and Investors, we focus on an innovative mix of digital and human, through own channels and via strategic partnerships with continued support for the most vulnerable in society (e.g. via social accounts, accessible services for the elderly/ the less digitally aware, etc.). For our Private and Wealth Management segments, we have chosen a membership approach where customers consciously choose to opt in. The Private Membership is a paying membership while the Wealth Membership is upon invitation only. Belfius will continue to grow its franchise in the Private & Wealth segment, inter alia by its strong position in meaningful investing with a tangible impact on society.

Within the "Entrepreneurs, Enterprises and Public segment (E&E&P)", we have indicated three sub-segments.

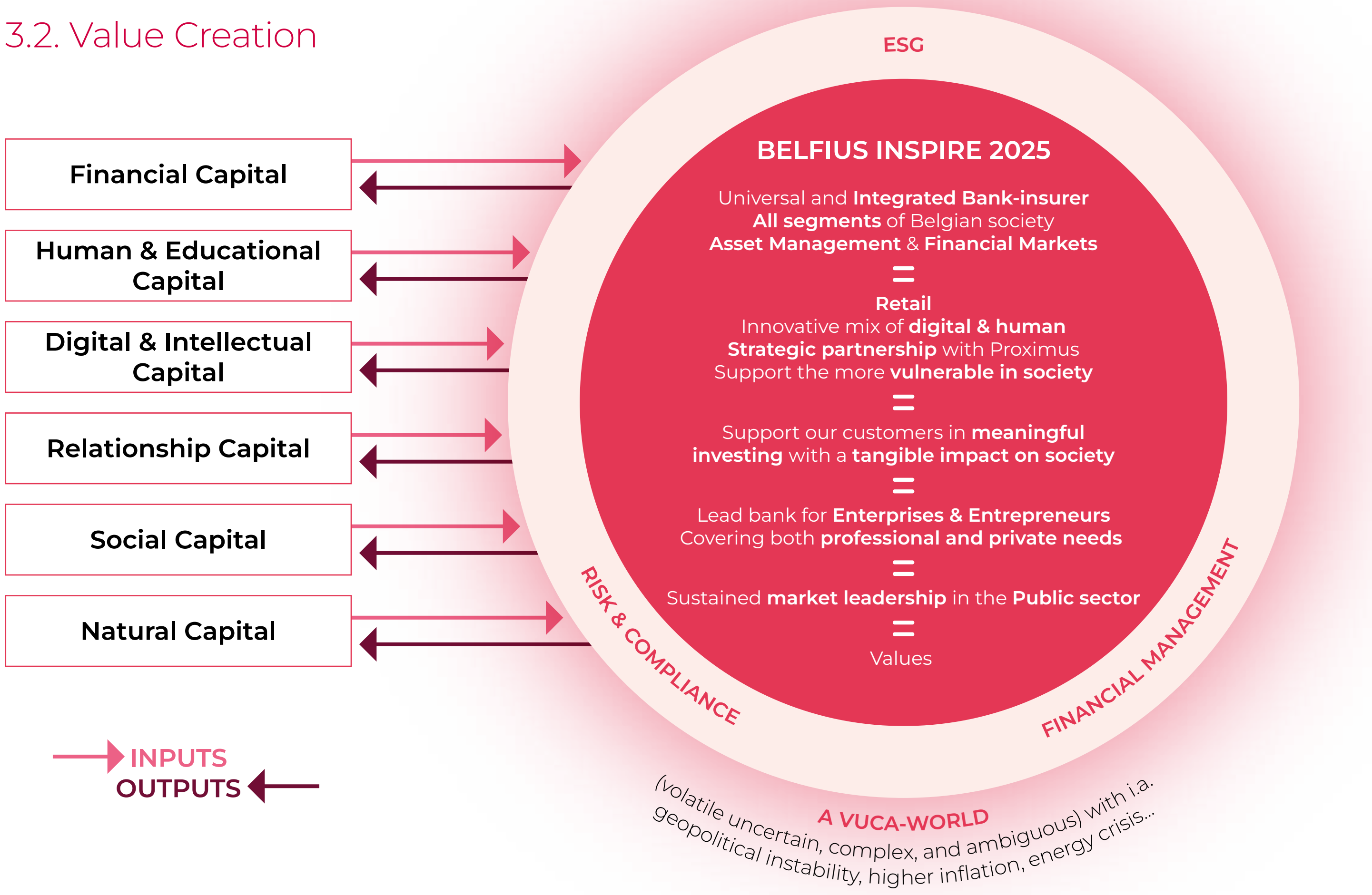
- The "Business" segment brings together the self-employed, the liberal professions (amongst others, lawyers, doctors, accountants, etc.) and SMEs with a turnover up to EUR 10 million. This segment is mainly served by our local branches.
- The "Corporate Banking" segment brings together medium and large Belgian companies with a turnover of more than EUR 10 million. This segment is served by our corporate bankers. Within the Corporate Banking segment, a new subsegment named "Local Corporates" has been created that serves all customers that balance on the border between business and corporate banking, with a turnover between EUR 10 and 25 million. This segment is served by both our local branches and corporate bankers. A special feature of this segment is that is characterised by the merge of the Wealth Management and Corporate Banking sales force into one single team, with Wealth leads provided by Corporate Bankers, and vice versa.
- Last but not least, the "Public and Social Banking" segment brings together Regions, Communities, Municipalities, Provinces, the "CPAS" and police areas, as well as health sector, education and social sector customers. This segment is served by our network of dedicated relationship managers. However, some customers are also (or only) served in branches to offer more flexibility and a more appropriate service.

Within the E&E&P segment, Belfius will continue to support the Belgian economy, providing an integrated approach for all Entrepreneurs & Enterprises and remaining a leader in the public sector, where its roots lie.

Going forwards, Belfius remains fully committed to its customers and their love, embedding sustainability in all aspects of its strategy.

Learn more about our Inspire 2025 strategy in our 2021 annual report.

3.2. Value Creation

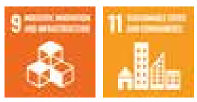


Value created | **Sustainable impact**

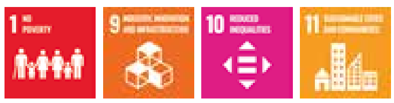
SHAREHOLDERS
EUR 384.4 million dividends in 2022
Equity base increased to EUR 11.1 billion.
As a locally anchored, Belgian bank-insurer with local decision centers and Belgian citizens as customers, Belfius is a key player in the Belgian economic fabric.

BELFIUS AMBASSADORS
Excellent employee engagement score of 86.9%. Belfius continued monitoring the wellbeing of its talents; developing the leaders of the future in the financial sector; and making sustainable careers possible. We give our independent networks the tools to build a thriving local business and living, leveraging Belfius' or DVV's franchise and reputation.

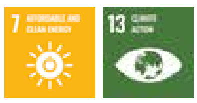
CUSTOMERS
Belfius is truly committed to its customers and their love, putting the customer at the heart of all decisions and processes. As a truly integrated banking & insurance group, we provide single point-of-contact financial solutions to 3.8 million customers, via an innovative mix of accessibility, providing distinctive in-branch advice and service across Belgium, combined with a best-in class, safe and digital service experience.



SOCIETY
Belfius takes great care in being a responsible and law-abiding member of Belgian society (e.g. AML). We stand by our clients affected by the energy crisis. We also continued to engage with the Belgian society through our philanthropic projects with a focus on children and young or vulnerable people (Viva for Life, JEZ!, Special Olympics).



PLANET
Guided by the Paris Climate Agreement, we committed to the Science Based Target initiative and announced the exclusion of coal extraction in all our activities. While continuously expanding our sustainable product and service offering, our Transition Acceleration Policy guides Belfius' transition to a low-carbon economy.



INPUTS	OUTPUTS
Financial Capital Belfius customers can be assured that their savings will be reinvested almost entirely in Belgian society and economy. EUR 102.1 billion outstanding on savings & current accounts.	**Financial Capital** • Net result of EUR 975 million • CET 1 ratio of 16.5% • Solvency II ratio of 193% • Outstanding Commercial Loans of EUR 109.8 billion
Human & Educational Capital As people are Belfius' most valuable asset, we continuously invest in the training and development of talents in Belgium to prepare them for the skills of the future. We prioritize satisfaction and wellbeing of our employees, and embrace a working culture built on diversity and inclusion. We value our dynamic local independent networks for both Belfius and DVV franchise. Whenever possible, we favour working with local partners and suppliers, thereby also enabling the development of their talents in Belgium.	**Human & Educational Capital** • 6,715 Belfius Group employees • EUR 700 million Salaries and benefits of employees • 7 Average days of training received per FTE (BB & BI) • 40.3% Women in management or senior/key positions • EUR 217 million Network commissions • 88% of suppliers that are Belgium-based
Digital & Intellectual Capital Belfius offers innovative digital solutions beyond traditional banking and insurance products , leveraging an ecosystem of local, strategic partners (Proximus, Immovlan, Skipr, Cyclis). Belfius' world class mobile app offers intuitive, easy-to-use sales and service flows and is a cornerstone of our digital offering and customer experience. To guarantee a safe and secure service we increasingly invest in our information security capabilities.	**Digital & Intellectual Capital** • 1.88 million active mobile users • Best Brand Financial Services Award (Serviceplan and GfK) • Leading Mobile banking & insurance app in the world (by Sia Partners)
Relationship Capital Human-focused services lie at the heart of our business. From individuals over enterprises & entrepreneurs to public & social entities, we provide services and products tailored to the needs of all segments in Belgian society - always attentive to its more vulnerable members.	**Relationship Capital** • Customer satisfaction score > 94% • #1 in financing of municipalities, cities, hospitals & care sector • 19% market share in (mid) Corporate • EUR 25 billion gross production in long term loans • EUR 179.4 billion outstanding Savings & Investments • 169,000 social accounts
Social Capital Social commitment has been part of Belfius' DNA since origin, and is fully embedded in our values driven strategy and purpose to be "Meaningful & Inspiring for Belgian society. Together". Guided by the Sustainable Development Goals, we contribute to society both directly through our philanthropic activities and indirectly by giving our customers the opportunity to support the causes of their choice through our product offer.	**Social Capital** • Total cash taxes & contributions of EUR 794 million • Claims paid due to natural catastrophies EUR 62.5 million • 0.6 million customers building up pensions to face the pension gap
Natural Capital As a leading bank-insurer we manage our impact on natural resources resulting from our operations and financing activities. On top of offering green solutions, we also collaborate with external stakeholders to advise our clients on decreasing their impact on the environment.	**Natural Capital** • 44.6 thousand tons of carbon emissions from our own operations compensated • EUR 1.3 billion green or sustainable bonds issued by EEP clients, with the support of Belfius, ESG Bond Finance House of the year • 18% share of electric or plug-in hybrid vehicles in Belfius Auto Lease fleet • 87% gross production of funds and investment-insurance in art. 8 or 9 SFDR

4. ESG fully embedded in the Belfius strategy

4.1. ESG at the heart of everything we do

To Belfius, all three components of sustainability (E,S,G) are equally important and at the core of Belfius' purpose: "Being Meaningful and Inspiring for Belgian Society. Together." Using this purpose as a compass, we have woven sustainability into our 2025 Inspire strategy and articulated it around two guiding principles: "Walk the talk" and "Customers in the driver's seat" (of their sustainability ambition with an adapted range of meaningful solutions, products and services).

As such, our goal is to inspire our customers to accomplish their sustainability ambitions and, in doing so, to create, together with our customers, the greatest possible impact. Belfius' overarching goal is thus threefold:

- Managing ESG risks in order to ensure resilience and profitability
- Limiting potential negative impacts on the world
- Maximising positive impacts and contributions to society

In particular, we facilitate the transition to a low-carbon, resilient and prosperous Belgian society through doing what we say in the area of sustainable business and ensuring maximum positive contribution in everything we do. In line with this value and amongst other objectives, it is Belfius' ambition to walk the talk by decarbonising its own operations as much as possible, while fully supporting and encouraging customers in their transition to a low-carbon approach. In doing so, we strive to inspire Belgian society as a whole to become more sustainable, both addressing the climate crisis and environmental degradation in a socially inclusive way. Consequently, as part of this ambition, Belfius joined the Science Based Targets initiative (SBTi) to do its bit in the fight against climate change. In this report we publish our financed emissions for the first time (see section 7.1. for more information). These will be the basis of defining our science-based emission reduction targets and action plan later in 2023.

In 2021, we decided to focus on six core commitments in line with our purpose and strategy and report on them transparently. In 2022, our six core commitments were formulated as follows:

1. Continuously reducing and compensating the shrinking footprint of our own operations[1]
2. Opting for 100% 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

We understand that measurement and transparent reporting are a key to success. We heavily invest in improving our data environment, as data availability and quality remain important challenges in ESG. Strong ESG governance with clear responsi-

(1) We refrain from further using the 'climate neutral' notion, in line with latest scientific insights. However, one of our core commitments remains to strongly decrease our GHG emissions and compensate what cannot yet be reduced in our own operations. Hence the rewording of the first commitment.

bilities at the highest levels and an explicit integration of sustainability in the variable remuneration of senior management, ensures that sustainable enterprise is at the heart of every decision we make. Monitoring of our progress in sustainability through key performance indicators reinforces this.

We publish our core KPI dashboard tracking our core commitments in the table below.

Belfius ESG dashboard

		2020	2021	2022	Target 2025
CARBON FOOTPRINT (OWN OPERATIONS)	% decrease of carbon footprint (tons of CO_2e) of Belfius' internal operations (initial 2019 baseline)(1)	-	-30%	-30%	-25% vs 2019(2)
GREEN ELECTRICITY (OWN OPERATIONS)	% of electricity consumption from renewable sources for own operations(4)	100%	100%	94%(3)	100%
GOOD CAUSES	Cumulative Mio EUR support to Belgian good causes since 2015 (pure & commercial charity)	22	25	30	50
(GENDER) DIVERSITY	% of women in management position	34%	36.7%	40.3%	44%
MEANINGFUL INVESTMENTS	% of production in investments in scope(5) that is meaningful (SFDR art 8 & 9)	-	83%	87%	100%
MEANINGFUL FINANCING INFRASTRUCTURE	Bn EUR cumulative loan production in meaningful infrastructure projects since 2020	1.7	2.7	3.8	5.8

(1) See section 7.1. Decarbonisation trajectory for initial 2019 baseline scope description.
(2) Decision to increase target from the initial - 20% to -25% taken in 2022.
(3) Inclusion of co-owned/co-used buildings.
(4) Excluding SComm operated branches, for which a 100% target in 2025 has been set in 2022. Data collection ongoing.
(5) Scope limited to mutual funds, My portfolio, pension funds and Investment - Insurance.

4.2. Engaging with our stakeholders

The table below gives a concise overview of our most important stakeholders, the way in which we entered into dialogue with them in 2022 and the most important topics of conversation.

Stakeholder	How do we enter into dialogue?	Main topics of conversation with stakeholders
CUSTOMERS	• Bank and insurance offices (physical channel) • Digital channels (websites, mobile app) • Belfius Connect - remote financial services (telephone, mail, chat) • Customer satisfaction surveys • Complaints management process	• Suggestions and complaints from customers • Product transparency • Customer needs, financial & digital skills • Access to financial services, fairness
EMPLOYEES	• A permanent feedback culture between employees and managers • Live information webinars given by top and senior management with Q&A • An annual engagement barometer - a survey that invites employees to make their voices heard on the internal operation of the company • Representation in social bodies and a network of union representatives • A network for psycho-social help	• Fair and competitive remuneration • Coaching and career guidance • Training and education • Pleasant and healthy working conditions (BeTeams) • Physical and mental health of employees • Transparency around strategy, policy and results
SOCIAL AND CIVIL SOCIETY ORGANISATIONS, NGOs	• Dialogue with various organisations and NGOs (Fairfin, 11.11.11, Financité, Ethibel, ...) and cooperation with their surveys and assessments • Collaborative sessions and peer learning within sustainable development network The Shift	• Interactions on sectors and activities financed by Belfius, Belfius' sustainable products offer and Belfius investment policies • In particular the topics that need to be addressed most urgently by companies and other societal actors
SHAREHOLDERS	• Periodic consultation and operational contacts with the Federal Holding and Investment Company (SFPI-FPIM)	• Transparency around company performance and results • Ad hoc information for answering external questions • Risk management
STRATEGIC PARTNERS	• Regular contact with commercial and non-commercial partners in the field of philanthropy • Regular contact with partners around our commercial offer in mobility and energy solutions	• The selection of social themes and challenges where Belfius can have the greatest positive impact
SECTOR FEDERATIONS, EMPLOYER ORGANISATIONS AND UNIONS	• Membership and representation in financial and economic federations (Febelfin, Assuralia, BVK, BLV, BVB, BEAMA, ICMA), employer organisations, cooperation platforms for innovation and technology • Social bodies and linked subcommittees • Consultation as a stakeholder in the 2021 materiality analysis	• Sharing knowledge with sector federations • Putting social responsibility into practice • New ways of organising work to create a more open and sustainable organisation
GOVERNMENTS AND REGULATORS	• Collaboration in ministerial consultation initiatives at a federal and regional level • A systematic follow-up of regulatory initiatives that have an impact on the financial sector • Periodic consultation with regulators (NBB, FSMA, ECB, EIOPA)	• Compliance with regulations and statutory obligations • Proper financial and non-financial reporting • Transition Acceleration Policy
RATING AGENCIES, SUSTAINABILITY EXPERTS, ACADEMICS, ANALYSTS AND INVESTORS, (FINANCIAL) PRESS	• Press conferences regarding the Bank's results with associated investor calls • Active engagement with rating agencies • Day-to-day questions and answers via the Bank's press spokesperson	• Transparency around how the business is conducted, proper financial and non-financial communication

Stakeholder	How do we enter into dialogue?	Main topics of conversation with stakeholders
(SUPRA)NATIONAL SUSTAINABILITY-LINKED ORGANISATIONS	• Periodic reports to the UN Global Compact (UNGC) on progress as an early adopter through the enhanced Communication on Progress (CoP)	• 10 UNGC principles relating to human rights, labour, the environment and anti-corruption
	• Impact analysis and annual reports on progress to the UNEP FI Principles for Responsible banking (PRB), as required	• 6 UNEP FI PRB principles relating to governance, alignment of business with SDGs and the Paris Agreement, impactful target setting, transparency and accountability and building & sharing ESG expertise
	• Annual reports on progress to the UNEP FI Principles for Sustainable Insurance (PSI), as required	• 4 UNEP FI PSI principles relating to embedding ESG in decision-making, raising awareness, collaboration with stakeholders to promote accountability and transparency
	• Annual reports on progress to the UN Principles for Responsible Investment (PRI), as required	• 6 UN PRI principles relating to incorporating ESG issues into decision-making processes and ownership policies & practices, promoting the principles within the investment industry and reporting on progress towards implementation
	• Dialogue with the Partnership for Carbon Accounting Financials (PCAF) on upcoming disclosures of financed GHG emissions	• Measuring and disclosing investment portfolio GHG emissions in a harmonised manner
	• Commitment to the Science-based Targets initiative (SBTi) • Regular discussions with the Belgian Alliance for Climate Action (BACA)	• Setting targets to reduce financed GHG emissions based on the latest climate science and thus aligning our portfolios with the ambitions of the Paris Agreement
	• Regular meetings of the peer-learning network of the Belgian Institute for Sustainable IT (ISIT-BE)	• Reducing the environmental and social footprint of our IT services and usages; promoting digital technologies and services that are more sustainable, inclusive and ethical
	• Participation in the Women in Finance initiative -annual reports on progress for the Financial Sector Diversity Charter	• Measuring and rebalancing gender differences at every level of the company
COUNTERPARTIES WITHIN ASSET MANAGEMENT	• Engagement by Belfius Investment Partners and Belfius Insurance with third party asset managers and companies • Annual reporting on engagement and proxy voting by Belfius Investment Partners and Belfius Insurance	• Exchange of views on ESG issues, avoidance of controversies, promotion of sustainable investment choices

4.3. Materiality assessment

Belfius is aware that each of its stakeholders attaches a specific degree of importance to each individual sustainability theme. Belfius uses this feedback to inform its sustainability strategy and approach, in accordance with its purpose.

In Q4 2021, running through to the beginning of 2022, Belfius, with the support of an independent third-party, conducted a materiality assessment with a two-fold objective: to confirm that its strategy and sustainability commitments are tackling issues that its stakeholders consider to be relevant and to identify any additional topics that are a priority for those stakeholders. In anticipation of the mandatory application of the Corporate Sustainability Reporting Directive (CSRD), our assessment was carried out from a "double materiality" lens considering the impact of sustainability-related topics on Belfius as well as Belfius' impact on sustainability-related issues.

While we conduct a complete materiality assessment every two to three years, we review our material topics as and when necessary, which was the case in 2022.

4.3.1. Materiality assessment process performed in 2021

4.3.1.1. Identification of topics based on actual and potential impacts

To assess an initial set of material topics, Belfius analysed and consolidated information from the Sustainability Accounting Standards Board (SASB) materiality matrix for the banking and insurance sector, the Principles for Responsible Banking (PRB), the Principles for Sustainable Insurance (PSI), peer review, the Sustainable Development Goals (SDGs) and the Sector Study report on Sustainability Materiality of SDG Targets and GRI Indicators prepared by the Governance & Accountability Institute. This broad research resulted in an initial list of 30 topics, which was the basis for further convergence to a final list of 15 topics used in the online survey designed to engage with Belfius' stakeholders.

4.3.1.2. Assessment of relevance and impact of topics

Following the double materiality view, two questions per topic were included in the survey:

- What is the impact of the topic on Belfius (going from (very) low, over neutral, to (very) high), and
- what is the impact Belfius has on the topic today (going from (very) negative, over neutral, to (very) positive).

Using this online double materiality survey, Belfius engaged with different stakeholders from several groups, who were identified based on mutual impacts.

Belfius' corporate view was represented through a selection of senior executives from all business units. A group of 200 employees pioneering sustainability were also consulted as internal stakeholders. Social and civil organisations, employer federations, consumer organisations, customers, strategic partners, suppliers, trade unions, sustainability experts, academic institutions, sector federations, credit and sustainability rating agencies were part of the consulted external parties.

4.3.1.3. Determination of material topics

The results from the online survey were weighted according to a pre-defined methodology. The views of internal and external stakeholders on the impact of the topics on Belfius were analysed and aggregated on the Y axis (Importance to Society). The views of Belfius' management were put on the X axis (Importance to Belfius' performance). To capture the double materiality approach, a colour scheme was included to showcase the impact Belfius has on each topic in addition to its relevance.

The results were plotted in the materiality matrix and submitted for information and discussion to the Management Boards of Belfius Bank and Belfius Insurance. The materiality matrix was presented to the Board of Directors of Belfius Bank and Belfius Insurance.

4.3.2. Materiality assessment review performed in 2022

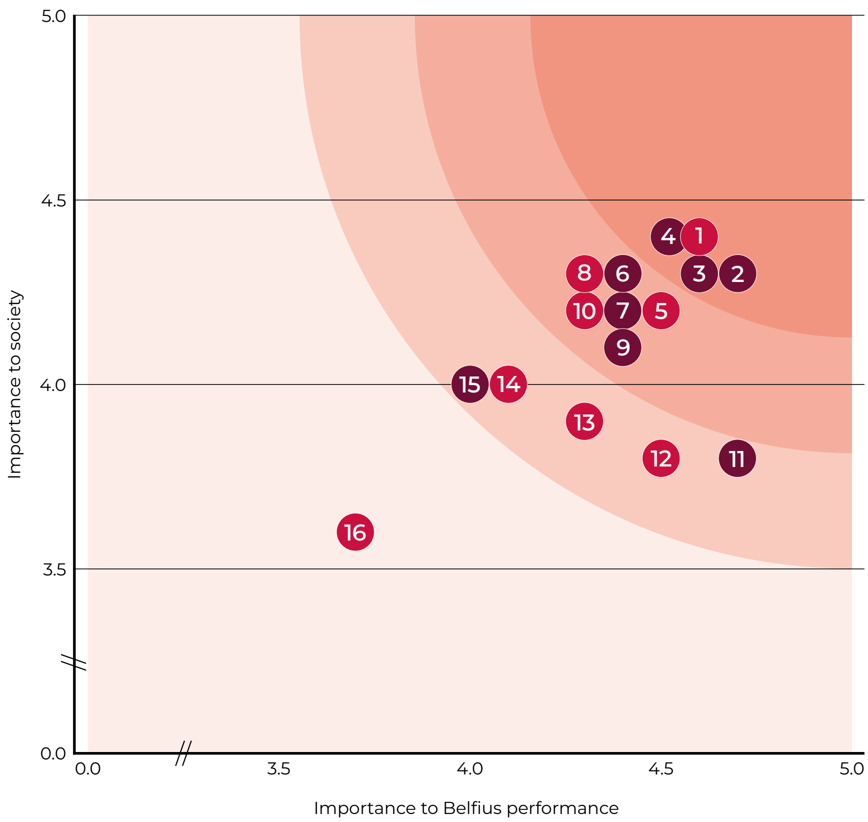
In 2022, considering evolutions in the regulatory landscape and sustainability trends, we internally reviewed our material topics using market and peer analysis. This resulted in the reformulation of some of the material topics to better reflect their scope and meaning (e.g. diversity and equal opportunities was updated to diversity, equitable opportunities and inclusion). It also led to the explicit inclusion of two additional material topics this year: climate and environmental risk as well as respect for human rights, which was always a necessary condition to interact with Belfius and is now gaining regulatory weight with the upcoming Corporate Sustainability Due Diligence Directive. Furthermore, certain material topics have been merged (e.g. financial inclusion and access to financial services now includes the topic financial literacy) or split (e.g. information security and data privacy), considering the scope of information included for each issue. Finally, open dialogue with stakeholders and active engagement was removed as a separate item as interactions with internal and external stakeholders are embedded in many operations and therefore integrated in all the other material topics. Consequently, the total number of material topics included has increased compared to the previous assessment to a total of 16 items.

4.3.3. Materiality Matrix

In the materiality matrix, the views of internal and external stakeholders on the impact of the topics on Belfius can be found on the Y axis (Importance to Society) and the views of Belfius' management on the X axis (Importance to Belfius' performance). The colour scheme showcases the impact Belfius has on each topic in addition to its relevance: dark red (merlot) is positive, red (rubis) is neutral. No other colours are used as there are no (very) negative or very positive impacts of Belfius on a topic.

The topics in the bottom left quadrant of the materiality matrix are regarded as less material to both internal and external stakeholders, as well as to Belfius' own corporate view, while the topics in the top right quadrant are considered most relevant. When aggregated, none of the topics included in Belfius' online survey scored very low, low or neutral (equivalent to a score of 1 to 3). The material topics added in 2022 were positioned on the materiality matrix through expert judgement.

Materiality matrix



Topic	
1	Information security
2	Talent management
3	Customer experience & satisfaction
4	Privacy & data protection
5	Climate & environmental risks
6	Compliance & business ethics
7	Resilience & long term oriented financial performance
8	Human rights
9	Community involvement
10	Supporting & accelerating the sustainability transition
11	Diversity, equitable opportunities & inclusion
12	Financial inclusion & access to financial services
13	Future-proof, inclusive & relevant infrastructure
14	Transparent communication on products & services
15	Local innovation & digitalization
16	Managing direct & indirect environmental impact of Belfius group

5. Meaningful growth

5.1. Meaningful investing

In the area of sustainable investing, 2022 was marked by continued legislative efforts at EU level (SFDR, ESG amendments to MiFID II) to increase transparency on the sustainable nature of investments, combat greenwashing and integrate investor ESG preferences into investment advice and discretionary portfolio management.

In 2022 at Belfius, 87% of new production in investment funds (including pension funds and My Portfolio) and insurance-based investment products went into products promoting environmental or social characteristics (art. 8), or products having sustainable investment as their objective (art. 9) (see section 5.1.1. for more details).

Thematic investments in particular continued to grow significantly thanks to the expansion of our offering and strong commercial activity.

In 2022, Belfius launched three new investment funds, all of which are classified as article 8 or article 9 funds.

5.1.1. Our vision on meaningful investing

Meaningful investing is the cornerstone of Belfius' investment strategy, under a holistic approach across all dimensions of our investment activity, from advice to execution-only. Our responsible investment approach is founded on our beliefs that we should deliver both financial and societal returns, which is an essential part of our fiduciary duty to our clients. In addition, we are convinced that the integration of sustainability of Environmental, Social and Governance (ESG) factors in the investment process allows investors to better understand both the risks and opportunities in financial markets.

Our approach takes into account relevant laws and regulations such as, but not limited to, the Loi Mahoux (in relation to certain types of controversial weapons), the Shareholder Rights Directive II (SRD II) and the Sustainable Finance Disclosure Regulation (SFDR).

In 2022, Belfius continued to incorporate its responsible investment practices both deeper and broader across the whole of its product offering. In particular, efforts were pursued to further align our actively advised offering of investment products with our Transition Acceleration Policy (TAP). For products over which Belfius has full control, this is a pre-condition to active advice and commercialisation of a product as of 2023.

For products over which Belfius has only limited control, our ambition remains to support the transition towards a more sustainable society and economy, in a way that also allows for a broad enough investment offering, respecting our fiduciary duty towards our customers. In that regard, specific selection criteria will be put in place at the latest by 30 June 2023 that should lead to an investment offering that strikes such a balance.

Belfius advocates investments that are meaningful to society. In terms of products subject to the SFDR, this translates into an actively advised offer that predominantly consists of products that either promote environmental or social characteristics or have a sustainable investment objective.

The SFDR (Sustainable Finance Disclosure Regulation), which came into force in March 2021, aims to create harmonised rules for the disclosure of the sustainability characteristics of such investment products, as well as for the entities that manage or advise on these products. This makes investment products more comparable for investors. In practice, every product subject to SFDR belongs to one of the three following categories depending on its sustainability ambitions:

- Article 9 funds have sustainable investment as their objective. Such products will, in principle, only invest in assets that qualify as a "sustainable investment" as defined by the SFDR. The product documentation will clearly state the sustainability related goals of the products, as well as the extent to which these goals were achieved.
- Article 8 funds are funds that, among other characteristics, promote environmental and/or social features. Such products can commit to invest a certain amount of their assets in "sustainable investments" as defined in the SFDR, but can also aim to integrate other sustainability criteria in their investment policy. The product documentation will clearly state the sustainability related charactenitics of the products, as well as the extent to which these commitments were actually met.
- Article 6 funds are the funds that have no sustainability ambition, they do not meet the requirements of the two categories above in this respect.

Belfius' production ambition for funds (including My portfolio and pension funds) and insurance-investments is to be 100% SFDR article 8 or 9 classified in 2025. In 2022, this was 87%.

In terms of "outstandings", this results in SFDR article 8 or 9 classified products representing 84% of the active investments offer submitted to SFDR, excluding mandates, vs 79% in 2021.

5.1.2. Organisation of investment management within Belfius

In 2022, the governance of meaningful investments was reinforced by establishing a dedicated Sustainable Investment Desk as part of a renewed groupwide ESG Governance (see section 6.1.7.).

Fund management within Belfius' offer is undertaken by:

- The subsidiary company **Belfius Investment Partners (BIP)**, that monitors Belfius' entire fund range to ensure that it is in line with strategic options and sustainability commitments. BIP manages a range of investment funds itself and is the point of contact for our preferred partners Candriam, BlackRock and JP Morgan AM.
  Belfius Investment Partners uses four models of investing:
  - Via Belfius Investment Partners funds of funds: these are financial products for which our internal fund selection and portfolio management teams analyse and select Exchange Traded Funds (ETFs) and mutual funds of third-party asset managers. These mutual funds are collective investment vehicles that we select based on various aspects, such as investment strategy, financial performance, costs and responsible investment approach and capabilities.
  - Via Belfius Investment Partners funds investing in direct lines.
  - Via delegated funds: these are financial products for which we have appointed an external manager to manage the assets. These are currently Candriam, BlackRock Investment Management and JP Morgan Asset Management.
  - Via private discretionary and advisory portfolios.

  Within the Belfius Group, BIP is also the centre of competence for responsible investments. In 2019, BIP signed the United Nations Principles for Responsible Investment (UN PRI), thereby making a formal and external commitment to embed sustainability principles in its policy and to strengthen them over time.
- **Candriam**, which is responsible for the day-to-day management of most Belfius funds. Candriam integrates ESG considerations into every investment strategy across all asset classes within the investment process and related goals as an integral element of its procedures. Candriam was one of the first European asset managers to sign the UN PRI in 2005.
- **BlackRock Investment Management and JP Morgan Asset Management**, which were selected to complement our asset management offering towards our Private and Wealth customers. Blackrock supports the use of ESG-related insights to improve investment decisions and outcomes. JP Morgan considers ESG factors in its investment decision-making process in order to mitigate risks, while taking advantage of opportunities.

For its KITE branch 23/branch 44 offer, Belfius Insurance also relies on BIP as a competence centre to manage relations with the external asset managers whose funds are included in KITE. However, Belfius Insurances also directly manages an own Investment Portfolio, see section 5.5.

5.1.3. Integration of environmental and social considerations in our investment strategy

To build an offering for investors that is ecologically and socially meaningful for society, we use a combination of three methods:

- **We build specific environmental (E) and social (S) considerations into our funds**. In concrete terms, we do so by creating so-called thematic funds which incorporate binding "E" or "S" criteria in their investment policy and are linked to one or more Sustainable Development Goals, as defined by the United Nations. This steadiliy expanding range of thematic funds is called "the Funds of the Future", each of which invests in companies that are active in a particular environmentally or socially relevant (long-term) theme.

- **We exclude certain economic sectors and activities on sustainability grounds** through our Transition Acceleration Policy (TAP).
  This policy includes:
  - A norm-referenced (normative) screening process that excludes companies that violate the principles of the United Nations Global Compact (UNGC) or are involved in serious controversies.
  - A list of activities that Belfius either feels should be excluded entirely from its investment universe or that only merit to have limited exposure in its investment portfolios because the nature of these activities is intrinsically harmful to the environment or society.

  This means that our advised offering of investment funds and insurance base investment products (article 8 and 9, as well as article 6 products) is compliant with the criteria of the TAP, with the exception of those investment products over which Belfius does not have full control (this is specified in the TAP).
  For the products that Belfius only offers on an "execution only" basis via our Re=Bel platform, a systematic check is carried out against TAP criteria in order to make investors aware of the ESG risks involved.
  Read more about the Transition Acceleration Policy in section 6.1.3.
- **We engage as an active owner**. The key step in this engagement focuses on the dialogue we carry out with different external stakeholders. An active and constructive dialogue with the companies in which we invest enables us to make our points of view, concerns and ideas known to the management of those companies and to influence the decisions of company managers. Conversely, this provides an opportunity for companies to make their views known.
  This dialogue also occurs through the responsible use of our voting rights at General Meetings to help steer decisions in a sustainable direction. For investment portfolios that are directly managed by Belfius entities (for instance the Investment Portfolio of Belfius Insurance) we cast votes ourselves. When the management of an investment portfolio is delegated to an external partner, Belfius requires the external partner to exercise the voting rights attached to the portfolio's investments. Belfius also encourages its partners to be as transparent as possible on their voting behaviour. Candriam for instance publishes an annual report on its voting behaviour as a shareholder (proxy voting).

On top of this comes the overarching integration of sustainability risks into our investment decisions, as detailed in the information on our website.

- For more specific information on how Belfius deals with climate and environmental risk in investments, please refer to sections 7.3.3., 7.3.5. and 7.3.7. of the 2022 Sustainability Report.
- Find more details on our active ownership in the BIP Engagement Policy, as well as in the BIP Proxy Voting Policy.
- Find more details about our external partners' active engagement and proxy voting strategies in sections 7.3.4. and 7.3.5.

5.1.4. Investor sustainability preferences, a new criterion in investment advice

Europe harbours the ambition to become the leading continent in terms of sustainability and continued its efforts to that end on the legislative front in 2022. For the financial sector, this includes a modification of the second Markets in Financial Instruments Directive (MiFID II).

This directive requires banks to gauge the needs and preferences of their customers and obliges them to consider this information when providing investment advice or managing a customers' portfolio. As of 2 August 2022, information concerning customers' preferences should include any sustainability preferences, which will need to be taken into account in any investment advice or discretionary managed portfolios.

In addition, banks are required to know and understand the sustainability characteristics of their product offering in order to correctly match these products with customers' sustainability preferences.

Belfius determines the sustainability preferences of its client-investors by asking targeted questions with regards to:

- The minimal amount of sustainable investments to be integrated in the investments, i.e. investments that make a positive contribution to an environmental or social objective, do not significantly harm any other sustainability objective and respect good governance practices.
- The minimal amount of environmentally sustainable investments, aligned with European taxonomy (a list of environmentally sustainable activities defined at European level).
- The unfavourable sustainability impacts investments should consider - the so-called PAI (Principle Adverse Impacts e.g. greenhouse gas emissions, respect for human rights, etc.).

Based on the answers received, Belfius records the customer's sustainability preferences and formulates a matching offer of financial instruments.

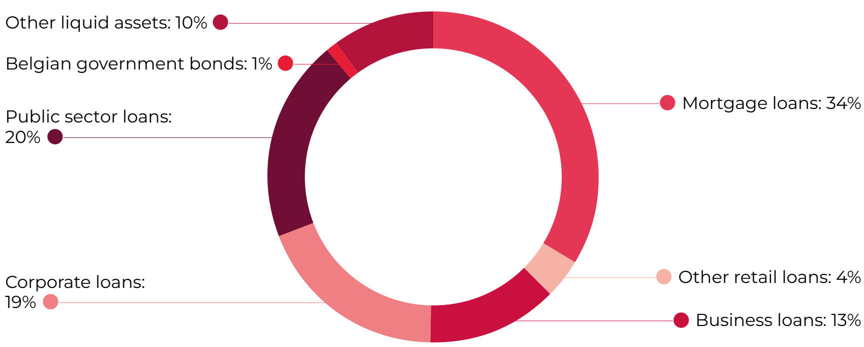
Since August 2022, sustainability has therefore been an integral part of our investor profile, together with the financial situation of investors, their knowledge and experience of investing, their investment horizon and their attitude towards risk.

5.2. Sustainable financing solutions

5.2.1. Recirculating into the Belgian economy and community

Belfius wants to use its balance sheet to facilitate projects and initiatives with a positive impact. Belfius customers can count on their savings being reinvested almost entirely back into the Belgian society and economy in the form of loans to households, the self-employed, SMEs and large companies, public or social institutions. The chart below illustrates this:

Allocation savings at bank level



Belfius has a strong tradition and track record in providing concrete solutions for infrastructure challenges in Belgium, be that for hospitals or care homes, schools, utilities (such as renewable energy), or municipal infrastructure. In addition to projects with a positive impact on society, Belfius is now leveraging its financing capacity towards providing maximum support to all its customers in the transition towards a more sustainable economy, namely a low-carbon one that is more respectful of the use of the world's natural resources (water, biodiversity etc.).

The current energy crisis, following the Russia-Ukraine war, has reinforced Europe's desire to be carbon neutral by 2050 and has created a sense of urgency amongst all affected parties. With almost all houses and buildings in Belgium in need of an energy-saving makeover, the challenge is huge. Belfius' existing offerings in buildings and mobility can be leveraged to meet the current energy emergency, whilst additional solutions are being analysed.

5.2.2. Helping individuals manage housing energy costs and efficiency in the short and long term

The spike in energy prices that threw many a household budget in turmoil in 2022, prompted the financial sector as a whole to come up with measures to help the most vulnerable of mortgage holders avoid financial trouble by granting deferred payment of the principal of a mortgage loan when a number of conditions were fulfilled.

In view of the challenges and opportunities currently existing in the construction and housing markets, in parallel to the solutions already available at Belfius, we are looking into how to help individuals, especially those in or at risk of energy poverty, address their energy efficiency issues in the long term.

5.2.2.1. Sustainable housing in lending

According to a study conducted by Belfius in October 2022 on 2,000 Belgian consumers, more than three quarters of Belgians declare being impacted by the increase in energy prices. Even more concerning, 52% confirm they are facing financial difficulties.

These findings highlight the importance of helping customers control their energy costs and consumption. In this regard, we support current owners who want to perform necessary energy renovations through our lending activity, facilitating access to energy-efficient home acquisition.

In March 2022, Belfius launched its interest rate discount for the financing of low energy houses (EPC below or equal to 150 $kWh/m_2/y$) to support energy transition through its Belfius brand mortgages offer. Belfius also has a mortgage loan offer through its DVV and Elantis brands. DVV has also adapted pricings and conditions to encourage energy-efficient housing (< 150 $kWh/m^2/y$).

With the Energy Renovation Loan, Belfius helps Belgian households with their energy-saving renovation projects. It does this by offering a credit formula for financing aimed at improving home insulation, installing double or triple glazing, replacing old boilers with high-efficiency versions, installing a heat pump or solar panels, or having an energy audit carried out, amongst others.

- The Energy Renovation Loan was recognized by Test-Achats as Best of the Test, in June 2022.
- In 2022, Energy Renovation Loans represented six out of ten consumer renovation loans granted by Belfius.

Energy Renovation Loan

	2020	2021	2022
Number of loans	5,068	4,004	7,922
TOTAL AMOUNT (in millions of EUR)	57.9	57.9	115.7

Belfius has been offering the Flemish Renovation Loan since 2021. This allows people who buy a house with poor energy performance and who take out a renovation loan to carry out thorough energy renovations within five years of the notarial deed of purchase, to benefit from an interest subsidy granted by the Flemish government. Thanks to this interest subsidy, the borrower can recover the interests paid on the renovation loan. As of 2023 however, following a review of this system by the Flemish authorities, the interest subsidy may be lower, equal to, or even higher than the interest paid on the loan (depending on the energy label after renovation and the interest on the renovation loan).

DVV and Elantis also gave homebuyers who bought a house with poor energy performance in Flanders in 2022 the possibility to combine their mortgage with the Flemish government's interest-free renovation loan to increase EPC score, with the obligation of improving the EPC score within five years from E or F to C for a house, and from D, E or F to B for an apartment.

5.2.2.2. Sustainable housing beyond our financing activity

Beyond lending, Belfius has been working with companies active in energy renovation and renewable energy (Izen, Energreen) for a number of years now. Belfius customers can turn to these companies for sustainable solutions and information on energy renovation loans. Belfius customers can quickly find companies active in renewable energy (solar panels), insulation and EPC certifications (energy performance of buildings) through the Belfius Mobile app with Jaimy.

Finally, Belfius is also a pilot bank for the EEMI (Energy Efficient Mortgages Initiative) and is a member of the UPC - BVK (Union Professionnelle du Crédit - Beroepsvereniging van het krediet) Commission on Sustainable Loans which aims to design and launch energy-efficient mortgages in Belgium, thereby stimulating and channelling private capital towards investments in energy efficiency.

5.2.3. Gearing up in energy-efficient infrastructure

5.2.3.1. Developing energy-efficient real estate with a high social impact

In 2022, through TDP (a 50/50 joint venture between Belfius Bank and GIMV), we launched the residential real estate company YALLY or “Your Ally” (www.yally.be), with a strategy to buy housing units, render them more energy efficient and rent them out. Through the YALLY offer, we aim to contribute to the upgrading, rejuvenation and greening of the urban housing supply for families. In addition to being a sponsor, Belfius acted as a senior debt provider to finance the first acquisitions in Summer 2022, with new units to be added soon.

In addition, Belfius Immo, a subsidiary of Belfius Bank, remains active in the areas of affordable living and housing for people with disabilities.

- Through the Société Mixte de Développement Immobilier (SMDI), Belfius Immo, in conjunction with its partners Société Wallonne du Logement (SWL) and Société Régionale d’Investissement de Wallonie (SRIW), builds affordable housing in Wallonia.
- With Canius I and Hamsterhuren II, (Specialised Property Investment Fund – “GVBF/FIIS”), Belfius Immo participates as a shareholder in the purchase of new houses and flats according to the “hamster rent” principle. In this case, tenants have the option of purchasing a rented energy-efficient home within a certain period of time (e.g. 4 years), at a pre-set price with a rent refund already paid.

5.2.3.2. Smart Building and Renovation Solution (SBRS)

For over 30 years, Belfius Bank has been supporting public and social sector institutions in their real estate projects. A specialised Public Real Estate department advises these institutions beyond simply financing construction projects. A team of architects, engineers and lawyers allows instructing institutions to remain concentrated on their core tasks, rather than on a building project. For each project, the project manager, construction partners and the customer work together to analyse the latest developments in energy, sustainable development, circular economy, Internet Of Things (IOT), etc. to find the perfect balance between price and performance.

- Through its SBRS offer, Belfius engaged with up to 44 institutions in 2022 on new projects for a total value of EUR 454 million. Public Real Estate supported schools, police stations, fire stations, residential care centres, housing projects for the elderly, shelters for young people, accommodation for the disabled, cultural centres, sports infrastructure projects and administrative centres.
- In 2022, we further expanded the service with a solution for energy renovations: Smart Building and Renovation Solution Energy. A first project is in tender phase. Further commercialisation is scheduled in 2023.

5.2.3.3. Belfius Energy Efficiency Package (BEEP)

With BEEP, Belfius offers a unique financing package to companies, public authorities, educational institutions and social profit organisations, stimulating them to invest in reducing their energy needs, switching to alternative energy sources or producing their own energy. In cooperation with the European Investment Bank (EIB) within the framework of the European Private Finance for Energy Efficiency (PF4EE) programme, Belfius supports its customers with this tailor-made solution for their financing needs for smaller projects, helping them on their way towards sustainable energy transition.

- In 2022, 11 new projects saw the light of day. These included photovoltaic projects, energy co-generation projects in apartment buildings, re-lighting and energy efficiency projects in buildings and biomass co-generation projects.

In all, Belfius has now been able to finance 82 projects within this programme with a total project value of approximately EUR 98 million.

5.2.3.4. European Local Energy Assistance (ELENA)

Since 2020, Belfius has been the first and only Belgian commercial bank to be awarded an ELENA grant to actively assist its public and social profit customers in the development of energy efficiency projects in existing buildings and renewable energy programmes. ELENA is a joint initiative of the EIB and the European Commission within the framework of the European research and innovation programme Horizon 2020.

- Since 2020, Belfius and the ELENA initiative enabled more than 33 retrofit projects for a total project cost of EUR 177 million, of which EUR 38 million in 2022.
- Most notably, with ELENA, Belfius is helping the SeGEC, representing Catholic education in Brussels and Wallonia, to install solar panels in about 700 different school sites, a significant cost reduction measure that is contributing to the energy transition of Belgium.

5.2.3.5. Renewable energy

Aster, a cooperative representing 90% of the Flemish Social Housing market, is fighting the rising cost of energy by installing 395,000 solar panels on 52,500 social homes in Flanders over a five-year period. Belfius, by financing the first phase of this ambitious Aster project with EUR 106 million in loans, is making a significant contribution to the energy transition of Belgium in a socially relevant way, as tenants will see their energy bill reduced.

Belfius' total investment in renewable energy amounted to around EUR 1.7 billion by the end of 2022. This includes project finance and loans, as well as more than 500 leasing contracts currently underway in the areas of biomass, solar energy, onshore and offshore wind energy, energy cogeneration or greening of production lines.

Together, these projects provide enough renewable energy each year to meet the energy needs of more than three million Belgian households and the avoidance of roughly 4.5 million tonnes of CO_2 emissions each year.

Belfius is the only Belgian bank to co-finance all eight Belgian offshore wind farms, with a total capacity of 2,262 Mw.

5.2.3.6. Smart cities, climate action and circular economy

Belfius' partnership with the European Investment Bank (EIB) on projects in the areas of local energy efficiency, urban development and mobility, which started in 2014, came to an end in 2022.

Over the total lifespan of the partnership, a total of 192 projects that impact the daily lives of millions of people in Belgium were financed, representing a total investment of nearly EUR 1.5 billion.

Programme Smart Cities & Sustainable Development and Smart Cities & Climate Action & Circular Economy (with the EIB) – Summary per line of credit (2014-2022)

	Smart 1.0	Smart 2.0	Smart 3.0
Total amount of projects (in millions of EUR)	485(1)	495(2)	506(3)
Number of projects	59	68	65

(1) of which an EIB line of EUR 200 million.
(2) of which an EIB line of EUR 200 million.
(3) of which an EIB line of EUR 196 million.
The remaining part of the project amounts is financed by long-term loans granted by Belfius, by advance payments on subsidies, amounts from credit still available, short-term loans and cash loans granted by Belfius (for the use of own resources).

5.2.4. Helping enterprises along their sustainability journey

In line with its ambition to be a leading actor in the transition to a low-carbon and resilient Belgian economy and society, Belfius has developed a sustainable finance value proposition for companies that are incorporating sustainability into their business strategy and aligning their funding sources to their ESG commitments (be that through bank loans, leasing or financial markets).

With **CO_2rporate ESG Ambition**, we aim to accompany all our Corporate and Local Corporate customers through their entire ESG journey in a fast changing market by:

- Helping them define their ESG strategy with a user-friendly tool taking into consideration their sector, level of ESG ambition and their own legal and regulatory ESG requirements.
- Supporting them in implementing their ESG strategy and achieving their ESG targets with the right solutions and attractive financing conditions.
- Finally, rewarding them for their ESG achievements.

In the long-term, this will lead to systematic improvement of sustainability performance among Belfius customers, resulting in a greener balance sheet with a positive societal impact for Belfius.

Until now, Belfius had been active in **Sustainability Linked or green Loans and Bonds, as well as Social Bonds**. More specifically, on the bond side, Belfius offers structuring and advisory services to guide customers through the entire process - from their initial thoughts through to the drafting of the sustainable framework, the interaction with sustainable rating agencies and the placement of bonds with retail or institutional investors.

These services are available for all client types that want to embark on the path of sustainable bond issuance: local and regional authorities, inter-municipal entities, utility companies and corporate entities.

When setting up sustainable frameworks, Belfius follows International Capital Market Association (ICMA) principles and engages with dedicated second party opinion providers to be fully aligned with international best market practices.

In 2022, Belfius supported the following customers for an aggregated amount of EUR 1.9 billion:

Issuer	Sector	Format	Size (in millions of EUR)
VGP	Real Estate	Green Bond	1,000
HOME INVEST BELGIUM	Real Estate	Green Bond	40
ATENOR	Real Estate	Green Bond	55
COMMUNAUTÉ FRANÇAISE DE BELGIQUE	Regional Authority	Social Bond	600
MG REAL ESTATE	Real Estate	Green Bond	15
INTERVEST OFFICES & WAREHOUSES	Real Estate	Green Bond	45
IMMOBEL	Real Estate	Green Bond	125
ATENOR	Real Estate	Green Bond	13
EAGLESTONE	Real Estate	Green Bond	26
TOTAL AMOUNT			1,919

In 2022, we complemented our existing offer of products with newly designed investment credit and financial leasing formulas dedicated to financing projects with environmental and climate targets as defined by Belfius. These are **Ambition Loans** (with 36 possible targets defined) and **Ambition Leasing** (with 35 possible targets defined).

These targets relate to the four priority domains defined by Belfius: real estate (e.g. energy-efficient buildings or renovations), mobility (e.g. electric cars, forklifts and pallet trucks, utility vehicles), energy (e.g. production and battery storage of electricity generated by natural forces or energy-efficient production equipment) and water and waste management (e.g. water treatment equipment, recycling and material reuse).

To keep pace with technological innovation and resulting new applications, we foresee to both expand the number of targets in the future and seek alignment with EU Taxonomy criteria.

Through **vendor leasing**, Belfius Lease (Services) encourages the circular economy by keeping production equipment, furniture, batteries, lighting systems, bikes etc. in circulation for as long as possible. With this model, use prevails over possession: the end user pays for the use of the asset according to a pay-as-a-service or pay-per-use principle, while Belfius assumes the financial risk by purchasing the goods that will be offered for lease by its professional customers. Production figures for vendor lease were EUR 173 million vs EUR 138 million in 2021 and EUR 163 million in 2020.

Belfius Lease (Services) is a member of the Sustainable leasing workgroup of BLV/ABL (Belgische leasingvereniging Association Belge de Leasing). Belfius Lease has signed the circular economy charter of Febelfin & BLV/ABL.

5.2.5. Enabling low carbon mobility

5.2.5.1. Fostering sustainable mobility in lending

Belfius offers various credit formulas based on sustainable mobility:

- The Energy Car Loan allows customers to finance the purchase of a car with low CO_2 emissions: a car with CO_2 emissions of ≤ 135g/km according to the WLTP standard; a car with CO_2 emissions of ≤ 108g/km according to the NEDC 1.0 standard; or a hybrid or LPG-equipped car.
- The Energy + Car Loan is a specific credit formula for those who want to switch to an electric car or a plug-in hybrid with CO_2-emissions of < 50 g/km. With this loan, customers can borrow up to 120% of the purchase price to cover any additional costs, such as the installation of an electric charging station or solar panels.

For several years now, Belfius has also been offering a bicycle loan as part of its product range.

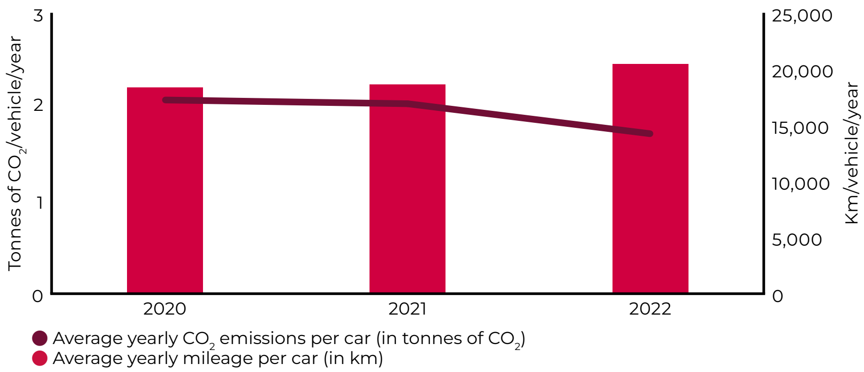
Energy (+) car loans & Bike loans

	2020	2021	2022
Number of loans	4,689	4,326	4,325
TOTAL AMOUNT (in millions of EUR)	53.3	54.6	57.3

5.2.5.2. Sustainable mobility in our leasing offer

With its full-service leasing offer, Belfius strives for low-carbon mobility. Belfius Auto Lease is committed to reducing the average CO_2 emissions of vehicles in its fleet (in tonnes/car/year), with the goal of reaching a 50% reduction by 2025 vs 2019. In 2022, we achieved more than half of the journey towards this target: Belfius Auto Lease fleet's average CO_2 emissions reduced by almost 29% vs 2019.

Evolution of the average yearly CO_2 emissions & mileage per car



Compared to 2021, Belfius Auto Lease fleet's average CO_2 emissions were down in 2022 by 16%, an evolution that is explained by an increase in mileage per car, as well as a further increase in the share of electric or plug-in hybrid vehicles in new production to 61%. Their proportion in the total fleet of Belfius Auto Lease (25,374 vehicles) reached 18.3% in 2022, compared to 8.8% in 2021. This is due to the fact that Belfius Auto Lease, in accordance with government measures, applies targeted advantageous pricing that favours the monthly leasing charge for electric cars over cars with traditional combustion engines.

In addition, Belfius Auto Lease works with CenEnergy, in which Belfius acquired a majority stake in 2022, to provide an intelligent electric charging infrastructure to customers wishing to make the shift to electric or plug-in hybrid cars.

Belfius Auto Lease is diversifying towards the alternative mobility market. Belfius Auto Lease customers can now benefit from Belfius Move by Skipr, an all-in Mobility as a Service solution of Skipr. The programme combines an app designed to facilitate different travel solutions, a payment card valid for all European mobility providers and a budget management platform for employers with the possibility of launching CO_2 reports. Belfius Bike Lease is an all-in offer for all types of bicycles with services such as maintenance, insurance and assistance, in collaboration with Cyclis, the Belgian pioneer in this field.

The Belfius Lease subsidiary for its part is currently managing almost 34,000 leasing contracts for electric bicycles, an increase of 38% vs 2021.

Belfius Lease continues to favour electrical equipment for the civil engineering sector (forklift trucks, pallet trucks, road equipment, etc.) and 40 % of vehicles running on Belgian roads under the Belfius Lease banner are electric or hybrid (out of a total of 17,833).

Hence, Belfius Lease, through its financial leasing and renting offer, is also playing its part in the modal shift towards low carbon mobility.

5.3. Sustainability in Insurance

Belfius Insurance offers several products, including life insurance (savings and risk products) and non-life insurance (mobility and asset protection), mainly for retail customers, independents and small businesses. In 2022, several developments in our products and services confirmed the role we want to play in meeting the current challenges related to longer life expectancy and an ageing population, health, housing, mobility and climate change, amongst others.

5.3.1. Life Insurance

5.3.1.1. Pension

The legal pension has become insufficient for a large part of the Belgian population(1). At retirement age, many people therefore risk falling below the poverty line(2), even more so given the recent energy crisis. The occupational pension improves the prospects of some, but with great disparities. As a life insurer, Belfius Insurance plays an active role in bridging this gap and in helping customers maintain a reasonable standard of living and purchasing power after retirement.

Some figures:

- We manage the occupational pensions of approximately 273,000 members (second pillar).
- 316,000 Belgians rely on us to invest their supplementary pension capital (third pillar) to the best of our ability.
- To do this, we invest almost EUR 6.5 billion in the Belgian economy, in compliance with at least Art. 8 of SFDR and Belfius' Transition Acceleration Policy.
- 10,870 customers received their supplementary pension capital in 2022, thus increasing their ability to maintain a similar standard of living before and after retirement (replacement rate).

Over the course of 2022 and 2023, we are adopting a proactive approach to customer research in order to understand the needs of our customers within the context of their pension capital and what information they seek.

Alongside Assuralia and the Belgian Government, Belfius Insurance actively participated in reflexions on Belgium's ageing population and the affordability of the pension system, as well as sustainable investments.

5.3.1.2. Income protection

Income protection goes beyond pensions as it is at the heart of many other insurance products, such as outstanding balance insurance. In 2022 for example, we were able to help 420 families repay a mortgage at a difficult time for a total amount of EUR 22.2 million. We insure 407,076 people for their home loans, which is a cross-sell rate of 84% on our mortgages. Customers continue to underestimate the financial risks associated with a loss of income following the death of a household member, or an inability to work (burn-out, accident) - we therefore make sure that they are aware of the risks.

Having said this, couples borrowing for a home rarely insure both borrowers for 100%. In 2022, we provided agents with a tool to help them visualise the risk and opportunity in doing so. In 2023, we will help agents in their query to detect the needs to subscribe riders (i.e. additional covers) on Belfius Home and Credit Protect.

We are also continuing to develop and refine our range of risk cover so that all customers can be well protected against loss of income at any time and at an affordable price. Belfius covers both physical and mental health conditions, though under certain conditions for the latter.

As the latest statistics show, Belfius plays a substantial role for people affected by chronic illness. For several years now, thanks to the Partyka law, these specific customers have been able to take out outstanding balance insurance. The insurer who demands an additional premium of more than 75%, or refuses insurance, must provide objective and reasonable justification. If the customer does not agree with the reasoning received, they can appeal to the Monitoring Office.

Belfius accounts for only 9% of the cases (12% in 2021) examined by the Monitoring Office, whereas our market share in loans is higher. Moreover, in 79% of these cases the Monitoring Office validated Belfius' initial decision. Our medical underwriting policy therefore appears to be fair and properly motivated.

5.3.1.3. Hospital and Outpatient Insurance

In 2021, our research showed that a large part of the public is still unaware of the benefits of hospital insurance in complementing the social security system. Fortunately, many employers do include it in their remuneration packages.

More than 150,000 Belgian citizens (+6% compared to 2021) benefit from our hospitalisation cover.

Our outpatient coverage encourages preventive behaviour and we know how important it is to consult in time to avoid deterioration in health. In this way, we contribute to a healthier and better protected society.

(1) Average gross pension per month (assuralia.be)
(2) In 2014, 15.2% of the over-65s belonged to the at-risk-of-poverty group, based on income according to EU-SILC 2015 data.

5.3.2. Non-life Insurance

5.3.2.1. Home insurance

Home insurance is an essential part of everyday life and helps individuals and households recover from different damages, helping society to become more resilient and overcome life's hazards.

We have already simplified our communication with our customers to help them understand their coverage. Our terms and conditions use plain language and mention concrete objects (garden furniture, solar panels, etc.), which are more meaningful to the general public. Our offer is also modular, allowing each customer to choose the coverage relevant to their needs - from basic coverage as required by law, to more elaborate protection levels. We also organise check-ups with our customers to verify any protection gap and propose adjustments when necessary.

We believe that Home Insurance plays an essential role in climate action, both in a curative and preventive capacity.

Within our coverage embedded into our Property Insurance product offering, we have, amongst others, developed the following initiatives in 2022:

- Integration into our product offers of damages caused by soil shrinkage due to droughts. Subsidence risk can be observed after prolonged droughts, such as the one Belgium experienced in the summer of 2022. Drier summers mean that vulnerable grounds may be more prone to shrink and "crack".
- Upgrade of coverage of natural catastrophes for business customers, following the past two years' natural disasters.
- Launch of a communication prevention kit to limit the damages related to natural catastrophes. Based on Royal Meteorological Institute previsions, we sent out prevention advice to our customers (Bank and Insurance) five times over the course of 2022 (twice for storms, twice for thunderstorms and once during the heatwave).

To increase the efficiency of the claims filing process for customers, Belfius has developed a dedicated tool called MyBo. MyBo is the privileged communication channel, especially when a natural catastrophe has occurred. During the February storms for instance, 67% of claims were introduced through this tool. In comparison, 48% of claims in 2022 were introduced through MyBo. The average elapsed time for the settlement of claims related to natural catastrophes is limited. Along with Jaimy, our privileged partner in repair in kind, we offer an end-to-end solution to ensure the refurbishment of their property.

We seize every opportunity to limit our footprint on the entire value chain, encourage our customers to improve the energy efficiency of their buildings and facilitate their transition to a low carbon economy. For example:

- Our App-normal home insurance that can be underwritten remotely provides specific discounts for owners of new buildings (less than 10 years old), with an additional eco-discount if the building is also energy-efficient. 8% of such building owners had benefitted from this discount by the end of 2022. In the event of a claim, the additional costs of complying with current building standards are taken into account in any compensation. This is applied by all of Belfius Insurance brands (Belfius, DVV and Corona Direct Insurance), in collaboration with Jaimy (see section 5.4.). In this way, we help to reduce the carbon footprint of buildings.
- Customer initiatives to improve the energy efficiency of buildings are covered at no extra cost, including the installation of solar panels, heat pumps, batteries, charging stations, etc.
- The Corona Direct Home Insurance/m^3 product rewards customers who choose to live in a more energy-efficient way, for instance in a tiny house.

We want to be an actor for the upcoming economic models, such as the shared economy, which are essential to limit CO_2 emissions. In our Family Insurance (Belfius & DVV), as an option, we cover the insuree's liability for damage caused to an object entrusted or lent to him (by a neighbour, for instance), as the return of the object in good condition is a contractual obligation.

5.3.2.2. Insuring new forms of mobility

Mobility in Belgium, as well as related infrastructure in urban areas, is increasingly changing, making way for more sustainable solutions. New mobility offers are already infiltrating our daily lives, such as electric vehicles and bicycles. Belfius is also evolving, with a double ambition:

- To facilitate the transition to greener mobility (electric vehicles, electric bikes, etc.).
- To support customers in their transition to varied and environmentally friendly forms of mobility, e.g. insurance regardless of the mode of transport for total peace of mind, or standard insurance for drivers of shared vehicles for bodily injuries through our private accident product (Family Insurance Belfius & DVV brands).

Our current offer heavily invests in supporting customers who use their bikes, with:

- A partnership with Cyclis, one of the largest bicycle B2B rental companies in Belgium.
- All Risks Bicycle Insurance, covering all vehicles not subject to motor vehicle liability (i.e. travelling at less than 25km/h independently) in case of theft, material damage and breakdown. Our offer is one of the strongest on the Belgian market, covering elements such as flat batteries for example and was rewarded for this with a Decavi Award in 2022.
- Free bicycle assistance as part of the bicycle offer for our best customers (DVV brand), or within our personal assistance product (Belfius brand).
- Belfius Car grants premium discounts of up to 20% to customers who limit their ecological footprint. In addition, the breakdown assistance coverage helps our customers in case of flat car batteries, enabling them to continue their trip via a boost charge.

Corona Direct's flagship product, Per-Kilometre Insurance, has been rewarding low mileage since 2006. This personalised premium depends on the number of kilometres customers expect to drive in a year - if they drive less, they are reimbursed the difference. This 'pay as you drive' approach results in a fair premium for responsible mobility behaviour. More than 100,000 customers have subscribed to this product.

Finally, when a vehicle is damaged or faulty, insurers can play a key role in ensuring that the repairs are carried out in the most sustainable way possible. In this respect, together with other industry players, Belfius is contributing to the development of standards for the future certification of actors in the repair chain that operate in an environmentally sensitive way. More information on sustainable repair.

5.4. Innovative banking and insurance solutions

In our current societies, technology is everywhere. In the financial sector especially, technology is crucial to our current operations and future innovations. Against this background of fast-paced and pervasive technological change, Belfius holds true to its core mission of being meaningful and inspiring for Belgian society by maintaining a place on the leading edge of digital and local innovation for the benefit of all customers and society. We take pride in our distinctive digital and human approach that leverages new technologies and Belgian talents to enhance the satisfaction of our Belgian customers.

Though it currently has an undeniable carbon footprint, we believe that technological innovation is essential for securing and accelerating the transition to a sustainable and inclusive society.

Consequently, the Belfius Technology department is at the heart of the implementation of the Belfius Inspire 2025 strategy to create long term value for the Belgian economy and society, which is also reflected at all decision levels of the company. The technology department is always represented at all thematic Strategic Domain Committees where new value propositions and offerings are matured and the Chief Technology Officer is invited to all Management Board meetings, on top of the Management Board's dedicated digital, data and artificial intelligence sessions.

Right from the start, Belfius has used its digital expertise to offer innovative digital solutions that go far beyond traditional banking and insurance products by helping citizens in their environmental and social endeavours. Relevant dialogues on the future of digitalisation and technological innovation are also held with stakeholders, such as external experts or partners.

Belfius continues to lend its support to a number of promising innovations:

- **Fairville**: The combination of four existing initiatives (Onze Stad App, Cirklo, MyWaste and Buck-e) in one single online urban platform to support digital acceleration in cities and municipalities. Supported by Belfius, Cipal Schaubroeck and Nuhma, these four solutions continue to prove their worth.

Participating schools for example have already cycled and walked around the world 61 times using the Buck-e bicycle reward system and municipalities have already invested more than EUR 34 million in the local economy since 2020 through the Cirklo digital gift voucher.
In 2022, a partnership was concluded with the digital agency of the Flanders region around a citizen app which bundles all interactions between the government, its citizens and the cities or municipalities in which they reside. Citizens can receive notifications from the government, have the ability to centralise all official documents in a secure space and use the citizen app as a gateway to apply for government grants, permits and attestations.

- **Hoplr**: An award-winning digital neighbourhood connection platform. Hoplr already cooperates with more than 150 local governments and social organisations in Belgium, the Netherlands and Luxemburg, who use the platform for neighbourhood-oriented help, communication and civic participation. About 800,000 citizens have signed up so far.
- **Banx**: A digital bank imagined by Proximus and Powered by Belfius that encourages customers to think about their impact on the environment with a CO_2-dashboard showing the impact of their purchasing behaviour on the planet.
- **Jane**: An offering that helps people with reduced autonomy to live at home for as long as possible using discreetly installed sensors in the home, combined with an artificial intelligence algorithm that “learns” the habits of the person and alerts family and friends when unusual events occur. In 2022, Jane entered into a partnership with Familiehulp, a care organisation active in Flanders and Brussels.
- **Jaimy**: A platform that allows customers to find a building professional in electricity, heating, plumbing or renovation.

Belfius also supports several start-ups and scale-ups discovered through the **W.IN.G fund** (Wallonia Innovation and Growth), Birdhouse (a collaboration which came to an end in 2022) and more recently **Do!Gent**.

5.5. Proprietary portfolios and sustainability

In addition to its role as a provider of investment solutions to private and institutional investors, Belfius manages its own portfolios of investment instruments and assets for specific activities. Belfius Group’s sector policy (Transition Acceleration Policy, see section 6.1.3.) is applied to these portfolios and the alignment process was completed by 31 December 2022.

5.5.1. The insurance reserves of Belfius Insurance

Like any insurer, Belfius Insurance keeps sufficient reserves to be able to meet its contractual obligations to pay capital, interest and claims to clients. Prior to the full implementation of the TAP, Belfius Insurance had already been applying the principles of Portfolio21 to these reserves since 2006. Portfolio21 was an investment strategy that aimed to contribute to sustainable development by transparently adding non-financial criteria to the management process of investment portfolios, relying on the standards of the International Labour Organisation and the Government Pension Fund of Norway. This partnership with Portfolio21 and a reputable company for ESG screening came to an end on 30 September 2022. Belfius’ Transition Acceleration Policy is now the sole sustainable investment framework for Belfius Insurance reserves.

As of 31 December 2022, Belfius Insurance’s investment portfolio reached a total of approximately EUR 14.2 billion. It is composed of mortgage loans (25.6%), real estate (5.8%, see section 5.5.2.) and investments for the remainder. These EUR 9.7 billion are screened following the Transition Acceleration Policy.

The Belfius Insurance portfolio displays a substantial Belgian focus. A total of 67.3% of the portfolio is composed of Belgian government bonds, Belgian corporate bonds and equity. The rest is invested abroad, mainly to ensure sufficient diversification based on risk management criteria.

Belfius Insurance is also an engaged shareholder. Thanks to Portfolio21, until 30 September 2022, companies whose business practices were not in line with international standards and the Belfius sector policy, were encouraged to adjust their business practices. Each year, a dialogue with 15 to 20 companies was conducted on behalf of Belfius Insurance. Upon the basis of this dialogue, action is taken on the positions of the companies concerned whenever needed.

Following the termination of Portfolio21, Belfius Investment Partners is now responsible for the screening and engagement approach. An external independent audit is performed on an annual basis to check the compliance of our investment portfolio with Portfolio21’s principles (until 30 September 2022 and the Transition Acceleration Policy by the end of 31 December 2022).

Find out more about Belfius Insurance’s Engagement Policy and the 2022 Engagement Report.

5.5.2. The Belfius Insurance real estate portfolio

5.8% of the Belfius Insurance investment portfolio (of a total amount of EUR 14.2 billion) is invested in unlisted real estate, either through direct investments in properties, or through participations in unlisted real estate funds.

At the end of 2022, our direct real estate portfolio had a market value of EUR 819 million, 67% of which was invested in office buildings and 27% in nursing homes. Around 90% of these properties were located in Belgium, supporting our local economy.

Our direct real estate investments are mainly focused on new or recent properties within walking distance of major railway stations or mobility centres. These acquisitions therefore score extremely well in terms of energy consumption, as well as accessibility via public transport. This is the case with a 10,000 m^2 office building developed by Banimmo and Argema for example that is within walking distance of the Louvain-la-Neuve railway station. Acquired in January 2022, the building is BREEAM Excellent certified.

Abiding by our mission to be meaningful and inspiring, Belfius Insurance obtained a building permit to create a new university campus on its historical Pacheco site in Brussels. The former commercial gallery Passage 44 will be turned into a new carbon neutral University campus by KU Leuven, which should revitalize the surroundings of the property into a more dynamic neighbourhood and have a significant social impact for students. Moreover, it has been decided to open the beautiful and protected internal Pechère garden to the public.

Throughout 2022, we continued to collect consumption data, extending our scope to our entire portfolio in order to estimate their carbon footprint and impact on the climate. The analysis, in light of the Paris Agreement's emission reduction targets, enables us to identify properties that require investments. This has led for instance to the decision to equip the roof of AB InBev's office building in Leuven with solar panels in 2023. We are currently studying the possibility of digitalising data collection and developing online data monitoring for the years to come.

On the unlisted real estate fund side, Belfius Insurance is still the largest investor in the Vicinity Affordable Housing Fund. Vicinity aims to provide quality, low or no energy rental housing adapted to today's urban lifestyles with a positive social and environmental impact. Of the ten buildings in operation, two have received the Exemplary Building award from Brussels Environment, rewarding real estate projects that stand out in terms of energy consumption, mobility, ecology and architecture.

In 2022, Belfius Insurance entered into the capital of Cohabs, a Brussels-based company specialising in co-living. Cohabs is a fully integrated co-living platform that both owns and operates its own real estate assets. They mainly acquire assets to renovate and redevelop into energy efficient properties, preferentially using natural or circular building materials. From a social point of view, Cohabs is committed to maintaining 5% of the Belgian portfolio as solidarity bedrooms with 50% reduced rent to ensure co-living is accessible to all.

In October 2022, together with Eiffage Development and Ethias, Belfius Insurance created the Land Investment Vehicle company (LIVe). LIVe focuses on the acquisition of sites in Belgium that can be (re)developed into sustainable, energy-efficient and low-carbon residential projects.

6. Sound corporate governance

6.1. Responsible business conduct

In 2022, Belfius' overall ESG approach was cast in a new ESG framework. This framework is there for the benefit of our customers, partners, employees and other stakeholders to inform them of Belfius' commitment to addressing climate, environmental, social and governance issues. It summarises Belfius' ambitions, strategy, commitments and governance in the area of sustainable development (ESG), both in terms of responsible business, the conduct of its core business, the management of its internal operations, and its dealings with its counterparties.

The framework also provides access to all of Belfius' underlying policies linked to ESG, and thus serves as a reference document to direct the reader to all of the essential public information that forms the formal foundation of Belfius' commitment to promoting sustainable and inclusive economic growth, through its financing, investment and insurance activities and as well as through its own conduct of business.

6.1.1. Compliance & Ethics

It is crucial for Belfius to comply with laws and regulations at all times and to act in accordance with the highest standards of integrity throughout the value chain. As an important financial player in Belgium, Belfius stands in a competitive environment that is exposed to numerous risks, such as corruption, bribery and fraud, that have economic and societal impacts. Managing these risks is inherently part of our business and is a basic prerequisite for our existence and continued growth, while providing value to our customers in a relationship that is based on integrity and trust.

To that end, Belfius scrupulously complies with all applicable laws,regulations and regulatory recommendations (NBB, FSMA) in force and respects the rules and practices prevalent in the financial sector, especially in relation to the protection of customer interests.

As part of our management of ethics and compliance-related issues, we have put several policies and charters in place that coordinate our relationships with our stakeholders, including our employees, customers, suppliers, etc.

6.1.1.1. Compliance policies

First and foremost, the Compliance Policy is a combination of the Compliance Charter and the Integrity Policy and allows all commercial activities of Belfius Group to manage several potential compliance risks in alignment with local and EU-level regulations. We attach particular attention to being a responsible, honest and professional employer. We also expect our employees to share the same values when engaging with our customers and partners if we are to gain, maintain and justify the trust of our customers and stakeholders, which we believe is fundamental to our activity.

- The **Compliance Charter** states the tasks, powers and position of the compliance function within Belfius.
- The **Integrity Policy** promotes honest, open and ethical behaviours and ensures compliance with the laws, regulations and other professional standards in order to enhance and protect the reputation of Belfius, its products, services and activities, in addition to integrity towards clients in all our activities, loyalty and mutual respect. Most of the areas listed in the Belfius Integrity Policy are also covered in the internal Code of Ethics, which is available in Dutch, French and English. The Code of Ethics reflects basic rules of conduct for employees.

Based on those general principles, some themes have been developed into more detailed policies and, where pertinent, into internal operational procedures and/or external bite-sized Policy statements. Consequently, we have established various policies relative to these values in Dutch, French and English that are accessible and transparent to all. Most notably:

- The Anti-Discrimination Policy sets out Belfius' commitment to avoid and terminate any form of discrimination within and outside the company, in its relationship with employees and individuals seeking recruitment, existing and prospective customers, suppliers and partners.
- The Whistleblowing Policy, which outlines the procedure in place within Belfius for all employees to confidentially report violations.

Secondly, Belfius has established a set of distinct policies to manage arising compliance-related risks and maintains sound business practices with counterparties in line with Belfius' zero tolerance on anti-ethical behaviors including market abuse, conflicts of interest, corruption, fraud and money laundering:

- The Anti-Fraud Policy sets Belfius' anti-fraud risk management framework – Belfius enforces strict rules to meet its anti-fraud objectives throughout all Belfius entities.
- The Anti-Bribery Policy highlights the different scenarios and procedures aligned with Belfius' core values on bribery. Belfius expects its customers, suppliers, external service providers, intermediaries, business partners or other persons or entities associated with Belfius, to apply the same strict rules.
- The Anti-Money Laundering (AML) Policy and Customer Acceptation Policy clarifies Belfius' strong commitment to AML and the prevention of the financing of terrorism (CFT) and related internal processes. Having an important link with Belgium is a key requirement of Belfius' Client Acceptation Policy.
- The Conflicts of Interests policy focuses on the prevention and identification of potential conflicts, as well as the management of these conflicts, in the best interest of customers;
- The Internal Market Abuse Policy deals with insider trading, the illicit disclosure of privileged information and market manipulation.

The aforementioned ethics and compliance-related policies are approved and overseen by the Management Board or the Board of Directors and are managed by the Compliance or Non-Financial Risk functions. They are regularly reviewed and updated as and when needed in order to align with regulatory evolutions, new insights, or other factors. The governance structure of each policy is clarified in the policy itself. Please see the list of our most important Policies & Charters on our corporate website.

6.1.1.2. Training and awareness-raising

Each policy is communicated to employees via internal communications channels, e-learnings and different forms of trainings. Belfius ensures that its staff members are kept up-to-date with developments pertaining to their field (e.g. through newsletters), and that they have access to the information they need to carry out their tasks properly. Moreover, our principles, policies and related procedures can be accessed through the Intranet.

Employees who have questions can consult either their Compliance Correspondent in their own department, or ask the Compliance department for advice. The network of compliance correspondents in each department reinforce the Bank's compliance message in line with Belfius' values.

Belfius has its own compulsory training programme for all staff on ethics and compliance-related issues, including trainings on ethics, AML legislation and market abuse, amongst others. Depending on the subject, training courses are updated annually, or at a maximum every two to three years, with ad hoc training cycles organised for certain profiles. Each training is followed by a test leading to a certificate where the minimum passing grade is, depending on the training, 70-80%. Each employee has his/her own dashboard in which all planned and completed training courses are displayed and monitored by HR and Compliance. Every new employee must have successfully completed these training courses within three months of joining the company.

Given the importance of managing compliance risks, the compliance department put in place a time management system that leads to a clear view on the staff needed to fulfil compliance tasks and allows it to keep pace with strategic developments and regulatory evolutions. Talents with the right competencies are hired and these competencies are maintained through a combination of internal and external trainings. Belfius' compliance department staff require a certification of sufficient training aligned with regulatory requirements.

6.1.1.3. Detection and monitoring practices

The main task of the Compliance function is to protect the reputation of Belfius with regards to compliance risks. The Compliance function reports to the Chief Risk Officer and is supervised by the Audit Committee, the Risk Committee and the Board of Directors.

That is why Compliance develops and runs a monitoring programme consisting of in-depth controls on the correct implementation of established procedures and instructions, ensuring the efficient mitigation of the main compliance risks. These controls can be based on audit of results of the operating departments (first line), own sampling and observations, conversations with employees, monitoring of complaints, exception reports and mystery shopping in Belfius branches.

Twice a year, a status report on Compliance risks, (control) activities and attention points is presented to the Management Board and the Audit Committee.

Belfius puts material efforts in place so as not to be involved in money laundering from illegal activities, the organisation of tax fraud, financing terrorism or circumventing international embargos. To underline this commitment, the Anti-Money Laundering Compliance Officer has established a general compliance framework with policies and broad preventive measures and controls. Proper knowledge of the customer and their identification, verification of the origin of financial flows on accounts and detection of dubious transactions, are all vital elements in the prevention of such practices.

To remain compliant with domestic and European AML/CFT legislation and regulations, Belfius has established Know-Your-Customer (KYC) standards. These standards require due diligence on each prospective customer before entering into a business relationship via identification and verification of his/her identity and, as the case may be, the representatives and beneficial owners on the basis of documents, data or information obtained from a reliable and independent source.

In addition to these objective criteria, there are subjective elements which may trigger suspicions regarding a customer to which particular attention should be paid. The KYC questionnaire also includes questions on the type of activity and transparency on way of doing business, the known reputation of the customer and potential links with countries on the Belfius Country Watch List.

Finally, as KYC does not involve static data but dynamic data through the relationship with the customer, it also requires follow-up and ongoing monitoring of the customer – in this case via a KYC review with a risk-based frequency in function of the customer's individual compliance risk profile.

In addition to this, the following monitoring is performed:

- Ongoing ex-post AML Second Line Transaction Monitoring ("Know Your Transaction"), based on scenarios leveraging artificial intelligence (AI), to detect transactions that are unusual or suspicious compared to the customer's profile.
- Online ex-ante transaction filtering on SEPA and non-SEPA transactions to detect to what extent the counterparty of a payment transaction remains flagged on International Sanctions and Embargo lists. When a true hit is detected, the transaction is rejected and in some situations assets can be frozen and reported to the FOD Economics.
- Daily name screening of the Belfius customer database against International Sanctions and Embargo lists.

Belfius also maintains a Belfius Country Watchlist based on official sources featuring all countries that present increased risk of AML, tax fraud or financing of terrorism and/or are submitted to international sanctions or embargos, thus warranting higher vigilance and restrictions on transactions that involve counterparties in these countries.

Internal audit regularly establishes missions and reports regarding AML/CFT activities.

Several fraud detection procedures are in place, in addition to the legal and regulatory obligatory ones (including social fraud detection by companies). Gifts and invitations of a substantial value must receive pre-clearance, either from the management or Board members, or from the Compliance Officer. Belfius does not make political donations and does not engage in direct lobbying activities.

When needed, recommendations to the business are made and followed up and interventions may take place. More specifically, Compliance sits on the New Product Approval Process (NPAP) Committee, together with Legal and Non-Financial Risk. The NPAP Committee steers the so-called New Product Approval Procedure to screen all new concepts, products, processes and procedures on inherent risks and formulates binding conditions to ensure compliance with Belfius' risk appetite at inception.

In 2022, no incidents of corruption on the part of employees or business partners were reported, and there were no legal cases regarding corruption brought against Belfius or its employees.

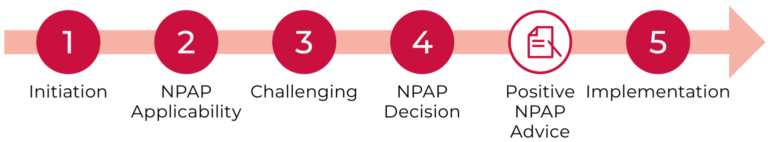
ESG from inception

The NPAP (New Product Approval Process) procedure is initiated for every new or adapted product, service, activity, process or IT system, regardless of the business line, support activity, branch or subsidiary. Through this five steps process, relevant stakeholders in the Belfius organisation are consulted to identify and assess the risks in their respective areas. Their opinions may be either positive, or they may set binding ("Must Have") or non-binding ("Nice to Have") conditions.

The central ESG team is a relevant stakeholder in this process. It identifies potential ESG risks associated with a new product or service and formulates conditions to avoid or reduce them. In this way, sustainability considerations are tackled at inception of new developments. The advice of all relevant stakeholders is consolidated in the NPAP advice of the NPAP Committee, which consists of compliance, legal and non-financial risk representatives.

This NPAP advice is required before the project can be authorised. If binding conditions have been set by NPAP advice, the project cannot be rolled out until these conditions are met.

A 5-step process



6.1.2. Human Rights due diligence

As a bank-insurer, we consider it our duty to respect and protect people's human rights, whether they are our customers, employees, or simply members of society at large. Our commitment towards human rights touches the core of our purpose to be "Meaningful and Inspiring for Belgian Society. Together." For more information on human rights and employees, please see the Human Resources chapter of this report. In our Human Rights policy we do not only commit to respect human rights, but we also clearly state that we expect the same level of commitment from our subsidiaries, suppliers and partners. We make no exception and expect all to adhere to our policy. We have also developed a Code of Conduct for our suppliers, requiring them to respect human rights (see section on Sustainable Procurement 6.1.6.)

As customer-orientation is one of our four core values, consumer protection and responsible marketing and sales is of the utmost importance to us. See chapter 6.2.3. for more information on this topic.

Conversely, through the Transition Acceleration Policy (TAP, see section 6.1.3), we expect our customers to respect human rights in line with our social commitment.

Moreover, new legislation such as the Corporate Sustainability Due Diligence Directive, as well as the forthcoming Belgian law on Due Diligence and the Duty of Care of Enterprises, will soon oblige companies and directors to adopt sustainable and responsible behaviour in their value chains by performing corporate human rights due diligence. Corporate human rights due diligence is a way for enterprises to proactively manage potential and actual adverse human rights impacts (UN Guiding Principles). As the aforementioned due diligence practices are becoming increasingly important, both in the EU and in Belgium, Belfius is taking an inward look at its own business conduct to prepare itself for these new norms and remain compliant in light of new human rights enforcement standards.

In 2022, we conducted a gap analysis on our value chain based on the requirements of the UN Guiding Principles on Business and Human Rights, the EU Corporate Sustainability Due Diligence Directive proposal, the Belgian Bill on Corporate Due Diligence and Duty of Care, as well as Minimum Social Safeguards requirements as per EU Taxonomy. Our analysis was divided into the six corporate due diligence process steps recommended by the widely-recognised OECD Due Diligence Guidance for Responsible Business Conduct. Through this gap analysis, we were able to identify areas for improvement in our due diligence processes.

6.1.3. Accelerating the transition

In line with our purpose "Meaningful and inspiring for Belgian society. Together.", we make clear choices about what we do and what we do not do and reflect these in our policies.

First and foremost, we apply the ten principles of the UN Global Compact. The UN Global Compact, of which Belfius is a signatory, is the leading international agreement on sustainable business. It states that sustainable business practices begin with meeting core responsibilities in the areas of human rights, labour, the environment and anti-corruption. Belfius does not support companies that do not respect these principles and are identified as such. To this end, Belfius invests the necessary resources to have access to comprehensive and reliable data.

Next, specific criteria apply to economic sectors and activities, as well as countries and governments.

6.1.3.1. Economic sectors and activities

The Transition Acceleration Policy, or TAP for short, is the Belfius Group's ESG sector policy. With this policy Belfius takes a stance with regards to the economic activities that it considers, in whole or in part, to be unsustainable. In this way, Belfius seeks to accelerate the sustainable transition of its core activities.

At the same time, Belfius also encourages its corporate customers to evolve towards a more sustainable business model where necessary and aims to inform, guide and offer its customers the right solutions for this transition. In this way, the TAP also becomes a lever to maximise our positive impact on the economy and society. Dialogue with customers and stakeholders is essential in that process.

Belfius specifies in the TAP which activities it will not finance (or only under certain conditions), and explains why:

- Certain activities (tobacco, gambling, coal and lignite mining, unconventional oil and gas extraction, speculative activities related to agricultural commodities) are resolutely excluded.
- For other sectors (conventional oil and gas extraction, electricity production, nuclear energy), specific criteria determine which activities we exclude and which we do want to support towards a sustainable economic transition.
- For yet other sectors (mining of ores and minerals, palm oil and soy cultivation), conditions are imposed that relate to the sustainability policy of companies. This normative filter must guarantee that a company respects the basic rights of workers, local residents, their living environment and livelihood, and the environment.

The TAP applies to all Belfius entities and covers all core business activities involving professional counterparties. TAP criteria have been made as uniform as possible for all activities, and only where the specific nature of those activities really does not allow it, have deviations been made e.g. by applying slightly different minimum criteria, but always using the same philosophy.

TAP criteria have been incorporated into existing processes and procedures of Belfius entities, including the customer acceptance policy, credit risk acceptance guidelines, the credit and leasing granting processes, the investment fund screening process, instructions to third-party asset managers, guidelines for transactions on the financial markets, the validation process for new products, services and partnerships. Trainings on the TAP are provided to concerned employees on an ad-hoc basis and a central TAP team is available for advice.

From a risk perspective, the TAP is a crucial tool for managing exposure to various ESG risks through our activities and counterparties. In this respect, companies, and financial institutions in particular, are subject to increasingly stringent regulatory requirements. The TAP is also the main instrument with regards to the management of our investment funds for avoiding or limiting the potentially negative effects of investment decisions ("PAI") according to European SFDR regulations.

The TAP criteria will evolve over time, driven by the evolution of our own sustainability ambition, the results of dialogue with stakeholders, changing regulations, technological developments and new societal expectations. The most recent TAP update is dated December 2022. The main adaptations related to the scope of products and services, the requirements for Belfius' preferred asset management partners, and additional details on the TAP governance.

The full Transition Acceleration Policy text can be found here.

6.1.3.2. Governments

Belfius uses a watch list of countries for the financing of customers transactions involving a foreign public authority or a foreign public company. This list covers, inter alia, the potential risks of money laundering, terrorist financing and violating EU or US embargoes, both as regards the nature of the transactions and the counterparty itself. If Belfius cannot exclude these risks on the basis of credible information and documentation, the transaction or the customer relationship will be refused. The composition of our investment funds excludes governments that are considered controversial regimes on the basis of an internal Belfius IP blacklist and Candriam's sustainability model for governments.

6.1.4. An honest taxpayer

As a locally established banking and insurance company in Belgium, Belfius plays an important role in society. We take responsibility for contributing to the country's prosperity in order to enable sustainable economic growth and societal development towards enhanced wellbeing. We understand that effective tax policies can be used to address social, economic and environmental challenges.

As a responsible business that promotes the adoption of more sustainable practices, we proactively follow evolving tax rules applicable to Belfius and its activities in order to systematically align our tax strategy with the current tax legislation and to meet our stakeholders' expectations of good tax practice. In addition to scrupulous compliance with tax rules, Belfius is committed not to engage in aggressive tax planning.

From an operational point of view, our in-house Tax department ensures that internal guidelines and policies remain in line with the latest developments in tax matters. We are constantly adapting procedures and developing initiatives to prevent fiscal risks. A good example of this is the 'Tax risk score card', which enables the continuous assessment and monitoring of detected tax risks, also in the context of the approval procedure for new products (NPAP, see section 6.1.1.).

We communicate our approach regarding the Group's tax strategy (including objectives, guidelines and responsibilities in relation to tax management) in full transparency through the Belfius Group Tax Policy. This policy is drafted by the Tax department and approved by the Management Board of Belfius Bank, Belfius Insurance and by the Boards of Directors of all Group entities. The policy is reviewed annually and is updated if necessary following approval by the above-mentioned bodies - then published on the Intranet and Belfius website.

Annex 3 of the Belfius Group Tax Policy dealing with Tax prevention was thoroughly revised as a result of publication of a new legislation and new obligations formulated by the NBB in the context of the fight against tax fraud. These measures are intended to encourage the financial sector to organize itself in such a way as to be irreproachable in the Tax field and, more specifically, to avoid any involvement in (facilitating) tax evasion by customers.

In this respect, our unequivocal policy is not to engage in any relationship or transaction in which tax evasion is present or suspected.

We closely monitor the practical application of the principles of prevention in tax matters by all our employees and agents. This is reflected in a new monitoring procedure in collaboration with the compliance department. For "Wealth & Private" customers, whose files require attention adjusted to the specificities of their operations/transactions, a dedicated "Intake" committee has been set up to maintain a low-risk money laundering profile (resulting from the initial crime of tax fraud). Another important initiative taken by Belfius in the fight against tax fraud concerns the elaboration of specific e-learnings in order to give adequate tools to the employees and agents who have a role to play in the prevention of tax fraud and the detection of the so called "Special mechanisms".

The objective of all these measures is to achieve a permanent control of the tax risks, in particular the risks related to the tax fraud and its facilitation.

Furthermore, in case of doubt regarding the implementation of new legislation or the interpretation of existing legislation, Belfius does not hesitate to proactively contact government authorities or the Office for Advance Tax Rulings in order to obtain legal certainty through a tax ruling regarding the application of tax laws to envisaged operations.

Our Tax department, with the oversight of the Chief Financial Officer, has a first line role when dealing with local tax authorities in Belgium. In the event of an audit of its own tax obligations, or those of third parties, Belfius seeks to collaborate effectively and transparently with tax authorities to facilitate the assessment of compliance with these obligations.

Tax amounts paid by Belfius as a conglomerate are included in Belfius' financial statements.

Consolidated IFRS figures

(In thousands of EUR)	2020	2021	2022
TOTAL CASH TAXES AND CONTRIBUTIONS	(688,067)	(727,492)	(794,816)
Current taxes[1]	(228,428)	(234,998)	(266,896)
Sector levies[2]	(237,076)	(277,617)	(283,072)
Social sec. employer	(113,221)	(109,118)	(126,510)
Non-deduct VAT	(68,888)	(66,177)	(79,302)
Other indirect taxes	(40,454)	(39,582)	(39,036)

(1) Cf. Note 7.16. to the consolidated financial statements in the annual report of Belfius Bank.
(2) Cf. Note 7.9. to the consolidated financial statements in the annual report of Belfius Bank (Sector Levies & Other levies).

Belfius also plays an important role as a tax collector on behalf of Tax authorities by withholding taxes from certain customers' accounts. Should a customer have a justified complaint with regards to the withheld amounts however, Belfius has procedures in place to justify withholding, or rectify the situation if needed.

Within this context and in accordance with the expectations of prudential authorities, Belfius informs its customers of the tax implications of each of the products marketed under its banner, but does not provide any form of advice or personal assistance on tax matters, except for the service offered by its Wealth Analysis and Planning team.

Finally, Belfius complies with all OECD rules on Base Erosion and Profit Shifting (BEPS) that are incorporated into Belgian legislation, as well as the legislation of other jurisdictions where Belfius entities are located. "BEPS" is an OECD action plan against tax evasion through the abuse of taxation gaps and disparities.

Belfius focuses exclusively on the Belgian market with regards to its commercial activities. For some very specific activities however, entities are maintained in Luxembourg and Ireland:

- Belfius Financing Company SA issues certain securities to external investors. For technical and operational reasons, it has been decided that these issuances take place in Luxembourg, in full transparency vis-à-vis the Belgian tax authorities after receiving a positive ruling in Belgium.
  Belfius Insurance Finance also manages a portfolio of shares and bonds in Luxembourg.
- Ireland-based Belfius Ireland controls a historical long-term bond portfolio which is being wound down. Belfius' Irish presence does not constitute a case of tax optimisation as there is no shift of taxable base from Belgium to Ireland.

6.1.5 Data Privacy & information security

6.1.5.1. Data Privacy

Due to the inherent nature of their activities, financial institutions are regularly processing a large amount of data. The confidentiality and information security of this data have always been of the utmost importance to Belfius as it is crucial to retain the trust of our customers and partners, as well as a solid reputation.

Considering the evolving digitalisation of product and service offerings in the financial sector (including those of non-financial partners) and established remote working practices, data protection has become an ever-increasing concern for financial institutions. To this end, as a socially responsible bank-insurer group that is meaningful and inspiring to Belgian society, Belfius pays close attention to the privacy of its customers and employees and carefully handles and protects any sensitive information generated in the course of its daily operations, in strict compliance with prevailing legislations and applicable directives.

At Belfius, respect for privacy, fundamental rights, fundamental freedoms and the protection of personal data is paramount. This commitment translates into regular controls and, in the case of the identification of a potential risk, into prompt mitigating and corrective actions. Additionally, Belfius commits not to sell personal data and continuously works on transparency around the processing of personal data for the purpose of service delivery, especially when this requires data exchange with third parties.

Belfius' fundamental commitments to privacy and the responsible collection, use and sharing of personal data, are set out in our publicly available Privacy Charter. This document is regularly updated to inform customers of any changes and is reflected internally in a corresponding privacy policy and supporting guidelines. The current Privacy Charter is dated 1 January 2022.

General Data Protection Regulation (GDPR) Governance

Numerous actors collaborate to ensure that our existing and new processes are and remain compliant with the GDPR: the Data Protection Officer (DPO), the Chief Information Security Officer (CISO), the Digital Security Officer (DSO), the Chief Data Officer (CDO), the Non-Financial Risk (NFR) department, the Legal department, the Compliance department and the Outsourcing Officer.

A GDPR Steering Committee meeting takes place at least once every quarter. Privacy Key Risk Indicators and other GDPR matters are discussed at this meeting and then reported internally to management as well as Audit and Risk Committees through various reports. These privacy KRIs are also part of our Risk Appetite Framework.

There is a dedicated network of privacy correspondents in each department working closely with the DPO to support and advise employees in matters related to the GDPR. These privacy correspondents are kept up-to-date with new developments through ad-hoc information sessions.

GDPR implementation

New and existing projects are reviewed and advised by multiple stakeholders through the NPAP-procedure (New Product Approval Process, see section 6.1.1.).

Each and every new client approach - whether it involves offering products, services, digital tools or information - is subject to a prior GDPR (General Data Protection Regulation, 2018) analysis. When working with third parties, GDPR-compliance and minimum security requirements are contractually defined, initially tested and then regularly checked on a risk-based frequency, calibrated to the type of data exchanged.

Belfius keeps a register of all data processing activities. Each processing activity is assigned to a responsible party and a corresponding documented GDPR privacy risk assessment is made. All these components are regularly audited by the DPO, risk and internal audit and the results submitted to management and the GDPR Steering Committee.

GDPR watch and information

Changes in legislation (e.g., Payment Services Directive, Digital Services Act, Digital Markets Act, Digital Governance Act) with impact on GDPR, Court of Justice or Data Protection Authority judgement as well as Data Protection Authority guidelines, are analysed by the legal department and the DPO and implemented where applicable. CISO and DPO also regularly inform internal stakeholders and management of upcoming changes, impacts or rulings by regulators or data protection authorities.

Employees are also made aware of the issue of privacy protection through mandatory e-learnings to be taken within a 3 month timeframe of recruitment and repeated at least every three years. In 2022, around 10,000 people, either employees of Belfius Bank and subsidiaries or independent agents of Belfius or DVV brands, were invited to follow a GDPR e-learning. 98% completed it successfully, which, adjusted for long term illnesses and (pension) leavers, approaches a 100% success rate.

Next to a permanent detailed GDPR chapter on the Intranet, awareness on privacy and GDPR is maintained through regular point-of-interest communications on this channel as well e-mails to all or selected target groups within the context of specific projects.

GDPR rights and data breaches

The GDPR guarantees customers a series of rights, including the right to access and amend their personal data. Belfius' Privacy Charter sets out possibilities to execute GDPR rights. Belfius Bank digital channels make it easy for such rights to be exercised, as evidenced by the 9,475 requests for access by customers in 2022. More than 97% of the requests (9,236) concerned right of access requests. Besides these, there are also many changes of address (right of correction) that have been made by scanning eID cards in the apps or through the ATMs, as well as adjustments of privacy settings in customers' banking apps (right of objection or consent).

99% of requests went through our digital channels and were processed the next working day. This confirms that Belfius can quite rapidly offer its customers full transparency on personal data stored.

The governance and handling of GDPR rights and GDPR-related complaints is described in a separate internal privacy guideline and falls under managerial responsibility. A specific Key Risk Indicator refers to the timely response to GDPR rights enquiries. This is also reported regularly to the GDPR Steering Committee and management.

The management of data breaches is described in a separate internal privacy guideline. Our strategy is to analyse, mitigate and remedy each incident as quickly as possible. All breaches are documented internally, submitted to a risk assessment, reported to the GDPR Steering Committee and result in corrective action where appropriate. The decision to communicate to the Data Protection Authority (DPA) and/or data subjects is part of each breach analysis.

No major data breaches were identified in 2022. 14 minor incidents were reported to the Data Protection Authority, compared to seven in 2021 and eight in 2020. In each case, the response was prompt and appropriate actions were taken.

6.1.5.2. Information Security

A changing landscape

The digitalization, innovation and changing business models of the banking industry go hand in hand with ever-evolving cyber-risks. Banks are becoming increasingly interconnected, not only with each other, but also with many third parties. The pandemic of 2021 has also accelerated customers' transition to digital methods of payment, the evolution to digital or hybrid workplaces and employees' work and communication arrangements. Concepts like Bring-Your-Own-Device, online meetings, access to data anytime and anywhere, amongst others, are here to stay. Over the last few years, the rise of cyberattacks has demonstrated how dependent organisations and society are on Information Systems and Technology and what the impact on the economy (costs) and people can be.

For Belfius, protecting information and maintaining a secure environment for our customers' data is essential. We want to guarantee high performance in terms of Information Security to ensure that our customers trust us in this respect.

Assessments and testing

Regulatory requirements have been becoming stricter over the years, which means that Belfius needs to comply with various national and European regulatory frameworks and legislation, including GDPR, PSD2, DORA, NIS, etc. Furthermore, Information Security is frequently part of audits initiated by the regulator. Information Security related topics at Belfius are audited at least annually by internal, external and/or regulatory audits. Additionally, every two years Belfius voluntarily subjects all Information Security processes to a maturity assessment by an external party, to independently measure its Information Security performance.

Belfius performs several and varied internal and external tests on an annual basis. These include Red Team assessments, penetration tests, vulnerability scans and configuration reviews, providing assurance on various aspects of the security organisation, framework and infrastructure. Such tests help to determine the effectiveness of existing controls, identify new risks or vulnerabilities, check compliance with regulatory requirements, etc.

Separate Cyber Hygiene assessments are performed to validate the effectiveness of existing controls, making sure that the new security functionality is applied where needed and that it brings continuous improvement in all people, process and technology related controls.

Frameworks and governance

Belfius uses standardised frameworks, such as ISO 27001 (Information Security), ISO 27005 (IT Risk Management), NIST Cybersecurity Framework and MITRE ATT&CK. The Information Security Management Systems (ISMS) ensure that the top-level Information Security policy is effectively translated into lower-level guidelines, policies and processes. This ensures that all departments are contributing to a secure organisation. By continuously improving the ISMS, updating the framework and policies (e.g. incorporating lessons learned, audit recommendations, business strategy, compliance requirements, etc.) and measuring and monitoring its control implementation, Belfius establishes and improves the confidentiality, integrity and availability of its systems.

A Technology Committee was set up at Board of Directors level within the Belfius Group in 2021. The Committee advises the Board of Directors on information technology and digital and data matters, including security aspects, for all subsidiaries of the Belfius Group.

The Information Security Steering (ISS), managed by the Chief Information Security Officer (CISO) and chaired by the Chief Risk Officer (CRO), ensures a well-managed and coordinated Information Security strategy whereby an adequate system of identification, protection, detection, reaction and recovery is put in place in accordance with regulatory requirements regarding Information Security.

Risk management and three Lines of Defence

The responsibility for the oversight of risks associated with technology, including IT and cybersecurity risks, remains with the Risk Committee and Audit Committee of the Board of Directors - these are briefed on Information Security on a quarterly basis. To underline our commitment, Belfius' Risk Appetite Framework, approved by the Board of Directors, includes an Information Security section. The Risk Appetite Framework defines and measures critical KRIs to ensure the performance of Information Security. Whenever a KRI is below the defined threshold, a remediation plan needs to be detailed at the Information Security Steering level. The Information Security policy further defines the framework to ensure a consistent and streamlined approach towards Information Security.

To ensure the detection, reporting and mitigation of all types of risks within the organisation, Belfius has applied the three Lines of Defence model. The first Line of Defence in Information Security is the Digital Security Officer (DSO), who reports to the Chief Technology Officer (CTO). The Chief Information Security Officer (CISO) is responsible for the oversight of Information Security from the second Line of Defence, reporting to the Chief Risk Officer (CRO). Audit ensures an independent assessment of the entire organisation as part of the third Line of Defence.

Risk policies and processes describe how these Lines of Defence inter-operate and ensure that all types of risks within the organisation are adequately managed, as unmanaged risks could have a financial, as well as reputational, operational or legal impact on Belfius.

The Security Roadmap

Risk assessments help define what improvements are most needed to reach our ambitions. High-level goals and priorities are translated into concrete projects and plotted on a roadmap, which typically spans the course of two years. A separate budget is allocated to this Security Roadmap programme, alongside a cyber-related budget that is used for business-as-usual tasks.

Human firewalls

In order to enhance the Information Security skills and mindset of Belfius employees and contractors, awareness, training and testing initiatives (e.g. quarterly phishing mail simulations) are performed on a regular basis. Every year a Security Awareness plan is created, incorporating lessons learned from the previous years, areas in which the Belfius 'human firewalls' need to improve, together with emerging threats that the workforce needs to be aware of. In 2022, as in 2021, there was an increased focus on the security of personal devices: locking screens, preventing data leakages when working remotely, etc. This plan was carried out as a collaboration between different departments to make sure it was aligned with all existing initiatives within the organisation and that a coherent and consistent message was given to all concerned parties.

Some security trainings are mandatory for all collaborators and are actively followed-up by Senior Management with the support of the HR department. The percentage of completion is reported to the members of the Information Security Steering. The click rates resulting from phishing simulations are also reported to the Information Security Steering for close follow-up. All new employees are required to follow training on Information Security as part of the onboarding process.

Information Security awareness is raised via general or dedicated initiatives on a frequent basis to specific groups, including customers, students and the general public.

Information sharing and workgroups

Belfius participates in several federations, workgroups and initiatives, including Febelfin (the Belgian Financial Sector Federation), the Belgian Cyber Security Coalition and FS-ISAC. This allows Belfius to collaborate and exchange on information security best practices with organisations within the financial and other sectors.

For more details on Information Security and data protection, please refer to the Belfius 2022 Risk Report.

6.1.6. Sustainable procurement

At Belfius, we envision including all our stakeholders in our journey towards a sustainable future, therefore we actively engage with our vendors in this ambitious project. We commit to meet our stakeholders' expectations, while creating value through a sustainable procurement policy that considers economic, social and environmental dimensions.

In 2022, Belfius worked with 3,500 suppliers, of which 88% were local Belgian companies, including a majority of service providers. Of these suppliers, 793 operate under established Belfius contracts and are therefore actively monitored in terms of financial health and regulatory compliance. Of these 793 actively monitored suppliers, 287 are identified as High and Medium risk suppliers based on our supplier risk determination formula. High and Medium risk suppliers are mostly IT, digital systems and solutions providers and constitute 80% of our global procurement spend of 2022. In 2022, contracts with Belgian companies accounted for 88% of our vendor spend, those with European companies represented 10% and non-European companies 2%.

We pay close attention to the respect of our values and commitments throughout the supply chain by including environmental, social and governance (ESG) criteria in our procurement policy and purchasing and supplier selection processes.

The following documents explicitly state that ESG criteria are taken into account in our processes and that an ESG assessment is a required step to enter in a long-term trading relationship with Belfius.

- Our General Terms and Conditions specify that the results of the ESG assessment may lead to the termination of the contracts in place. They also enforce GDPR compliance.
- The Sustainability Code of Conduct for Suppliers is in line with the 10 UN Global Compact Principles, integrating into business relationships the expected levels of behaviour in terms of internationally proclaimed human rights and the absence of human rights abuses, health and safety criteria in the workplace and in products and services, respectful labour standards, anti-corruption and integrity values, respect for freedom of association and collective bargaining, elimination of all forms of forced and compulsory labour, abolition of child labour, elimination and prohibition of discrimination and positive environmental impacts.

Since 2021, new goods and service suppliers that Belfius wishes to engage with must accept Belfius' General Terms and Conditions and sign and comply with Belfius' Sustainability Code of Conduct for Suppliers, including Belfius' zero tolerance approach towards fraud, bribery and discrimination.

In case the relationship with the supplier qualifies as critical outsourcing, the Outsourcing Risk & Material Arrangements Policy also applies. For more information see Belfius 2022 Risk Report.

To deliver on our ambition of embedding ESG criteria within our procurement processes, Belfius works with EcoVadis, a global ESG rating agency serving as one of the leading authorities in this domain. Vendors responding to Belfius' Requests for Proposals are provided with a link to conduct a sustainability performance assessment with EcoVadis if they have not yet done so. Indeed, as a first step in our ESG assessment programme, we aimed to evaluate 70% of our total vendor spend of 2021, prioritising High and Medium Risk profiles. This was successfully concluded with 70.5% of our total 2021 vendor spend rated, which now represents 66 % of the 2022 total vendor spend. No suppliers reported an insufficient score and only twenty received a “Partial” score – below 45/100.

The suppliers that received a partial score are being requested to develop an action plan to increase their score (above 45/100) within two years. In case an insufficient score is received on one of the subthemes (Environment, Ethics, Labour and Human Rights or Sustainable Procurement) an improvement within the year is petitioned. Belfius will closely monitor any related developments.

Over the course of 2022, Belfius actively interacted with vendors that did not immediately respond to the ESG assessment invitation. They represent 9% of 2022 total vendor spend and 68 suppliers. To date, we have had to put our business relationship on hold with one supplier due to the criteria that we are setting for our suppliers.

In 2022, the suppliers risk methodology was redefined, resulting in a larger number of high or medium risk suppliers. The new additions (125 suppliers) are mostly smaller entities and were contacted in December 2022 to start the ESG assessment. A webinar organised by Belfius and EcoVadis in January 2023 provided additional information and motivation to adhere to Belfius ESG ambitions.

Finally, we reflected upon our own EcoVadis results related to the Sustainable Procurement theme and identified different areas that could be improved. Two targets have been set, namely a 100% participation rate of purchasers to sustainability awareness training in 2023 and an 80% coverage of spend with a high and medium risk profile, having signed the 2021 Sustainability code of conduct for Suppliers. For the latter, we ask suppliers with contracts that predate 2021 to adhere to the code.

6.1.7. ESG Governance

ESG, including climate and environmental risks, is a key topic for all governance layers of Belfius Group. As we believe that solid governance and the involvement of all levels of our company are key for the robustness of our climate risk management approach, the terms of reference of the Boards of Directors, the Belfius Bank Risk Committee and the Belfius Insurance Risk and Underwriting Committee, Management Boards and Joint Management Committee have been adapted to explicitly integrate the recent evolutions in ESG responsibilities.

For a general overview of the composition and remit of these governance bodies, please refer to the Corporate Governance chapter in the Belfius Annual Report.

- Belfius Bank and Belfius Insurance **Boards of Directors** define and oversee the implementation of the (ESG) strategy, objectives (mainly through the financial planning process and results and business review reporting), general policy (including Transition Acceleration Policy), risk appetite and risk approach at the proposal or recommendation of the Management Board. The Risk Appetite Framework (RAF) is set on a yearly basis by the Board of Directors at the proposal of the Risk Committee. With the growing importance of ESG and climate risks in particular, the yearly RAF review results in the integration of increasing qualitative and quantitative ESG indicators each year.
  - Twice a year the Boards of Directors provide guidance on ESG and review progress on sustainability-related projects and targets reported in the ESG (Core) dashboard to ascertain that sustainability is fully and consistently embedded in all value propositions that deliver our strategy. Business Reviews of the various business lines are also increasingly integrating ESG-related key performance indicators as are the RAF-report and Quarterly Risk Review.
  - The individual competences of each Board Member on each of the Environmental, Social and Governance aspects are explicitly documented in the Board's "Competences Grid". The competences grid, as well as the increasing importance of ESG, feeds into the considerations of the Nomination Committee around succession policy. New Directors benefit from a Belfius onboarding program which includes ESG awareness.

- The **Risk Committees at Board of Directors level** have advisory powers and responsibilities with regards to the Boards of Directors on setting current and future risk appetite and strategy (including ESG and climate risk), as well as the monitoring of their implementation. As sustainability risks are a top risk at Belfius, the Risk Committees ensure effective oversight of ESG risks on a quarterly basis through the Quarterly Risk Review and the quarterly RAF report. They also monitor Belfius' progress, deviations and potential delays in the execution of the ESG action plan (designed to meet the expectations set by the European Central Bank's (ECB) Guide on climate-related and environmental risks) on a quarterly basis via a dedicated indicator included in our Risk Appetite Framework.

- Belfius' **Joint Management Committee**, composed of all Management Board members of Belfius Bank and Belfius Insurance, manages Group strategic matters, including the sustainability strategy and its implementation for the banking and insurance group. It is responsible for the implementation of mandatory ESG regulations and voluntary ESG commitments and ESG topics are discussed there on a quarterly basis.
  It has established the Strategic Sustainability Committee (SSC) as a central hub for (operational) ESG Governance to support its ESG endeavours and responsibilities.

- The newly installed **Strategic Sustainability Committee (SSC)** drives the execution of our ESG strategy, our ESG framework and the Transition Acceleration Policy and monitors the execution of transversal ESG topics (e.g. science-based targets), compliance with ESG-specific regulations (e.g. SFDR and Principal Adverse Impacts, EU Taxonomy), as well as the implementation of Belfius' own ESG policies (e.g. Transition Acceleration Policy).
  The SSC validates the annual Sustainability Report, oversees all other ESG reporting requirements and ensures communication within the various initiatives to which Belfius is committed. The CEO of Belfius Bank and the CEO of Belfius Insurance are members of the Strategic Sustainability Committee, as are representatives of the business lines, legal and risk, as well as the sustainability managers of our banking and insurance entities. The SSC meets every six weeks.
  The SSC can further rely on expert desks with an advisory role, in which all important stakeholders for the respective domains are represented.
  - One tackling the implementation of ESG policies in banking, financing and insurance processes, with: control offices, risk, CORM credits, legal, compliance and Belfius Bank and Belfius Insurance sustainability managers. Meetings of this **Sustainable Banking, Financing and Insurance desk** are on a monthly basis.
  - One focusing on Investments (policies & mandatory regulations), with: product management investments, BIP, BI investments, risk, legal, compliance and Belfius Bank and Belfius Insurance sustainability managers. Meetings of this **Sustainable Investment Desk** are on a monthly basis. Topics are the execution of regular reviews of investment approach and strategic objectives, the monitoring and development of Belfius' SFDR funds, as well as the implementation of the TAP policy.

- A dedicated committee focuses on Belfius Green Bond issuance, regrouping financial markets, business lines and the sustainability manager of Belfius Bank. It is a quarterly meeting.

Finally, ESG is also increasingly permeating the responsibilities of existing decision-making structures, such as intake or credit committees for instance where climate and environmental credentials, as well as reputational risks (e.g. on governance and human rights), are under increasing scrutiny.

ESG in credit processes

An internal rating system is currently being used by credit analysts to assign credit ratings to our Business, Local Corporate, Corporate clients. This tool also takes into account qualitative elements, such as the type of activity and the probability that the entity could be impacted by stricter environmental standards or technological evolution, the existence of controversies, social risks or reputation issues, the existence of (potential) liability issues or legal risks and the robustness of governance (e.g. shareholders, Group structure and management quality).

These qualitative elements must be updated when a creditworthiness review is executed and/or a new loan origination file is introduced. Moreover, when a new loan file is submitted to the Credit Committee, a compliance checklist and Credit Note, which includes an ESG appreciation, must also be completed. Finally, for existing professional customers, failure of alignment with the Transition Acceleration Policy when requesting a loan is a knock-out rule, which can only be overruled by the Management Board. Potential customers that are non-TAP-compliant are not onboarded.

Belfius has developed an ESG scoring tool for enterprises with a turnover of over EUR 10 million, which computes companies' ESG profile and identifies their relative strengths and weaknesses in either environmental, social or governance topics. When available, this ESG score will also be considered in future credit production files as of 2023. Work is also proceeding on the development of a new internal rating system, which will include even more ESG questions.

At executive level, both the Belfius Bank CEO and Belfius Insurance CEO sponsor the ESG strategy.

At Belfius Bank, the Sustainability Manager is accountable to the CEO. She heads the Central Sustainability Team and is in charge of the overall coordination of the Group-wide ESG strategy. She works in close collaboration with Belfius Insurance's Sustainability Manager. Both parties conduct systematic dialogue on ESG affairs with key internal and external stakeholders. Every two weeks the Sustainability Manager of Belfius Bank, the Head of Corporate Office CEO and the CEO discuss the challenges faced in the many ESG sub-projects. As of 2023, the CRO will join these sessions for an additional focus on climate and environmental risk tracks. Likewise, the Belfius Insurance Sustainability Manager regularly confers with the Belfius Insurance CEO and CRO.

Belfius' chosen organisational approach to ESG is to work with a limited number of dedicated teams and a network of ESG champions across the organisation to strike the right balance between specialist knowledge and execution on the one hand, and company-wide embeddedness on the other.

- Belfius' central Sustainability team, headed by the Sustainability Manager, is Belfius' competence center on ESG, monitoring the ESG landscape and developing ESG concepts (such as SBTi, PRB or CSRD), with the exception of risk-specific items.
- The ESG Risk Competence Centre, located within the Strategic Risk Management Department, is in charge of overseeing the implementation of the ESG Programme's risk components and developing a comprehensive ESG risk management framework in collaboration with other Group-wide risk departments along the "three lines of defense" model. It regularly reports to the Chief Risk Officer (CRO).
- The ESG data team develops and structures non-financial data sources and generates calculation engines, as well as regulatory reportings.

Representatives from all of the aforementioned teams, as well as the Project Office, come together in the ESG Core Data Team to tackle the multiple, transversal data challenges underlying all ESG topics.

We are further investing in the upstaffing of these teams and/or use of external advice to keep pace with the growing regulatory and prudential requirements. In parallel, we are steadily building up our knowledge through trainings and acquiring new tools from external data and service providers.

6.2. Listening to our customers

Customers are at the heart of the Belfius purpose: "Meaningful & Inspiring for Belgian Society. Together." Customer-orientation is also one of our four core values. Establishing a lasting relationship with customers, engaging with them in a responsible and transparent way, taking their opinions into account and satisfying their demands, is just as important for us as optimising our operational services or financial performance.

As a customer-oriented banking and insurance company, we know that consumer protection is of the utmost importance and we apply a three lines of defence approach to this topic.

Firstly, as a responsible bank-insurer, we strictly comply with all laws and regulations in responsible marketing and sales. Selected target groups receive trainings on key topics such as MiFID II, Consumer Finance or FSMA Circular Note on advertising and commercialisation of financial products towards non-professional clients.

Belfius' Compliance and ethics policies (see section 6.1.1.) underpin our responsible engagement with customers.

Belfius also adheres to codes of conduct from:

- Febelfin: Belfius Bank adheres to the Belgian financial sector federation code of conduct regarding good customer relations. Through Febelfin, Belfius also adheres to the Belgian Charter for digital inclusion.
- Assuralia: Belfius Insurance adheres to the federation of insurance companies code of conduct for rapid, high-quality claims handling.

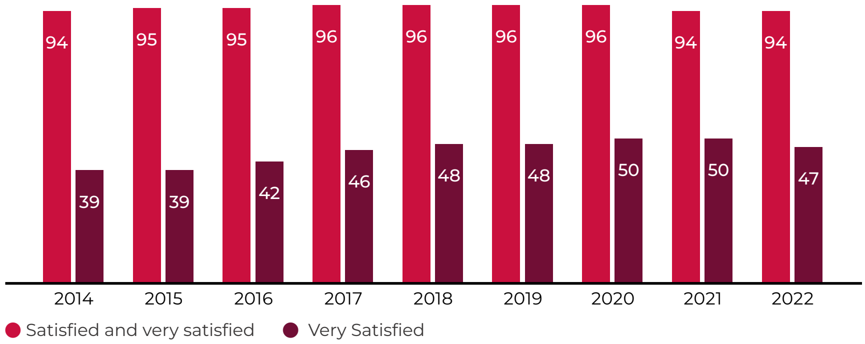
A dedicated policy on consumer protection and responsible marketing and sales will be finalised in the near future.

6.2.1. For your Love, we do more

At Belfius, we attach the utmost importance to maintaining customer satisfaction, constantly working towards 95% of satisfied customers. This key performance indicator, dating back to 2014, is tailored to Belfius' ambitions by the Customer Research department in collaboration with external market research agencies. We are convinced that we should aim for the "love" of our customers. This is what motivates Belfius' talents day after day.

In 2022, we sent an annual satisfaction survey to 554,025 customers of various Belfius Bank business lines (individuals, business and corporate, public and social). Overall, Belfius Bank obtained a satisfaction score of 94% in 2022.

Degree of satisfaction (in %)



6.2.2. Complaint management

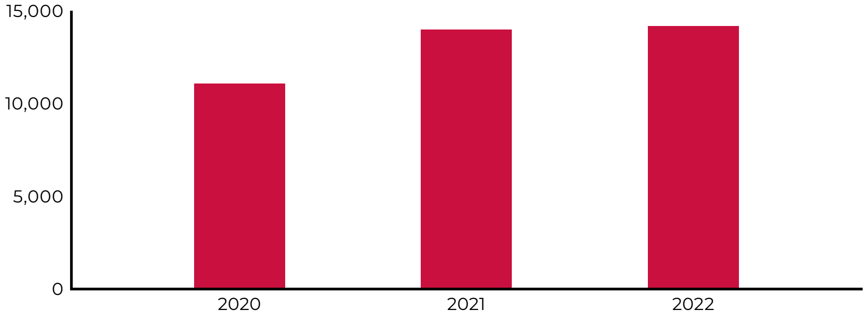
6.2.2.1. Closely monitoring complaints

To sustain fair and transparent customer relations and constantly improve the quality of our service, Belfius closely listens to all complaints and strives to resolve them. Moreover, we consider each complaint as a key moment in the customer journey and one that contains valuable information to improve our services, products and processes. Consequently, we systematically monitor customer complaints and thoroughly analyse each case to provide effective solutions in conjunction with the Bank's various entities. Belfius has dedicated teams who carry out a step-by-step protocol that guarantees impartiality when processing complaints.

In 2022, Belfius recorded 14,173 complaints, which represented an increase of 1.5% compared to 2021. Our complaints management teams have been operating at 100% capacity to respond as quickly as possible to these complaints. Given the increase in volumes over the 2020-2022 period, we have taken steps to strengthen the complaints teams both by increasing the staffing plan and by allocating additional temporary resources. This has significantly reduced the backlog that had built up.

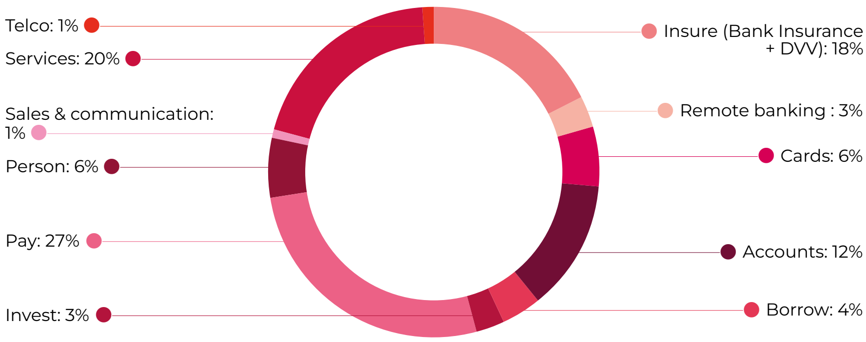
The 2022 reporting period took into account all open complaints (including discrimination and privacy-related complaints), whether they had already been handled, were in the process of being handled, or were awaiting processing.

# of compliants received



In order to facilitate the treatment of these complaints, our complaints management teams categorise complaints per topic.

Complaints per topic



In 2022, The "Pay" area, was instrumental in the increase of total complaints. 2022 was marked by phishing attacks and Belfius customers were not spared. The complaints teams worked hand in hand with the Fraud Competence Center and the Communication and Technology Development teams to implement prevention campaigns and to continuously adapt measures for the preventive detection of fraud attempts. Despite this, we noticed a significant increase of the number of complaints at all levels of processing (up by almost 200%).

Complaints in the "Services" area are still numerous but receding thanks to a series of measures taken to improve availability of Belfius Connect and branches, such as a change in the system and organisation of our telephone service at branches, the introduction of mini appointments and the partial reopening of some branches at the end of 2022. Customers also reported problems with ATM replacements, which are now mostly solved.

The "Insure" area completes the 2022 top three complaint topics. Complaints related to our insurance products and services increased compared to 2021, mainly due to Non-Life Property Insurance and in a lower proportion to Non-Life Mobility Insurance. This increase was, amongst others, related to the economic context that triggering premium adjustments (ABEX index), as well as the post-Covid resumption of global travel activity.

6.2.2.1. Governance of the complaints management system

Belfius distinguishes four handling levels of complaints:

- Salaried and independent network branches, as well as Belfius Connect, represent the first level in the complaints management chain as it is the closest to the customer. This is also the case for the Belfius Insurance Customer Service and Claims Department that works for the DVV brand. Subsidiaries such as Belfius Lease, Belfius Auto Lease, Corona Direct, Elantis and Belfius Commercial Finance register and handle complaints that concern their own activities.
- The Complaints department within the Connect2Net division of Belfius Bank (the second level) handles:
  - complaints the customer makes directly via a complaints form on the Belfius website, or via letter, telephone, e-mail etc. to the Complaints Department;
  - complaints for which agents/Connect agents are not able to offer a solution themselves and ask for help from head office;
  - complaints received by internal services, other departments (for instance Distribution, Marketing, etc.), or certain subsidiaries (Belfius Insurance for products sold through the Belfius Bank networks, Crefius, BIP).

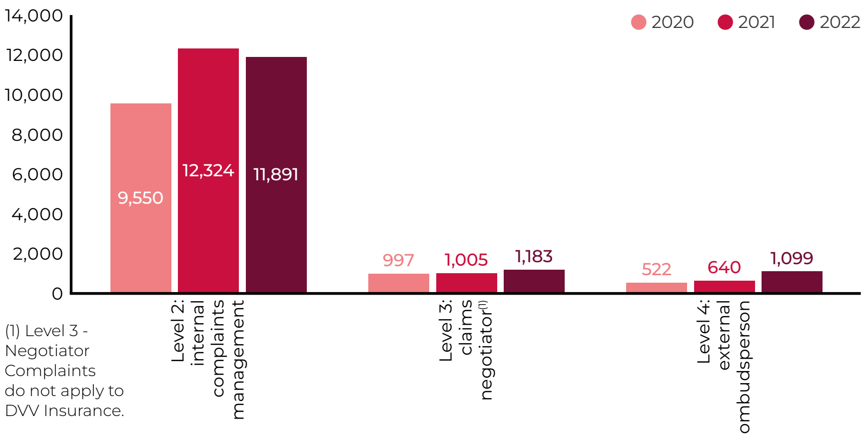
  The Belfius Insurance complaints department handles complaints relating to the DVV brand, as well as complaints that were escalated by Belfius Bank Complaints department due to their technical complexity.

  The Complaints Departments handle complaints within set deadlines, observing established quality standards and, in principle, providing the customer with a response.
- Internal negotiation: if the customer rejects the solution suggested by the Complaints Department, they may address the Belfius Negotiator (the third level). As a neutral contact, the Negotiator makes a new analysis of the case, independently of the Complaints Department, and responds directly to the customer. This level does not exist for DVV complaints.
- External mediation: customers who continue to object to the position taken by Belfius can approach the Federal Bank/Insurance Ombudsman, or the Court. If the Federal Ombudsman (the fourth level for banking/insurance products) considers the complaint admissible, it will be managed with the cooperation of the Belfius Negotiator.

Regular monitoring and reporting of complaints trends (also with partners) is carried out. This helps to identify problems and to quickly act upon them, in addition to anticipating similar trends in the future.

The number of complaints received, that escalated to Negotiator and Ombudsman level, increased in 2022, mostly due to complaints related to fraud cases.

Received complaints according to level of management



(1) Level 3 - Negotiator Complaints do not apply to DVV Insurance.

Discrimination and privacy complaints

In our pursuit of protecting human rights, we want to decrease the number of complaints related to discrimination and privacy. Moreover, it is our legal duty as a financial institution to protect the confidentiality of our former and existing customers' data through securing their transactions and personal information.

In 2022, Belfius recorded 20 complaints related to discrimination, a 23.1% decrease on 2021 (2021: 26; 2020: 34). We constantly strive for a zero-tolerance policy regarding discrimination and will continue our internal communications awareness campaigns, designed following exchanges with the Federal Agency for the Reception of Asylum Seekers (Fedasil), the Red Cross, and UNIA (an inter-federal institution that fights discrimination and promotes equal opportunities).

In 2022, Belfius also recorded 149 complaints concerning privacy, representing a 13.9% decrease compared to 2021 (2021: 173; 2020: 150). The majority of these (105) concerned GDPR legislation. The others were mainly related to identity theft or poorly addressed but unopened emails, thus representing no violation of private information. A quarter of these complaints were generated by an incorrect press article which stated that a Belfius employee was behind a leak in the personal data of 300,000 customers. For the DVV Insurance brand, three GDPR complaints were registered in 2022.

85 complaints related to other areas can also be linked to GDPR issues and often concerned access to personal data by an unauthorised third party following a change of address, suspension of power of attorney, etc.

6.2.3. Special attention to more vulnerable customers

As a Belgian Banking and Insurance company that aims to be meaningful and inspiring for Belgian society, Belfius has the duty to enable citizens' rights to financial products and services, contributing to the well-being of Belgian society. It is within this context that we have identified financial inclusion as a material topic (see section 4.3.) and seek to make our branches and digital channels accessible to all, offer (basic) products to everyone and ensure that clients have the necessary skills to access and use our financial products and services, thus addressing the growing digital divide in Belgium.

6.2.3.1. Social Products

To help the Belgian government's Social Services organisation (CPAS) in their mission, Belfius has developed a series of specific banking products that facilitate access to basic banking services. These products are aimed at those who find themselves in a difficult situation and who are unable to enter the banking system on their own. Belfius has integrated these products into the BelfiusWeb electronic banking application used by the CPAS. In total, around 169,000 social accounts were active at the end of 2022.

In case of urgent assistance or financial support for individuals without a bank account, the CPAS can rely on Belfius' adapted automated solutions: the SSB prepaid card for urgent occasional needs, or the Belfius EasyCard for recurring payments. An overview of all our social products is available on our website.

Belfius also offers the Basic Banking Service account which is a legally regulated service accessible for each consumer legally residing in an EU member state that has difficulty in obtaining a bank account, most often asylum seekers or recognised refugees (31,617 accounts at Belfius).

6.2.3.2. Preventing over-indebtedness

Belfius follows strict guidelines when granting loans to private individuals and considers both positive and negative factors to protect both our customers and Belfius from excessive lending.

In addition, as a member of the Professional Credit Association (UPC/BVK), Belfius endorses and respects the code of conduct of the UPC/BVK. It contains 10 principles to ensure that loans to individuals are provided in a responsible manner. It ensures, amongst others, the monitoring of borrowers' needs and the risk of over-indebtedness, monitoring of debt levels and credit utilisation, monitoring of payment problems and the anticipation of late payments ('risk prevention'), the active provision of solutions to customers and debt counselling.

6.2.3.3. Customers with no or little access to digital services

According to the Barometer for digital inclusion published by the King Baudouin Foundation, almost half of people living in Belgium are digitally vulnerable, meaning that they have poor digital skills, or none at all. It should be noted that digital skills have to be constantly upgraded to stay abreast of new digital evolutions, tools, fraud or phishing risks, which makes it even harder to tackle the digital divide.

For these reasons, the topic of digital inclusion has been gaining importance in Belgium and at European Union (EU) level over the past couple of years. At EU level, a directive was adopted in 2019 to set accessibility requirements for products and services, including banking services. This directive will take effect in 2025. In 2021, the Council of Ministers also included the fight against the digital divide and the transition to digital inclusion in its strategy.

Belfius wants to ensure that no one is left behind during the rapid digitalisation of the banking world, the economy and society as a whole. Although we consider this trend a positive development for society, we are also aware that not all of our customers have access to these services, nor do they all have the necessary comfort level or indeed wish to follow this route. Supporting this group of customers is an important concern for Belfius. As a bank, we strive to remain accessible to the largest number of people.

That’s why Belfius, together with Febelfin, committed to work on a 10 point action plan aimed both at facilitating the transition to online banking and continuing to support non-digital customers.

In 2022, we posted “how to” videos to help our customers perform simple transactions and access banking service via our digital channels. We also rolled out awareness campaigns on fraud and phishing risks and supported Febelfin’s information sessions on digital banking.

All Belfius branches are equipped with cashless devices, allowing customers to print their account statements, enter a transfer and change a PIN code. These are also accessible outside opening hours. Additionally, for the benefit of our digitally vulnerable customers, Belfius reactivated phone banking in 2022, a service that does not require access to a smartphone or the internet, and neither does it require any digital skills. This was recognised with an award from the senior citizen organisation OKRA.

Moreover, customers over the age of 70 with a Beats New or Beats Star current account can rely on free manual transfers and free monthly dispatch of paper statements. Belfius also offers the Universal account, in line with the principles and terms set out in the Universal Banking Service Charter, to cater to the needs of clients who do not use digital services.

In the future, Belfius aims to improve the accessibility of its digital channels, giving priority to the Belfius Mobile app. Everybody should be able to read and use the information communicated by Belfius on these channels. Belfius considers accessibility to banking services and products through non-digital channels as equally important.

6.2.3.4. Customers with disabilities

Most Belfius branches are accessible to individuals living with a disability. Belfius’ ATMs in those branches are equipped with voice controls that allow the visually impaired to withdraw cash without outside help. The keyboard itself is embossed and braille has been used so that the person concerned can easily find the different parts of the device (bank card insertion zone, zone for connecting headphones, etc.). Belfius is in the process of adapting its ATM network in line with the Batopin roll-out, of which the same level of support facilities is expected where feasible.

Anysurfer[1] has assessed Belfius’ compliance to the Web Content Accessibility Guidelines (WCAG) international standard. In 2021 and 2022, audits were conducted by Anysurfer on Belfius Mobile and Belfius Direct Net (PC banking) to determine whether they were accessible to customers with limited sight, motor difficulties and attention deficit conditions. The audits revealed that Belfius has a good level of digital accessibility for all, although some improvements could still be implemented, such as adding alternative texts to most images and banners to allow accurate identification and description with text-to-speech software. Belfius strives to increase its compliance with the guidelines and meet the WCAG AA level.

Several upgrades to improve the user experience of customers with disabilities were executed in the Belfius Mobile App in 2022, such as categorising clients’ accounts as ‘buttons’ for better navigation in the transfer flow. Now, when an account number is entered incorrectly, customers with disabilities are properly notified, whereas before the error message was not described. It is, needless to say, these seemingly small changes had a high positive impact on the accessibility of people with disabilities to Belfius’ services.

More audits will be performed in 2023 to feed further improvements and ensure a consistent quality.

(1) AnySurfer is a project by the NGO Blindenzorg Licht en Liefde vzw to strive towards an accessible digital world in which everyone can participate, including people with a disability.

7. Focus on climate action

7.1. Decarbonisation trajectory

Companies in the financial sector generate climate-related impact through their own operations, but by far their largest impact lies with the financed emissions resulting from their financing and investment activities. As a provider of financial means, financial institutions can have both a positive and negative impact on the climate. The nature of those impacts depend on their portfolios, client profiles and the types of services and products offered. Hence, the financial sector is a vital player in the global action towards climate change and the transition to a low-carbon economy, while considering economic, environmental and social aspects.

Every day at Belfius, we strive to assume our responsibilities with regards to climate change. As part of its 2025 Strategy, Belfius made the commitment to be a leading actor in the transition to a low carbon and resilient Belgian economy and society by sustaining efforts in favour of climate within its own operations, as well as by encouraging customers to lower their emissions and to invest sustainably.

For several years, Belfius has been measuring and reducing emissions linked to its own activities. In 2019, we set out an ambitious plan to reduce emissions linked to our own operations by 20% by 2025. This target included scope 1, scope 2 and part of scope 3 emissions (i.e. water consumption, paper consumption, upstream transportation, commuting and business travel). In the meantime, we extended the scope of our plan to the branches of Belfius' independent network and some IT operations.

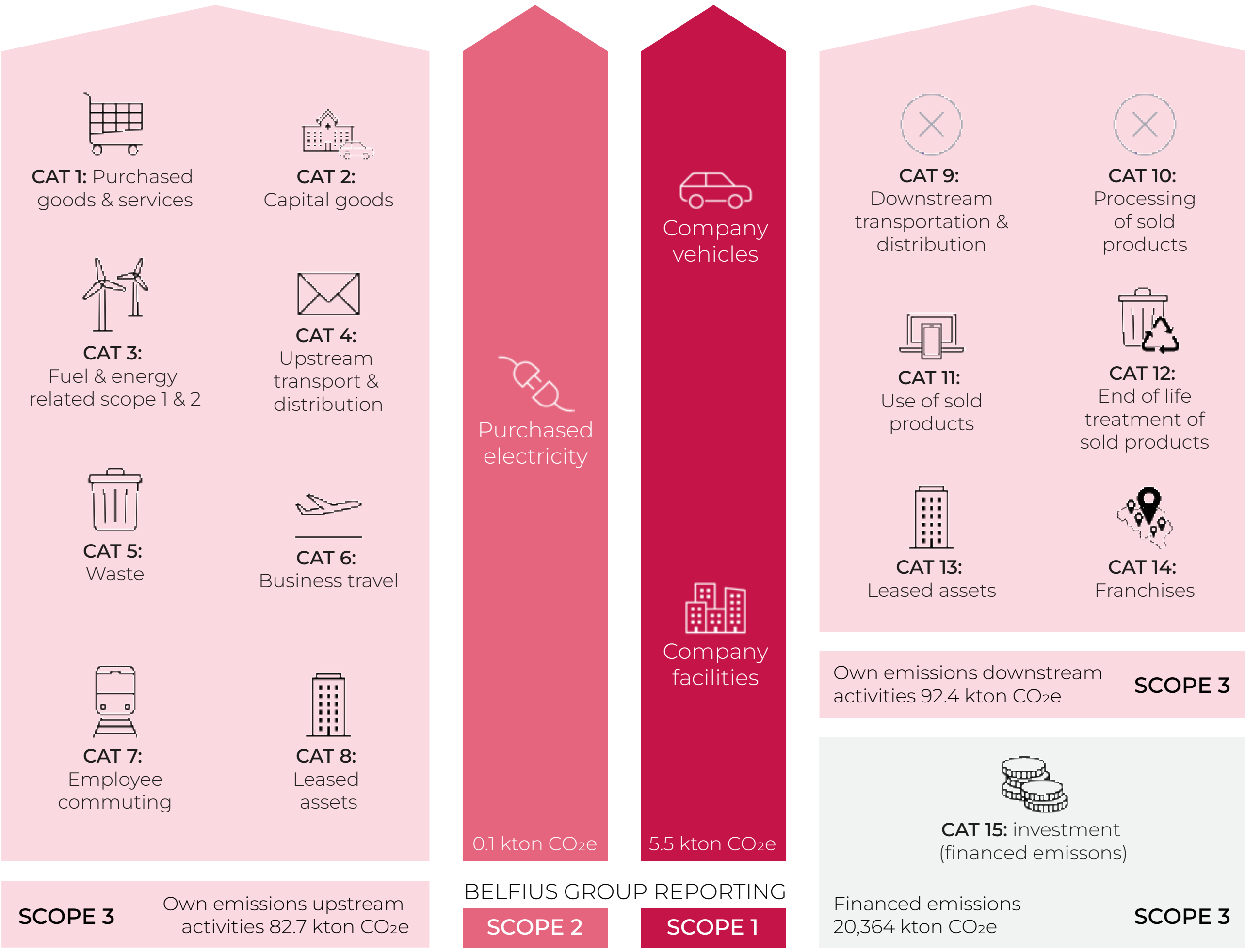
In line with the latest climate science, and in view of the tangible progress already made (see section 8.), we decided to restate an ambition towards a 25% emissions reduction on own operations by 2025 from our 2019 baseline. This target remains an intermediary one and is only a fraction of the activities that will be covered by our science-based targets reduction pathways as these will also consider our clients' activities by including emissions related to our leasing, investment and financed emissions, that represent 99% of our total reported emissions.

In 2020, we joined the Belgian Alliance for Climate Action (BACA). To further strengthen our climate ambition, we joined the Science Based Targets initiative (SBTi) in January 2022, a collaboration between the CDP, the United Nations Global Compact (UN Global Compact), the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). Within this framework, we strive to set, measure and transparently communicate clear GHG emissions reduction targets within two years of joining, in line with the ambitions of the Paris Agreement and based on the latest climate science. This will result in more complete and in-depth target setting as of 2023, starting from the 2022 baseline that will be detailed in the sections below.

7.1.1. Scope, methodology and data quality of Belfius' carbon footprint

Our carbon footprint calculations span all three scopes of greenhouse gas emissions in accordance with the GHG Protocol and the Partnership for Carbon Accounting for Financials (PCAF)[1]. It covers the seven gases included in the United Nations Framework Convention on Climate Change (UNFCCC)[2]. We convert these different gases into a single unit, a 'CO_2 equivalent' (CO_2e), as consistently as possible using conversion factors of reputable sources[3].

In 2022, our carbon footprint was for the first time calculated for the entire Belfius Group according to the operational control consolidation approach, i.e. entities over which we have the full authority to introduce and implement our operating policies. In order to ensure alignment with regulatory reporting, the scope of our operational control is adjusted to all fully-consolidated subsidiaries[4].



(1) According to PCAF (2020). The Global GHG Accounting and Reporting Standard for the Financial Industry. First edition. November 18, 2020.
(2) The UNFCCC greenhouse gases cover: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6), and nitrogen trifluoride (NF_3).
(3) Emissions factors come from sources including: the French Agency for Ecological Transition (ADEME), the Department for Environment Food and Rural Affairs (DEFRA), Ecoinvent, and the International Energy Agency (IEA), which use the most recent GWP-100 values from the IPCC.
(4) Other entities in which Belfius has a stake and operational control, but that are not consolidated, are categorised as investment in our scope 3 category 15.

Overview of scope definition & data quality indication

Source of CO_2e emissions	Scope and boundaries for Belfius CO_2e emissions	Data quality indication
SCOPE 1 - DIRECT - OWN OPERATIONS		reported data on the activity measured
GAS CONSUMED HEATING OIL	These emissions result from combustion of fuels in stationary sources (e.g. boilers). Belfius measures the use of gas & oil for heating all of its entities' buildings and salaried agencies that it owns.	83%
COMPANY CARS	The combustion of fuels in company owned/controlled cars. Belfius includes its company cars that are made available to commercial employees necessary to carry out their function.	100%
REFRIGERANTS	Fugitive emissions resulting from releases of refrigerant gases, e.g. equipment leaks from joints, seals, packing and gaskets; hydrofluorocarbon (HFC) emissions during the use of refrigeration and air conditioning equipment	100%
SCOPE 2 - INDIRECT - OWN OPERATIONS		reported data on the activity measured
ELECTRICITY CONSUMED	Emissions from the generation of purchased electricity consumed by Belfius, in its owned and controlled equipment or operations	92%
SCOPE 3 – INDIRECT - OWN OPERATIONS - UPSTREAM		reported data on the activity measured
CATEGORY 1 Purchased goods & services	Emissions from ICT services, data center devices, IT applications, bank cards, card readers, paper consumed and water consumed for our operations	99%
CATEGORY 2 Capital goods	Emissions from Belfius Auto Lease vehicles manufacturing both for company cars as customers cars, own building embodied emissions from construction	100%
CATEGORY 3 Fuel and energy related to scope 1 & 2	Extraction, production and transportation of fuels and energy purchased or acquired by Belfius, not already accounted for in scope 1 or scope 2	94%
CATEGORY 4 Upstream transportation & distribution	Emissions from transportation of mail or valuables	92%
CATEGORY 5 Waste generated in operations	Emissions from waste disposal and treatment of waste generated in Belfius' operations (residual waste, waste water, paper waste)	71%
CATEGORY 6 Business travel	Emissions from transportation of employees for business-related activities (in vehicles not owned or operated by Belfius, already included in scope 1)	100%
CATEGORY 7 Employee commuting	Emissions of transportation of employees between their homes and their worksites (in vehicles not owned or operated by Belfius, already included in scope 1) and teleworking	86%
CATEGORY 8 Upstream leased assets	Emissions from assets leased by Belfius (buildings)	93%
SCOPE 3 - INDIRECT - OWN OPERATIONS - DOWNSTREAM		reported data on the activity measured
CATEGORY 9 Downstream transportation and distribution	Not applicable, not material for Belfius	
CATEGORY 10 Processing of sold products	Not applicable, not material for Belfius	
CATEGORY 11 Use of sold products	Use of Belfius Web, Belfius Mobile and Belfius.be by our customers	100%
CATEGORY 12 End-of-life treatment of sold products	Waste disposal and treatment of products at the end of their life (in the reporting year) sold by Belfius (banking cards, connecting devices waste, paper waste)	100%
CATEGORY 13 Downstream leased assets	Operation of assets owned by Belfius (lessor) and leased to other entities: Belfius Insurance owned buildings, Belfius Auto Lease leased cars	6%
CATEGORY 14 Franchises	Heating fuels, electricity consumption and refrigerants leakage from franchised (Belfius + DVV)	1%
SCOPE 3 - INDIRECT - FINANCED EMISSIONS		PCAF
CATEGORY 15 Investment (financed emissions)	Emissions from mortgage portfolio (scope 1 & 2)	5
	Emissions from commercial real estate loans (scope 1 & 2)	5
	Emissions from business & corporate loans (scope 1, 2 & 3)	5
	Emissions from equities & bonds (scope 1, 2 & 3)	4
	Emissions from project finance (scope 1 & 2)	4
	Emissions from motor vehicle loans (scope 1 & 2)	5
	Emissions from financial lease (scope 1 & 2)	5

Scope 1 emissions include emissions directly produced on our site, stemming from our heating needs (gas consumption and heating oil), losses of refrigerant gases from cooling systems, as well as the use of our company cars.

Scope 2 emissions relate to our electricity consumption and the emissions occurring on the site of our electricity provider and are considered indirect.

Scope 3 emissions are indirect emissions occurring in our value chain and are responsible for the majority of our carbon footprint. In this report, we have broken down scope 3 emissions into upstream and downstream emissions and provide detailed emissions by category following the GHG Protocol. Upstream emissions come from the production of our products and services, while downstream emissions come from the use of our services by our clients and our franchises. Estimating scope 3 emissions requires many assumptions and are less certain than scope 1 & 2 emissions, but they provide useful information on the activities associated with our largest climate footprint.

The broader scope of entities taken into consideration for our carbon footprint, as well as revised methodologies (as explained below) in parts of our scope 3, lead us to also make a partial restatement of our 2019 and 2021 carbon footprint to facilitate traceability and year-to-year comparability.

High level summary of Belfius total GHG emissions

Belfius carbon footprint by source (in metric tons of CO_2 equivalent)[1]	**2022 Enlarged scope 3**[3]	**2021 Restated**[2]	**2019 Initial baseline**[4]
TOTAL SCOPE 1 - DIRECT OWN OPERATIONS	5,491	5,920	8,581
TOTAL SCOPE 2 (market based) - INDIRECT - OWN OPERATIONS	100	151	0
TOTAL SCOPE 3 - INDIRECT OWN OPERATIONS	175,148	18,492	9,117
Upstream Scope 3 emissions	82,728	8,825	9,117
Downstream Scope 3 emissions excluding financed emissions	92,420	9,667	
TOTAL EMISSIONS OWN OPERATIONAL FOOTPRINT (MARKET BASED METHOD)	180,739	24,563	17,698
TOTAL EMISSIONS OWN OPERATIONAL FOOTPRINT (LOCATION BASED METHOD)	*183,249*	*26,839*	*21,361*
Category 15 - Financed Emissions	20,363,874		
GRAND TOTAL EMISSIONS (MARKET BASED METHOD)	**20,544,613**	**24,563**	**17,698**

(1) The calculations presented in this table do not include any carbon removals, purchase/sell/transfer of carbon-credits or avoided emissions. The inventory takes the obligatory mixing of biofuels and follows the same method as used in appendix V C of the European directive on renewable energies for direct emissions. The indirect emissions are estimated using the LCA of biofuels (BIOIS) made available by the ADEME. The net-balance of biogenic sequestration and combustion is calculated in a separate biogenic inventory.
(2) Improvements were more extensively applied on 2021 leading to a restatement on that year for better comparability with 2022.
(3) Belfius has been gradually increasing the activities accounted for in its scope 3 inventory over the past years. In 2020, we added indirect upstream emissions related to the production process of the resources we consume (gas, fuel oil, vehicles and electricity). In 2021, the emissions of the independent Belfius branch network and the carbon footprint of part of our IT operational activities were added.
(4) Restatement was applied on 2019 baseline when methodology changes were significant.

By measuring not only our direct emissions, but also for the first time all our indirect emissions, including emissions coming from our leasing, investment and financing portfolio, we get a clear view of our climate impact. By adding new categories to the reporting scope, we aim to disclose our entire carbon footprint and understand which categories represent the highest part of this footprint. This total Belfius Group carbon footprint for 2022 represents 20.5 million tonnes of CO_2 equivalent. Our financed emissions (scope 3 category 15) represent by far the most important part of our emissions, being 99% of our total carbon footprint. Financed emissions will be explained in more detail in section 7.1.3.

Data quality

Access to accurate, complete and relevant data is a challenge for Belfius, as it is for many others when calculating a carbon footprint. Variations in the results may be due to improvements in methodologies and data quality rather than reflecting real-world emissions fluctuations.

For our **own emissions (all scopes and categories except category 15)**, data and underlying evidence to calculate our carbon footprint are collected by a large group of suppliers and internal stakeholders directly dealing with the activities in question in their daily role and responsibilities. The 2022, carbon footprint calculations were based on 51.5% of primary activity data, meaning data coming directly from the people responsible for the concerned activities rather than from estimations (see table in section 7.1.1).

In order to calculate its **financed emissions**, Belfius receives reported or estimated GHG data for some of its counterparties from its ESG data provider, while emission factors used to convert activity data into CO_2 equivalent for all other companies come from the PCAF database.

The PCAF Data quality scores given in the "Belfius 2022 financed emissions per asset classes" table in section 7.1.3. give an indication on data availability, which triggers the prioritisation of an estimation method and enables us monitor the quality of our calculations and improve them over time. The underlying drivers of this score are slightly different per asset class, but the principle stays identical: the highest score, score 1, generally represents the highest data quality corresponding to actual company or asset emissions, while the lowest score, score 5, represents the broadest estimations based on the sectoral average of the financed activity.

The Belfius ESG data team and Belfius ESG central team collect, revise and consolidate data, verifying their completeness, consistency and accuracy. In all our calculations, we always prioritise the most recent data available and data of the highest quality. Following GHG Protocol and PCAF recommendations, emissions have been calculated in line with the UN precautionary principles that state that, in doubt, we should err on the side of the planet, not the side of the company. Assumptions and estimations are carefully documented at each step so that updates with new, better data quality sources can be easily implemented.

Belfius aims to be as transparent as possible with regards to these changes and improvements. To do so, Belfius is currently working on a data improvement plan with the intention to improve the accuracy of our calculations and to further automate the data collection process involving several error-prone manual manipulations. This data improvement plan will gradually increase the share of reported data and decrease the reliance on estimates resulting in more accurate emission computations over time. We also expect the implementation of the Corporate Sustainability Reporting Directive (CSRD) of the European Union to increase data availability, thereby contributing to this improvement.

Belfius intends to verify the 2022 GHG inventory with limited assurance by a recognised external auditor in the course of 2023.

7.1.2. Zoom on Belfius' own operational emissions

Belfius' own operational emissions consist of all direct (scope 1) and indirect emissions (scope 2 & 3), with the exception of financed emissions (see section 7.1.3.). In 2022, these emissions represented 180,739 tonnes of CO_2e. The significant increase in amounts of CO_2e reported is due to the broader scope of entities taken into account and the revised methodology on part of our scope 3 emissions.

On total **scope 1 emissions** we accomplished a reduction of -36% since 2019, with a 40% reduction on gas consumed, mainly due to the lower temperature set in Belfius buildings.

94% of our electricity consumption in scope 2[1] is covered by European guarantee of origin certifying that the energy is renewable or from high quality cogeneration. Belfius has purposefully chosen such contracts, reflected in lower emissions in **scope 2** in the market-based approach[2]. Some buildings however, such as those that are co-owned, are not currently covered by renewable electricity. As our target is to reach 100% of renewable electricity, we are analysing these on a case-by-case basis to find low-carbon energy solutions.

(1) We also account for the indirect impact of our energy consumption, including our green electricity (related to the production of solar panels, wind turbines, etc.) in scope 3 category 3 according to market-based and location-based approaches.
(2) As the practice is also to disclose scope 2 location-based emissions, these are calculated based on the average emissions intensity of the national grid. Location-based emissions enable to compare performance with our peers based on our electricity consumption.

Belfius' own operations carbon footprint

By source (in metric tons of CO_2 equivalent)[1]	2022 Enlarged scope 3[3]	2021 Restated[2]	2019 Initial baseline	Evolution 2019 to 2022 on initial baseline
TOTAL SCOPE 1	5,491	5,920	8,581	-36%
Gas consumed	1,883	2,858	3,158	-40%
Heating oil	87	192	64	36%
Company Cars	3,519	2,685	4,259	-17%
Refrigerants	2	184	1,100	-100%
TOTAL SCOPE 2 (MARKET-BASED)	100	151	0	
Electricity consumed (market-based method)	100	151	0	
Electricity consumed (location-based method)	*1,889*	*2,427*	*3,663*	
TOTAL SCOPE 3	175,148	18,492	9,117	
UPSTREAM SCOPE 3 EMISSIONS	82,728	8,825	9,117	
Category 1 - Purchased goods and services	6,179	673	801	
Category 2 - Capital goods	68,718	679		
Category 3 - Fuel and energy related to scope 1 & 2 (market-based)	1,530	1,398		
Category 3 *- Fuel and energy related to scope 1 & 2 (location-based)*	*1,622*	*1,636*		
Category 4 - Upstream transportation and distribution[4]	1,851	1,840	1,814	0%
Category 5 - Waste generated in operations	143	94	120	12%
Category 6 - Business travel	691	234	609	13%
Category 7 - Employee commuting[4]	3,493	3,786	5,773	-39%
Category 8 - Upstream leased assets	123	121		
DOWNSTREAM SCOPE 3 EMISSIONS EXCLUDING FINANCED EMISSIONS	92,420	9,667		
Category 9 - downstream transportation and distribution	Non-existant[5]			
Category 10 - Processing of sold products	Non-existant[5]			
Category 11 - Use of sold products	564			
Category 12 - End-of-life treatment of sold products	222			
Category 13 - Downstream leased assets	77,262			
Category 14 - Franchises	14,373	9,667		
TOTAL EMISSIONS OWN OPERATIONAL FOOTPRINT (MARKET BASED METHOD)	180,739	24,563	17,698	-30%
TOTAL EMISSIONS OWN OPERATIONAL FOOTPRINT (LOCATION BASED METHOD)	*183,249*	*26,839*	*21,361*	

(1) The calculations presented in this table do not include any carbon removals, purchase/sell/transfer of carbon-credits or avoided emissions. The inventory takes the obligatory mixing of biofuels and follows the same method as used in appendix V C of the European directive on renewable energies for direct emissions. The indirect emissions are estimated using the LCA of biofuels (BIOIS) made available by the ADEME. The net-balance of biogenic sequestration and combustion is calculated in a separate biogenic inventory.
(2) Improvements were more extensively applied on 2021 leading to a restatement on that year for better comparability with 2022.
(3) Belfius has been gradually increasing the activities accounted for in its scope 3 inventory over the past years. In 2020, we added indirect upstream emissions related to the production process of the resources we consume (gas, fuel oil, vehicles and electricity). In 2021, the emissions of the independent Belfius branch network and the carbon footprint of part of our IT operational activities were added.
(4) Restatement was applied on 2019 baseline when methodology changes were significant.
(5) Upon analysis, we concluded that the categories downstream transportation and distribution of products and services and processing of sold products are non-existent for Belfius as a provider of financial services.

Key insights

- As demonstrated in the table above, compared to 2019 and at constant scope, we reached a reduction of 30% of CO_2 equivalent emissions (scope 1, 2 and scope 3 categories 1, 4, 5, 6 and 7). This means we accomplished our revised -25% target ahead of time. New targets will be set over the course of 2023 within the context of our SBTi pathway.
- The most important emission reductions are on gas consumed in our buildings (scope 1, -40% compared to 2019) and employee commuting (scope 3, -39% compared to 2019).
- The most important impact from our scope expansion is linked to the purchase of vehicles by Belfius Auto Lease and their direct use by our customers (namely in scope 3, category 2 capital goods and category 13 downstream leased assets).

We significantly widened the measurement and reporting of our scope 3 footprint by adding extra categories in 2022, both in upstream and downstream emissions:

- In order to be more exhaustive with regards to the emissions stemming from our purchase of IT services, Belfius added the upstream emissions stemming from the purchase of materials in data centres and the use of applications run on software as a service (SaaS);
- We also decided to include emissions stemming from the use of our website and our mobile application by our clients in the use of sold products;
- We have added a number of capital goods, such as buildings embodied emissions and the manufacturing and distribution of vehicles from Belfius Auto Lease's fleet purchased during the year;
- With regards to downstream leased assets[1], we have calculated the footprint of the vehicle fleet managed by Belfius Auto Lease and leased to third parties. This category also includes real estate investments made by Belfius Insurance that are rented out to third parties;
- Reflecting the evolution of group entities in scope, we have also included DVV franchises, representing 6.2 tonnes of CO_2 emissions.

Though the extension of the activities accounted for in scope 3 enables us to have a more representative overview on our carbon footprint, including estimated financed emissions, we are aware of the journey that still lies ahead as methodologies mature and data availability improves.

7.1.3. Zoom on Belfius' financed emissions

As the financial sector's largest impact stems from its financing activities (lending, leasing, investing and insuring), we took important actions to put our financing activities at the centre of our decarbonisation strategy. In 2021, Belfius joined the **Partnership for Carbon Accounting Financials (PCAF)**, a collaboration between banks and investors from all around the world to enable harmonised assessments and disclosures of greenhouse gas emissions financed by loans and investments.

(1) Note that we decided to include financial leases of Belfius Lease within Investments category 15 in order to align to Financial Reporting (FINREP) practices. This also enables us to apply an attribution factor reflecting the gradual ownership of the leased goods by the final client

During the course of 2022, Belfius estimated its financed emissions for the first time, namely emissions related to the five asset classes defined in the first edition of the PCAF: mortgages, commercial real estate, motor vehicle loans, project finance and general asset classes comprising business and corporate loans, equities and bonds. Belfius evaluated 46% of the total Group balance sheet, or 100% of the five asset classes covered by the PCAF 2020 methodology and financial leasing activities, despite remaining data challenges.

First, we will provide a view on financed emissions classified by asset class (PCAF 2020 methodology). Secondly, we will provide a view on financed emissions classified by most carbon-intensive sector (across all asset classes).

Belfius 2022 financed emission per asset classes

Asset classes	Total outstanding loan and investments (in M€)	Emissions intensity ($tCO_2e/M€$)	Total financed emissions ($ktCO_2e$)	Weighted PCAF data quality score on scope 1 & 2 (High Quality = 1, Low Quality = 5)	Absolute scope 1 & scope 2 emissions ($ktCO_2e$)	Absolute scope 3 emissions ($ktCO_2e$)[4]
Mortgages	40,143	29	1,161	5.00	1,161	-
General assets - business and corporate loans[1]	26,412	571	15,068	4.51	1,985	13,083
General assets - equities & bonds	5,794	534	3,097	4.06	1,463	1,634
Commercial real estate loans	5,763	105	605	5.00	605	-
Financial lease[2]	2,054	76	157	5.00	157	-
Motor vehicle loans	1,420	194	276	5.00	276	-
Project finance[3]	639	0	0	3.52	0	-
TOTAL IN SCOPE OF THE METHODOLOGY	**82,225**	**248**	**20,364**	**4.77**	**5,647**	**14,717**

(1) Business and Corporate loans, excluding loans to the public sector (not covered by PCAF 2020 methodology).
(2) Not part of the PCAF methodology, details on the calculations can be found in appendix of the Sustainability report 2022.
(3) The methodology for project finance asset class covers power generation projects, all of them being renewable energy projects at Belfius. One project is a biomass CHP using wood grade B (industrial feedstok) in Belgium. Such biomass is compliant with the EU renewable energy directive and thereby consider that the emissions linked to the combustion is equal to upstream biogenic capture.
(4) Not part of the PCAF methodology and not included in the data quality score.

Key insights

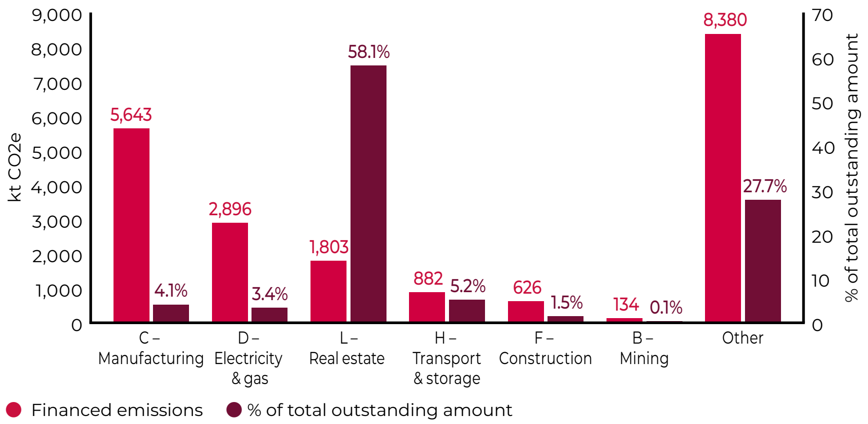
- Total financed emissions for 2022 were estimated at 20,364 $ktCO_2e$. This represents 46% of our balance sheet, the rest not being covered by PCAF 2020 methodology and hence unable to estimate and report;
- Although our mortgage portfolio accounts for less than 6% of emissions, it represents about 50% of the outstanding loans and investments currently covered by the calculations;
- Business and corporate loans (excl. loans to the public sector considered as public administration for which the PCAF 2020 Standard did not provide a methodology) account for 74% of the total financed emissions, while these represent only 32% in outstanding loans and investments on our balance sheet. This is also reflected in the higher carbon intensity, as shown in the table above.

More information on how to interpret each asset class can be found below:

- Belfius has a large mortgage portfolio and some commercial real estate loans. However, construction and renovation loans are excluded from mortgage and commercial real estate emissions calculations, as the PCAF 2020 Standard did not yet provide a methodology for this;
- The general asset classes include all listed and unlisted equities, corporate bonds, as well as business and corporate loans of Belfius Bank and Belfius Insurance;
- The motor vehicle loans portfolio is rather limited and includes both consumer lending and corporate loans for motor vehicles;
- The project finance portfolio has no emissions as the computation currently only includes financing of projects in the power generation sector that are exclusively renewable energy projects in the Belfius Bank portfolio. Other types of projects are currently out of scope and will be considered in the future;
- Belfius also calculated the footprint of its financial leasing assets in order to align to financial accounting practices, in particular those related to real estate, energy-related and transport assets where PCAF methodologies apply.

For further information on the methodology applied and assumptions used for each asset class, please refer to the "Financed emissions methodology" Appendix of the Sustainability report.

Financed emissions breakdown per most carbon-intensive sectors



Key insights

- This sectoral breakdown shows that Belfius' footprint is majoritarily linked to the manufacturing sector (27.7% of financed emissions);
- Despite a more limited financial exposure, the energy sector represents the second largest share of Belfius' portfolio emissions (14.2% of financed emissions);
- The considerably larger financial exposure towards real estate activities justifies that this becomes the third largest of emissions in Belfius financing[1] share (8.9% of financed emissions);
- The transportation sector represents the fourth largest source of emissions in the Belfius balance sheet (4.3% of financed emissions);
- Unsurprisingly, Belfius has a low exposure and footprint in the mining and quarrying sector (0.7% of financed emissions).

Following PCAF recommendations, Belfius shares an analysis of the most carbon-intensive sectors and those that have an impact on climate, as required to be reported by the European Technical Expert Group. Further analysis into the other carbon-intensive sectors will be performed in the future.

This graph therefore provides further information on the emissions stemming from the most carbon-intensive sectors, compared to the financial exposure, which is the outstanding amount covered by the calculations. This overview spans over all asset classes presented in the Belfius 2022 financed emissions table above. It includes clients' scope 1, 2 and 3 emissions, the latter not always being available for all asset classes in which case they were estimated with methodologies other than the PCAF.

As construction and renovation activities are not yet part of the PCAF methodologies for mortgages and commercial real estate, this graph only represents our exposure to construction companies in the general asset classes, whereas this activity is expected to be more significant for Belfius (only 3.1% of financed emissions currently). Under the label 'other', the largest shares of remaining emissions are

(1) PCAF 2020 methodologies do not include scope 3 emissions for Commercial Real Estate and Mortgages however, namely embodied emissions of a building, which may in the future increase the results presented here.

linked to Belfius' large exposure to wholesale and retail trade (19.8% of financed emissions) and to water and human health activities (5.5% of financed emissions).

As of 2023 onwards, Belfius will publish its financed emissions on a yearly basis as part of its annual sustainability reporting. Belfius also intends to start reporting to the CDP, a largely recognised environmental reporting organisation, increasing the transparency of its climate action towards its stakeholders.

As a next step, we also intend to implement updates of the PCAF methodology to expand the scope of the asset classes covered by calculations, particularly the inclusion of sovereign bonds or insurance-associated emissions. Assessment of the carbon footprint of our asset management activities will be performed at a later stage.

7.1.4. Action plan

Belfius' aim is to reduce the carbon footprint of its own operations by 25% between 2019 and 2025. As stated above, with a reduction of 30% this target was accomplished ahead of time in 2022. To achieve this strong emissions reduction, we first focused on the biggest pockets of emissions identified in previous years in our own operations, namely the energy consumption of our buildings and the mobility of our workforce. With regards to our upcoming SBTi trajectory, we will set new targets taking the year 2022 as a baseline.

Belfius' building strategy has resulted in the suppression of sites in favour of more energy-efficient ones (see section 8.1.). Relighting with LED was finalised in 2022 and all branches should be equipped with nanogrids by 2025. With regards to mobility, Belfius encourages alternative modes of transport and the use of electric vehicles (see section 8.2.).

We are also supporting our clients in reducing their own environmental footprint by developing products and services that will support them in their transition towards greater energy-efficiency or transitioning towards a lower-carbon economy. Further information on this matter can be found in section 5.

As our decarbonisation targets are being recalculated in our SBTi journey, we will also be redefining our climate action plan over the course of 2023.

Beyond these avoidance and reduction actions, and in order to further contribute to climate transition, Belfius chose to purchase carbon credits to an equivalent amount of 44,600 tCO_2e, which represents the emissions on which Belfius has the highest direct impact[1]. These went to the following projects:

- Dak Pone Hydropower and Ta Trach Hydropower, Vietnam, providing the surrounding community with reliable and sustainable energy replacing fossil fuel generators and wood-fired heating and lighting;
- Safe Community Water Supply Clean Water Rwanda, removing the need to boil water over wood fires to make it drinkable.

These credits have no impact on our total footprint calculations and disclosure and are not considered as a reduction, but a separate voluntary exercise. Belfius only chooses projects that are certified with a recognised quality standard: the Gold Standard. Aware of issues related to reliability of the offset market, we are monitoring developments and recommendations of international guidelines and platforms such as the Integrity Council for the Voluntary Carbon Market (Integrity Council), an independent governance body for the voluntary carbon market, in order to strengthen our practices related to this subject matter.

7.2. Acknowledging emerging environmental challenges

Environmental risks encompass many elements that are interconnected, amongst which biodiversity. Protecting the biodiversity of our planet is essential to guarantee the balance of the natural ecosystem, which provides essential resources to our society and affects our resilience and health. Furthermore, biodiversity preservation is also crucial in terms of preserving financial stability, as around half of global GDP is dependent on nature[2].

Identified as one of the top three most severe risks according to World Economic Forum Global Risks Perception Survey 2021-2022, biodiversity is now emerging as a priority for all parties involved. Often overlooked, biodiversity preservation is critical for climate action efforts and these two challenges must be tackled holistically. While healthy ecosystems work as major carbon sinks that help us mitigate the impacts of climate, they also complement climate adaptation efforts by decreasing flooding risks or protecting us against extreme weather events.

Today, nature protection is almost exclusively financed by public finance, despite having financial impacts on the wider (private) economy[3]. In order to close the global financing gap, the support of the financial sector is fundamental to shift capital away from nature-negative investments to nature-positive ones. Similarly to climate, the biggest underlying impact of the financial sector on nature

(1) Equivalent to Belfius direct (scope 1) and indirect emissions (scope 2 and 3), excluding financed emissions, Belfius Auto Lease activities stemming directly from clients' footprint and DVV franchises.
(2) WEF, New Nature Economy Report II 2020.
(3) Global Canopy, The Little Book of Investing in Nature 2021.

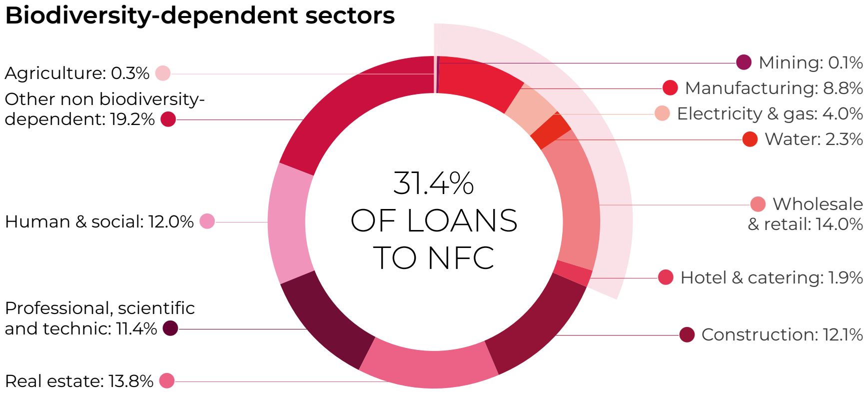
is through its lending, investing and insuring activities. It has become crucial therefore for the financial sector to integrate nature-related risks and opportunities to its business strategies and risk management frameworks.

As Belfius Group, we want to contribute to the preservation of biodiversity in Belgium. With regards to our own operations, we have developed an environmental policy outlining initial but fundamental measures to promote biodiversity either directly, such as procurement of FSC certified papers in our offices, or indirectly through our energy, waste and water reduction measures. We have also integrated environmental criteria in our Transition Acceleration Policy, limiting our activities in palm oil and soy industries that may cause deforestation.

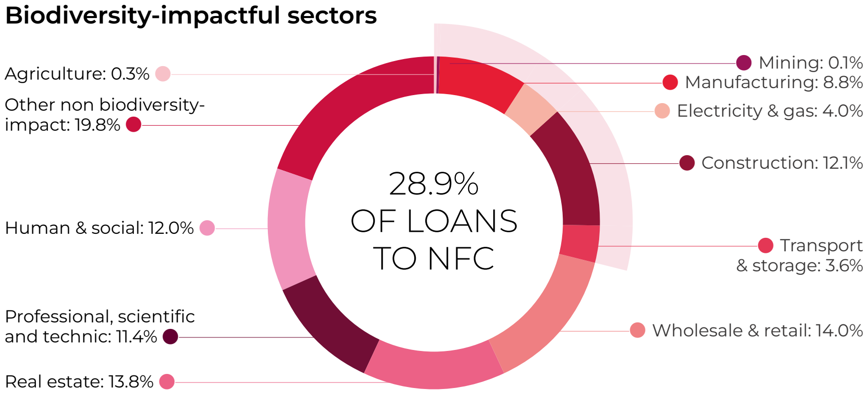
One example of work in this area is that in January 2022 Belfius Insurance acquired a new 10,000 sqm office building within walking distance of the Louvain-la-Neuve railway station. Apart from being BREEAM Excellent certified, the building's surrounding is in the process of application to the Nature Network label from Natagora, testifying to the efforts made to protect local biodiversity, notably through the planting of indigenous species favourable to pollinators.

As a first analysis, we looked into sectors in our portfolio to locate biodiversity risks and impacts in our loans and advances to non-financial corporations, which represent 29% of total loans and advances. This analysis is based on sectoral dependencies and impacts provided for in the UNEP FI Beyond Business as Usual: Biodiversity Targets and Finance[1] and the WWF Biodiversity Risk Filter sectoral dependencies and impacts[2].

Biodiversity-dependent sectors



Biodiversity-impactful sectors



(1) https://www.unepfi.org/wordpress/wp-content/uploads/2020/06/Beyond-Business-As-Usual-Full-Report.pdf
(2) https://riskfilter.org/biodiversity/inform/industry-overview

This analysis shows that our exposure to biodiversity risks and impacts is relatively low, seeing the limited exposure to the agricultural and mining sector and the financing of many services having limited or no risks and impacts on biodiversity.

Biodiversity risks in our portfolio are essentially stemming from our exposure to the wholesale & retail trade and manufacturing sectors, where the textile & apparel, pulp & paper and food & beverages sub-sectors are highly dependent on direct physical inputs (such as raw materials, water etc.) and good ecosystem conditions enabling their production. Water and electric utilities may also be highly dependent on sufficient and quality water inputs.

Belfius' impact on biodiversity is mainly due to its exposure to the construction and manufacturing sectors, electric energy production and transportation. Indeed, such activities may impact biodiversity, being sources of pollution and disturbances (noise and light pollution) and potentially requiring extensive land use or favouring the spread of invasive species. This analysis does not consider risks stemming from one sector that could affect another. This top-down analysis also does not consider specific businesses supply chains and their location, e.g. critical zones where nature is severely degraded, which may lead to significantly different results for many economic sectors.

We know that to align with the EU Biodiversity Strategy for 2030 we need to have a better understanding on our nature-related risks and impacts, and that we are still at the beginning of the journey to identify and manage them. We are expecting further clarity on these points following the COP15 and the Kunming-Montreal Global Biodiversity Framework, the publication of additional environmental objectives of the EU Taxonomy and the release of the final recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) on risk management and disclosures within the course of 2023.

7.3. Environmental and climate-related risks and opportunities

Climate-related and environmental issues are one of the greatest challenges the world is facing and there is no doubt they will have a significant and lasting impact on economic growth and prosperity. According to the World Economic Forum's (WEF) Global Risks Perception Survey 2022-2023, environmental risks make up half or more than half of the most severe top 10 risks the world will face in both short and long-term horizons.

Today, a 1.2°C temperature increase in comparison with pre-industrial levels has already resulted in extreme weather events that are being experienced in the everyday lives of people. In response, regulators are taking swift action towards transitioning to a low-carbon economy. The European Union (EU) has pledged to make the EU the first climate-neutral continent by 2050 and decrease GHG emissions by 55% by 2030, which can only be achieved through strong collaboration between the public and private sector and decisive actions.

So as to enable market transparency and stakeholder communication regarding its climate journey, Belfius has for the first time reported its climate-related information following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in its 2021 Sustainability Report. In 2022, the focus has been set on increasing the quality of the report by providing further quantitative data.

Belfius is aware of a variety of risks and opportunities stemming from climate-related questions and acknowledges that other environmental issues such as biodiversity also have the potential to affect economic growth and prosperity in a significant and lasting way. Considering the urgency for action to avoid climate tipping points and regulatory scrutiny however, Belfius decided to first focus on climate-related issues. Belfius feels compelled to tackle the financial impacts stemming from climate factors in a holistic (ESG) way, with sufficient weight on social consequences as well.

Facing critical challenges from environmental and climate pressures, the financial system is exposed to both physical and transition risks:

- physical risks arise from exposure to physical impacts of climate phenomenon such as river or coastal floods, windstorms, hail, heatwaves, subsidence or droughts;
- transition risks are risks originating from policy/legal, technology and market risks of transitioning to a low-carbon, climate-resilient and environmentally sustainable economy.

Financial impacts of environmental and climate-related risks derive from current or prospective impacts of these factors on Belfius, on Belfius' counterparties (e.g. clients, customers, public/sovereign entities), or counterparties' assets (e.g. real estate, bonds, equities, collaterals). Climate risks impact Belfius Group 's main activities to varying degrees, where each impact requires a tailored management approach.

Impact of Climate on Belfius Group's Activities

Risk type		Business activity		
		Financing activities (e.g. loans, leasing etc.)	Non-life insurance activities	Asset management and life insurance activities
PHYSICAL	ACUTE	●	●●●	●
	CHRONIC	●●	●●	●
TRANSITION		●●●	●	●●

Belfius identifies climate-related risks along with other ESG risks as one of the top five risks faced by the Group and works towards mitigating them.

7.3.1. Governance of environmental and climate-related questions

In close connection with other ESG related themes, climate and environmental risks are integrated into the governance layers of Belfius Group . As Belfius believes that solid governance and the involvement of all levels of the company are key to the robustness of Belfius' climate risk management approach, the terms of reference of the Boards of Directors, the Belfius Bank Risk Committee and the Belfius Insurance Risk and Underwriting Committee, Management Boards and Joint Management Committee, have been adapted to explicitly integrate the recent evolutions in ESG responsibilities, including climate and environmental risks. Climate related Key Risk Indicators and Key Performance Indicators are gradually finding their way into existing supports (Risk Appetite Framework, Quarterly Risk Report, Quarterly Business Reports) for Management and/or the Board of Directors.

For a general overview of the composition and remit of the above-mentioned governance bodies, please refer to the chapter on Corporate Governance in the Belfius Annual Report. The responsibilities of these governing bodies with respect to climate and ESG are further detailed in section 6.1.7 and summarised in the tables below.

Board-level	Climate and environmental considerations	Interactions	Frequency of reporting/discussions	Entities covered
BOARD OF DIRECTORS – BELFIUS BANK	1. Strategy 2. Objectives 3. General policy 4. Risk appetite and risk approach 5. Projects 6. Targets	Management Board Belfius Bank	Yearly (points 1-4) Bi-annually (points 5-6)	Belfius Group
BOARD OF DIRECTORS – BELFIUS INSURANCE	1. Strategy 2. Objectives 3. General policy 4. Risk appetite and Risk approach 5. Projects 6. Targets	Management Board Belfius Insurance	Yearly (points 1-4) Bi-annually (points 5-6)	Belfius Insurance
RISK COMMITTEE – BELFIUS BANK	1. Risk Appetite Framework (RAF) 2. Risks oversight	Board of Directors Belfius Bank CRO Belfius Bank	Yearly (point 1) Quarterly (point 2)	Belfius Group
RISK AND UNDERWRITING COMMITTEE – BELFIUS INSURANCE	1. Risk Appetite Framework (RAF) 2. Risks oversight	Board of Directors Belfius Insurance CRO Belfius Insurance	Yearly (point 1) Quarterly (point 2)	Belfius Insurance

At executive management level, the Belfius Bank CEO and Belfius Insurance CEO sponsor the ESG strategy and therefore also commitments related to climate change and the environment, such as the Science Based Target initiative engagement. In 2022, the Joint Management Committee of Belfius Bank and Belfius Insurance established the **Strategic Sustainability Committee (SSC)** as a central hub for (operational) ESG governance to support its climate and environmental responsibilities, in line with its and the Board of Directors' expectations. Based on the proposals of the Belfius Bank Sustainability Manager, the CEO of Belfius Bank sets the agenda of the Strategic Sustainability Committee (SSC).

Executive Management-level	Climate and environmental considerations	Interactions	Frequency of reporting/discussions	Entities covered
JOINT MANAGEMENT COMMITTEE – MANAGEMENT BOARD OF BELFIUS BANK AND BELFIUS INSURANCE	1. Strategy 2. Objectives 3. General policy 4. Mandatory regulations and voluntary commitments implementation 5. Risk appetite and risk approach	Board of Directors Belfius Bank and Belfius Insurance	Quarterly	Belfius Group
STRATEGIC SUSTAINABILITY COMMITTEE (SSC)	1. Strategy and objectives execution and monitoring 2. ESG framework execution (including TAP) 3. Mandatory regulations and voluntary commitments implementation 4. ESG reporting requirements	CEO – Belfius Bank CEO – Belfius Insurance	Every six weeks (points 1-3) Yearly (point 4)	Belfius Group

Below executive management level, Belfius has chosen to work with a limited number of dedicated teams (the central sustainability team, the ESG data team and the ESG Risk Competence Centre detailed in section 6.1.7 and below), as well as a network of ESG champions across the organisation to strike the right balance between expertise on the one hand and company-wide ESG integration on the other. In addition to topic-specific project management teams with a clear focus on delineated deliverables (e.g. ESG MiFID, SFDR, SBTi), more permanent, structured exchange platforms have also been set up.

Below Executive Management-level	Climate and environmental considerations	Line of Defense (LOD)	Frequency of reporting/ discussions	Entities covered
SUSTAINABLE INVESTMENT DESK	1. TAP implementation and monitoring 2. Mandatory regulations implementation	Mixed LOD 1 and 2 (Compliance and legal)	Monthly	Belfius Group
SUSTAINABLE BANKING FINANCING AND INSURANCE DESK	1. TAP implementation and monitoring 2. Mandatory regulations implementation	Mixed LOD 1 and 2 (Compliance and legal)	Monthly	Belfius Bank Belfius Insurance
BELFIUS GREEN BOND ISSUANCE COMMITTEE	1. Green Bond issuances	LOD 1	Quarterly	Belfius Bank
ESG CORE DATA TEAM	1. Data challenges in ESG projects	Mixed LOD 1 and 2 (ESG risk competence centre)	Every 2 weeks	Belfius Group
ESG MODELS STEERING COMMITTEE	1. ESG risk tooling	LOD 2	Monthly	Belfius Bank Belfius Insurance

The management of environmental and climate-related risks and opportunities is progressively being embedded across all layers of the organisation via the clear allocation of roles and responsibilities regarding the identification, assessment, measurement, monitoring, management and reporting of these risks along the three lines of defense model. Each line of defense takes on its traditional role while extending it to new environmental and climate-related risk drivers.

As a rule, the business lines are the **first line of defense** towards risks, including climate-related risks. Sustainability has been an integral part of the Belfius Inspire 2025 strategy and Belfius has conducted awareness-raising exercises for that first line of defense through the Self-Assessment of Risks and Internal Controls (SARIC) annual process, the Risk Identification and Cartography Assessment Process (RICAP), the New Product Approval Process (NPAP) adjustment and a variety of webinars.

The ESG Risk Competence Centre sits at the heart of the **second line of defense** and is in charge of setting up a comprehensive ESG risk management framework in collaboration with other groupwide risk departments. Its role encompasses, amongst others:

- providing general advice on climate-related strategy and recommendations on key risk indicators (KRIs), limits and mitigation actions;
- setting up a comprehensive ESG risk management framework in collaboration with ESG Risk Ambassadors that each specialized risk team (in charge of a specific area of prudential risk) appoints, supported by new committees dedicated to ESG;
- developing Belfius' climate risk assessment methodologies (e.g. materiality assessments, due diligence) and ESG Risk Dashboard;
- keeping oversight of the integration of ESG dimensions in risk policies, processes and internal reporting;
- designing the overall ECB ESG action plan and subsequent coordination and monitoring of the roll out of the component actions. Each specialised risk team is responsible for the timely execution of the actions assigned to it, meeting the ECB's requirements on climate, as well as fully embedding ESG risks into day-to-day activities.

A prominent new committee set up by the ESG Risk Competence Centre is the **ESG Models Steering Committee**. As part of its responsibilities, this committee oversees the development of a standalone scorecard to assess the ESG risk profile of corporate customers, the setup of new tools to measure the impact of certain risk drivers and scenarios on the credit parameters of mortgage loans' collateral and debtors, and the gradual integration of climate and environmental risks in models and stress testing frameworks.

Moreover, as an independent control function of Belfius Insurance, the Actuarial Function embeds climate aspects in its second line activities related to the calculation and assumption of technical provisions, the underwriting policy and the reinsurance program.

As the second line of defense, the **legal and compliance departments** also closely monitor legislative and regulatory requirements and ensure Belfius is compliant with all of them. The legal department implements the ESG regulatory watch within the organisation through regular mailings and quarterly meetings. Belfius' legal team is also in charge of the prevention and mitigation of risks associated with legal, liability, litigation and greenwashing risks related to climate.

Both legal and ESG Risk Competence Centre collaborators actively participate and contribute to external workgroups regarding environmental and climate-related issues such as the workgroups set up within Febelfin.

As for the **third line of defense**, Belfius conducts annual internal audit reviews on ESG risk management covering a variety of topics such as strategy, governance, risk management processes and policies. The goal of these reviews is to assess Belfius' overall level of readiness, compliance and performance, as well as the comprehensiveness and effectiveness of its practices. In addition to these thematic audits, sustainability aspects are also considered in other audits, for example those targeting financing solutions.

7.3.2. Material environmental and climate-related risks and opportunities

For sound implementation of its business strategy, Belfius looks into risks and opportunities including environmental and climate-related risks that are already, or will become, material in the future. When investigating materiality, Belfius wants to identify risks that are material from both a financial materiality perspective and an impact materiality perspective to ensure its long-term profitability and value creation for all stakeholders.

Financial materiality

Financial materiality relates to the impact of climate change on Belfius (in the form of risks and opportunities), both:

- Directly: on its business continuity, reputation, capital and liquidity
- Indirectly: through its loans, investment and insurance portfolios

Impact materiality

Impact materiality includes, but is not limited to, the impact of Belfius on the climate (mainly via greenhouse gas emissions) and the environment, both:

- Directly: through its own assets and operations
- Indirectly: through its financing, investing and insuring activities

For that purpose, through a high-level materiality analysis, Belfius Bank has identified climate-related risks for banks that are considered material in the short, medium and long-term. The identification process is based on a mix of expert judgment and lessons learnt from various studies and reports.

Belfius climate risk materiality matrix

Risk type	Risk driver	Description	Transmission channel	Business affected	Time horizon/impact level		
					ST ≤3 years	MT 4-10 years	LT > 10 years
TRANSITION RISK	POLICY & REGULATION	Increase in cost of GHG emissions due to policy or regulatory changes (through carbon pricing mechanisms such as tax, quota's…)	Increased cost of own emissions	Own operations	●		
			Increased cost of emissions of customers	Financing activities	●●●	●●	●
		Mandatory renovation for energy consuming real estate	Lower household/business wealth, lower collateral value for low EPC buildings	Financing activities	●●●	●●●	●●
		Mandatory Company alignments with transition policies	Adjustment of investment strategy, adaption of the business model and portfolio alignment (e.g. due to regulation of existing products and services)	Financing activities	●●	●●●	●●
		Changes in regulation/ prudential treatment of climate risk-sensitive assets	Increase in regulatory capital requirements and enhanced reporting on climate-related issues	Own operations	●●	●●	●
	TECHNOLOGY	Low-carbon technologies that replace carbon-intensive products/services	Decrease in market value of carbon-intensive assets	Financing activities	●	●●	●
		Prohibition of using high-carbon technologies	Increasing investment in new low-carbon technologies/ new business models/ cost of transition	Financing activities	●	●●	●
	MARKET DISRUPTION	Changes in customer preference, demand and supply shifts to sustainable products/ services	Decrease in market value of non-sustainable assets	Financing activities	●	●●	●
		Increase in cost of raw materials	Increase of own energy supply cost	Own operations	●	●	
			Increase in energy supply cost of customers	Financing activities	●●	●●	
			Increase in supply cost (other raw material) of customers	Financing activities	●	●●	
	LEGAL/ COMPLIANCE/ REPUTATION	Non-compliance with financing/investment strategy with respect to climate change	Negative perception from the external stakeholders/ penalties & sanctions/ litigation risk	Own operations & Financing activities	●●	●●	●
		Additional regulatory burden (new requirements)	Increased costs linked to necessary (human, financial, IT) investments	Own operations & Financing activities	●●	●●	●
PHYSICAL RISK	ACUTE EVENTS	Heatwaves, hurricanes, wildfires, floods	Cash flow impact following damages to (real estate) assets and lower asset/ collateral values	Own operations		●	●
				Financing activities	●	●●	●●
			Lower repayment capacity because of higher insurance premiums	Financing activities	●	●●	●●
	CHRONIC PATTERNS	Increasing droughts, sea-level rises, water stress, bio-diversity loss	Increases in clients' costs, drop in client's production (e.g. agriculture) leading to gradual rise in PDs and reduction of collateral values	Financing activities		●●	●●

The number of • indicates the expected impact based on the assessed likelihood that the risk driver materializes within that time horizon and the estimated magnitude of the associated economic/financial consequences for Belfius.

At this stage, pending a more granular and/or quantitative assessment, it seems that the most relevant risk drivers in the short term are linked to policy/regulation changes and especially:

- the introduction of new carbon pricing mechanisms (such as a carbon tax) that could increase companies' operating costs, entail a repricing of certain assets and lead to the need to make new investments;
- the implementation of more stringent Energy Performance Certificate (EPC) regulation that would force households and companies to renovate their buildings, impacting their wealth and cash flow, as well as the (collateral) value of real estate assets;
- the introduction of additional legal, reporting and compliance requirements which translate in additional costs for the companies subject to these regulations and which increasingly influence the way companies are perceived.

In the medium-term, other risk drivers such as mandatory alignment with certain transition pathways, technological shifts, changes in market preferences and further increases in energy and raw material prices, are expected to gain importance and could negatively impact the profitability of certain companies, as well as their equity value and the value of their (real estate) assets.

The impact of physical risks should not be downplayed, especially in the longer term and even more so in the absence of policies to mitigate global warming. Possible increases in the intensity and frequency of natural hazards and structural changes in weather patterns could, for instance, trigger damages to real estate assets and production sites, supply chain disruptions, production capacity and workforce productivity decreases, repricing of certain assets prone to physical risks and increase of insurance premia that increases the insurance protection gap.

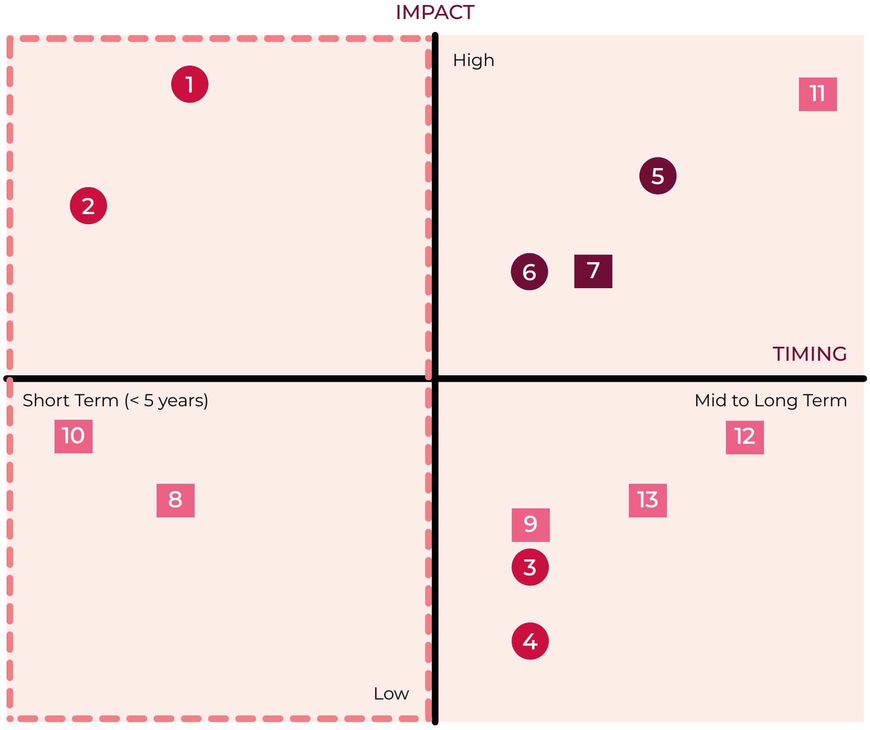
As for climate-related risks in insurance, Belfius Insurance established its first climate risk map, based on the risk matrix provided by the European Insurance and Occupational Pensions Authority (EIOPA) in its opinion on the supervision of the use of climate risk scenarios in ORSA.

The analysis resulted in the identification of 62 risks, 13 of them with high and medium residual risk levels qualified as significant risks. The 13 significant risks are grouped into three clusters in order to avoid any gap or overlap in stress testing:

- **disorderly transition**: global economic slowdown due to severe transition regulations, including specific depressed assets depending on their sector;
- **increased claims**: increased frequency of major climate change induced losses;
- **ESG positioning**: loss of market share following changes in market sentiment and customer behavior in the transition towards a sustainable economy.

Belfius Insurance selected four short-term significant risks to include in the ORSA stress testing exercise as indicated in the scheme below:

Insurance Climate risk map



Source of Risk (shape): ● Transition ■ Physical
● Disorderly transition ● Increased claims ● ESG positioning
▬ Stress Test Scope

Transition risk in short term resulting in high impacts	Physical risk in short term resulting in medium impacts	Mix of ESG positioning and structural climate change with high impacts in the long term	Mix of physical and transition risks resulting in mid to low impact beyond 5 years
1 Global economic slow down due to severe transition regulations affecting the whole system	10 Higher non-life & life claims resulting from climate change	11 Global economy is affected: low rates, poor yield for real & financial assets	12 Higher credit spreads on govies issued by countries affected by chronic physical risks
2 High carbon taxes or energy efficiency regulation depressing specific assets	8 Major event causing a downgrade or default from reinsurers	5 Activities not meeting "climate friendly" expectations from consumers or facing litigation	13 Lack of reinsurance coverage due to higher frequency & severity of climate events
		6 Lost market share resulting from inappropriate ESG positioning ("impact investing")	9 Mortgage Loans performance affected by uninsured property following climate change
		7 Reduction in competitiveness from inappropriate mitigation products ("impact underwriting")	3 Obsolete technology depressing some assets
			4 Failure of developing technologies depressing some assets

To better assess material climate related risks, Belfius Group is in the process of performing more granular climate risk materiality assessments. These assessments include analysing the likelihood and impact of a long list of detailed risk drivers per sector and making a distinction between each prudential risk dimension e.g., credit risk, insurance risk, market risk, liquidity risk and non-financial risks.

For more information on these materiality assessments, please refer to the risk management section 7.3.4.

Along with identified material climate-related risks, other environmental risks such as those linked to the alarming rate of biodiversity loss, ever-growing pollution and the increasing pressure on water, are coming to the foreground. These risks can also translate into business disruptions, reduced revenues, increased operational costs, write-offs linked to stranded assets, capital expenditures, penalties, etc. and can therefore affect a company's profitability. In future, Belfius intends to better understand these risks as a first step in identifying, assessing, monitoring and managing them. In the meantime, Belfius has developed its Environmental Policy to begin tackling these environmental considerations.

While environmental and climate-related questions are mostly perceived from a risk perspective, if correctly managed these questions can be transformed into opportunities. Belfius is pursuing these opportunities through providing sustainability related products and services across different business lines (lending, investing, leasing, insuring etc.) and promoting the extension of sustainable practices into the rest of the Belgian economy. For more details on Belfius' climate-related products and services, please refer to section 5: Meaningful Growth.

7.3.3. Belfius' strategy on environmental and climate-related risks and opportunities

Belfius defined its Inspire 2025 business strategy in 2020, which is built on its purpose: "Belfius, meaningful and inspiring for Belgian society. Together." Under this strategy, Belfius' objective is to generate a positive contribution to all segments of the Belgian economy and society thanks to its robust risk and financial management. This approach already integrates Belfius' sustainability ambitions of creating positive value and reducing negative impacts, as well as sound management of risks arising from ESG, including climate.

Considering the salient impacts of environmental and climate-related risks and opportunities, Belfius chooses to be a leading actor in the transition to a low carbon and resilient Belgian economy and society. For that purpose, Belfius is increasing the finance flow towards the green economy by integrating sustainability aspects in its products and services that respond to both physical and transition related impacts. Secondly, Belfius is putting in place policies and procedures that aim at reducing negative impacts and risks on/from environmental and climate-related factors. Both of these responses materialise through Belfius' commitments and collaborations aligned with its environmental and climate objectives.

Zoom on shift in energy outlook

Taking into account the rapid changes in the energy outlook that is impacted by the risks and opportunities brought on by the climate transition, Belfius will, as a financial actor, support the decarbonisation of the Belgian energy mix. The massive shift towards renewable energy is Belfius' number one priority, as witnessed by its stakes in Belgium's wind farms and major solar energy infrastructure initiatives such as Aster or SeGEC. For more details, please refer to section 5.2.3. As the electrification of buildings and mobility, as well as the development and roll-out of new technologies, are key in accelerating energy transition, Belfius will actively support these activities and sectors. However, Belfius also understands that structural changes related to energy transition might lead to major social risks and energy poverty. As Belfius holds a deep-rooted belief that the transition must be a social one, Belfius commits to providing socially inclusive, problem-solving solutions to Belgium's energy and climate challenge. For that purpose, on top of climate as an impact area for Belfius' UN PRB targets, affordable energy-efficient housing was selected, where Belfius balances the social aspect of transition with the need for an urgent energy shift. For more details refer to the PRB report in the Appendix of the Sustainability report of 2022.

Increasing the finance flow towards the green economy

As environmental and climate-related factors and risks mostly impact financing activities, Belfius aims to use its balance sheet to facilitate projects and initiatives with a positive impact towards all its customer segments (individuals, enterprises, public entities etc.). Specifically, Belfius is committed to financing meaningful Belgian infrastructure programmes undertaken or approved by the federal, regional or local authorities including, but not limited to, so-called green or social infrastructure projects, as well as utility infrastructure built by "inter-communal/para-regional entities".

Belfius also seeks to support enterprises in their entire ESG journey with a tailor-made tool that guides the users towards action, including climate-mitigation actions on the one hand and dedicated product offers to finance those actions on the other. These Ambition Loans and Lease products will gradually be aligned with the EU Taxonomy to improve Belfius' Green Asset Ratio (GAR) and to facilitate Belfius' clients' alignment with the EU Taxonomy.

During these client interactions, Belfius will also collect relevant client datapoints (availability of policies, noteworthy practices, quantitative performance, future plans) to capture their respective ESG risk profiles and translate them into an ESG score that will become a key element in Belfius' risk management approach.

Furthermore, Belfius incentivises its banking and insurance customers to adopt sustainable habits through pricing mechanisms and a broad selection of products and services. These mechanisms are also designed to protect Belfius clients from life hazards due to physical (e.g. natural catastrophes) and transition (e.g. energy efficiency measures) climate impacts .

Belfius Investment Partners uses several approaches to factor responsible investment considerations, including climate-related risks and opportunities, into its investment strategies. As part of its strategy, BIP offers investment products with a focus on climate and environmental concerns. BIP also takes into consideration the business strategies of its external partners with regards to climate when engaging with them. In line with that understanding, external partners integrate climate considerations into their analysis, investment strategy, decision making and products.

For more details on Belfius' product range that contributes to sustainability and increases the finance flow towards the green economy, please refer to section 5: Meaningful Growth.

Aiming at reducing negative impacts and risks

Belfius' Transition Acceleration Policy (TAP) is the cornerstone of Belfius' sustainable finance strategy covering all business activities (lending, insuring, investing etc.) and a risk mitigation tool. It integrates environmental factors and risks, but also other prominent ESG risks such as human rights. The principles set out in the TAP provide guidance on the direction and pace of transformation with the objective of encouraging counterparties' transition and limiting the adverse impacts caused by certain economic activities. The TAP is regularly reviewed to integrate evolving stakeholder expectations, regulatory developments and technological breakthroughs. While the TAP already clearly excludes the financing of coal extraction, in time, when measures and impacts of climate risk are well understood, Belfius' climate ambition will also be translated into Key Risk Indicators (KRIs) within Belfius' Risk Appetite Framework (RAF). As of 2023, limits on exposure to the fossil fuel sector will be included in the RAF. In addition, in 2022 Belfius also developed its Environmental Policy that takes into consideration environmental and climate-related risks caused by its operational activities.

Furthermore, when BIP launches financial products designed to promote certain environmental characteristics for example, or products with explicit sustainable investment objectives, BIP addresses identified principal adverse impacts (PAI's). This is implemented where possible and feasible and in line with the nature of the investment, such as asset class or type of investment instrument, investment style, investment strategy, or investment objectives of the financial product. When BIP selects individual securities, such as stocks and bonds, PAI's are considered at investee company level. Where ETFs/funds are selected or the fund management is delegated to an external asset manager, BIP has requirements in place that external managers need to meet with respect to various aspects of responsible investment, including identifying, measuring, managing and disclosing the PAI's of the investments. BIP then takes into account the PAI's considered by the selected asset managers.

Finally, Belfius is also gradually integrating environmental and climate-related considerations into its financial planning process. The evolution of macro-economic variables, as predicted by Belfius' research department, include for instance greenflation, relevant evolutions in Belgium's sectoral composition and the changing real estate market (more energy-efficient renovation and differentiated real estate values according to EPC). Within the financing and related insurance production figures, the alternatives that support the transition are steadily gaining weight. This is also the case for investments, as Belfius encourages its clients to invest in a meaningful way. For more details, please refer to section 5: Meaningful Growth.

Belfius' environmental and climate-related commitments

Belfius understands that climate commitments need to reflect the urgency of the environmental situation, as well as expectations set out by the policy frameworks of national and EU-level regulators. Furthermore, Belfius acknowledges that, as a financial institution, it is a vital player in and contributor towards global climate action. This was the driving factor behind its decision to become a member of the Belgian Alliance for Climate Action (BACA) from the start in 2020 and the subsequent commitment to the Science Based Target initiative (SBTi) in 2022. Belfius committed to set, measure and transparently communicate clear GHG emission reduction targets based on climate science in line with the ambitions of the Paris Agreement: to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

Aligning Belfius' portfolios with the Paris Agreement through SBTi not only positively contributes to climate, but it is also a way to limit Belfius' transition risks and ensure the Group's resilience. Belfius is currently developing an action plan to meet SBTi reduction pathways that will be submitted to the SBTi for approval by the end of 2023. For those portfolios where SBTi methodologies are not yet available, the Paris Agreement Capital Transition Assessment (PACTA) tool will be used to understand and assess Belfius' climate-related risks.

For more details on Belfius' climate-related commitments and actions, please refer to section 7.1. and section 8.

Resilience of our strategy

Within the context of expected significant macro and micro economic changes stemming from the transition to a low carbon, climate resilient and environmentally sustainable economy, Belfius Group 's climate-aware business strategy and risk management framework, combined with its robust balance sheet structure and reinsurance programme, points to Belfius' resilience and growth opportunities.

The results of the supervisory and internal climate stress tests conducted on the banking side confirm that environmental and climate-related risks do not pose a significant threat to Belfius' profitability, capital position and liquidity buffers in the given scenarios for the time being. On the insurance side, although the stress test scenario can lead to material financial impacts for Belfius Insurance, its risk mitigation systems in place confirm that Belfius Insurance respects its risk appetite indicators even in the stressed scenario.

For more details on Belfius Bank and Belfius Insurance's climate stress tests please refer to section 7.3.6.

7.3.4. Integration of environmental and climate related risks into the risk management framework

For some years now, ESG risks including, but not limited to, climate and environmental risks, have been identified as a top risk that can affect Belfius both directly and indirectly through its financing, insurance and asset management activities.

As a result, ESG considerations are becoming an integral part of Belfius Group's risk management framework as Belfius is embedding ESG, particularly climate risks, into its existing risk management processes including risk mapping, risk taxonomy, materiality assessment, Risk and Control Self-Assessment (RCSA), Risk Identification and Control Assessment Process (RICAP), Self-Assessment of Risks and Internal Controls (SARIC), ORSA, approval processes, stress tests and risk appetite. Dedicated surveys have also been carried out to ensure the proper identification and assessment of ESG related risks across the whole organisation and the three lines of defense.

Belfius' risk mapping was also adjusted in 2021 to reflect the integration of ESG as a new risk driver of credit, market, operational, strategic, business, reputational and legal risks. Consequently, these risks are now explicitly mentioned in the Belfius Risk Culture Policy and Risk Charter.

Belfius Bank's ESG Risk Management journey so far

The foundations of Belfius Bank's ESG Risk Management Framework were laid in 2020 when Belfius Bank began integrating ESG considerations (including environmental and climate considerations) into its Risk Management Framework in a structural way. ESG risks entered the "top 10 risk" selection that year and ESG risk drivers were added to the Risk Taxonomy.

In 2021, Belfius moved forward with the design of an ambitious ESG action plan aimed at aligning its practices and plans with the expectations set by the ECB in its "Guide on climate-related and environmental risks" published in November 2020 (the so-called "ECB ESG action plan"). The ECB ESG action plan includes a roadmap related to ESG strategy, governance and organisation, data and reporting, risk management and disclosures. Coupled with Belfius' existing initiatives, this action plan and roadmap accelerated the process towards a full integration of ESG in day-to-day risk management activities and practices.

Main achievements in 2021:

- setup of the ESG Risk Competence Centre and the ESG data team;
- creation of ESG data programme and ESG regulatory watch;
- first high-level portfolio screenings for climate sensitive and fossil fuel exposures;
- dedicated ESG surveys in yearly SARIC and RICAP exercises;
- inclusion of TAP criteria in credit acceptance policies;
- integration of first environmental and climate related key risk indicators (mainly relating to Belfius' own operations) in the Risk appetite framework (RAF).

Main achievements in 2022:

- setup of the ESG KRI Dashboard and ESG KPI dashboard;
- further integration of ESG in Belfius governance bodies and creation of Strategic Sustainability Committee;
- development of an ESG scoring methodology for corporates (including a data collection process through engagement with clients);
- development of a climate risk assessment tool for mortgage loans;
- update of portfolio screenings (including a broader identification of climate policy relevant exposures);
- participation to supervisory exercises (ECB climate stress test and ECB thematic review)
- first internal climate stress test;
- integration of additional environmental and climate related key risk indicators in the Quarterly Risk Report (QRR) and Risk Appetite Framework (RAF) mainly relating to Belfius' financing activities;
- preparation of disclosure of 2022 carbon accounting baseline, including financed emissions, according to GHG protocol and PCAF.

7.3.5. Risk identification and assessment

Risk identification and assessment are a prerequisite for strategic decisions and detailed risk management actions, which in turn will help ensure the Group's long-term resilience. ESG risks have been included in Belfius' risk inventory for several years, however as climate risk impacts several risk categories of assets and liabilities through different drivers, the assessment of these risks remains a challenging exercise, especially coupled with the lack of data available in the market. Belfius therefore applies a flexible and gradual approach to tackle these challenges and is expecting further clarity on rapidly evolving regulatory expectations.

The outcome of these identification exercises helps Belfius prioritise actions while feeding its business and sustainability strategy. This includes decisions regarding how to ensure sustainable growth, the identification of the most valuable products and service offerings, possible influence on pricing as well as, amongst others, the adaptation and mitigation activities that should be pursued.

For details on Belfius' so far identified material risks and opportunities related to its banking and insurance activities, please refer to section 7.3.2.

Operational risks

For several years, attention has been dedicated to the impact of climate-related risks on Belfius' operational resilience. The bi-yearly threat analysis exercise measures the impact of physical risks, including natural disasters, on assets such as Belfius data centers with a view on business continuity. If necessary, adequate mitigating actions are then taken to ensure ability to continue or quickly resume critical activities in case of extreme events. It should be noted that most critical activities are executed simultaneously in different places and that the use of adequate technologies are also limiting the potential impact of climate-related risks on activities.

Belfius has also significantly strengthened its approach regarding its suppliers with the set-up of a specific ESG due diligence screening process. Since 2020, Belfius further detailed and sharpened its commitments towards sustainable procurement. In particular, the Procurement Policy has been reviewed by integrating ESG considerations into the supplier selection process. This includes a Sustainability Code of Conduct for suppliers that defines principles with which to comply, the conducting of vendor assessment and monitoring initiatives with a third party, as well as ESG scorecard monitoring. For more information, please refer to section 6.1.6.: Sustainable Procurement.

7.3.5.1. Risk identification and assessment of banking activities

Following the first high-level materiality assessment conducted in 2022, Belfius identified that credit risk is the risk category that will be most subject to climate risks, where corporate and business loans on the one hand and mortgage loans on the other appear to be the asset classes that are the most sensitive to climate risks. More granular and mature materiality assessments will be performed in 2023 to assess credit risks in more detail and cover other risk types to identify additional risk pockets or confirm their immateriality.

When it comes to the physical risks of climate, Belfius' loans and advances exposures are primarily concentrated on Belgian counterparties (> 95%), a country exposed to limited physical risks according to an S&P assessment on country vulnerability to weather-related events where Belgium is qualified as a "less vulnerable country". This assessment is similar to the outcomes of the Thinkhazard tool that only identifies rivers, coastal floods and wildfires as prominent risks. Therefore, geography is currently not considered as a major driver in Belfius' risk management approach. Belfius climate risk exercises mostly focus on transition and flood risks.

At portfolio level

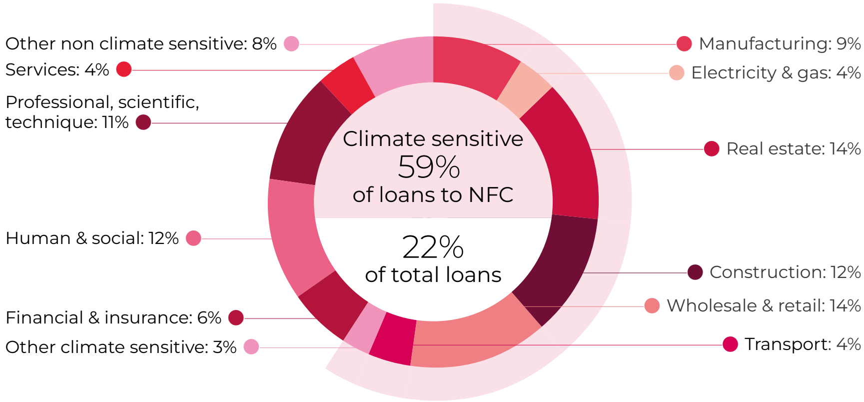
In 2021, Belfius carried out several in-depth analyses within its "loans and advances to non-financial corporates" portfolio aimed at identifying the most vulnerable counterparties and assets and quantifying its exposure to these risk pockets. These exercises were updated and refined in 2022.

The screenings that were performed are detailed hereunder, as well as their outcome. Please note however that these exercises are constrained by data limitations, including the prerequisite that the NACE code reflecting the real, precise, up-to-date activity of each company has been assigned to it. Belfius puts effort into continuously improving the quality of its non-financial data and will adjust the figures in future reporting if necessary.

- Belfius' exposure to climate-sensitive sectors was recalculated. It amounts to EUR 24.2 billion as of 31 December 2022.
  The definition used by Belfius to identify climate sensitive sectors takes into account definitions provided by CPRS[1], but also the climate stress methodology provided by the ECB (list of carbon intensive industries) and Pillar III ESG standards (list of sectors that highly contribute to climate change). It includes exposures on NACE codes A to H and L.

(1) The Climate Policy Relevant Sectors (CPRS) is a classification of economic activities to assess climate transition risk, first developed in an article by S. Battiston et al. (2017) published on Nature Climate Change. The CPRS classification, which has been refined over the years, has been widely used by practitioners and policy makers to assess investors' exposure to climate transition risk.

Breakdown of exposure to climate-sensitive sectors (as of 31/12/22)



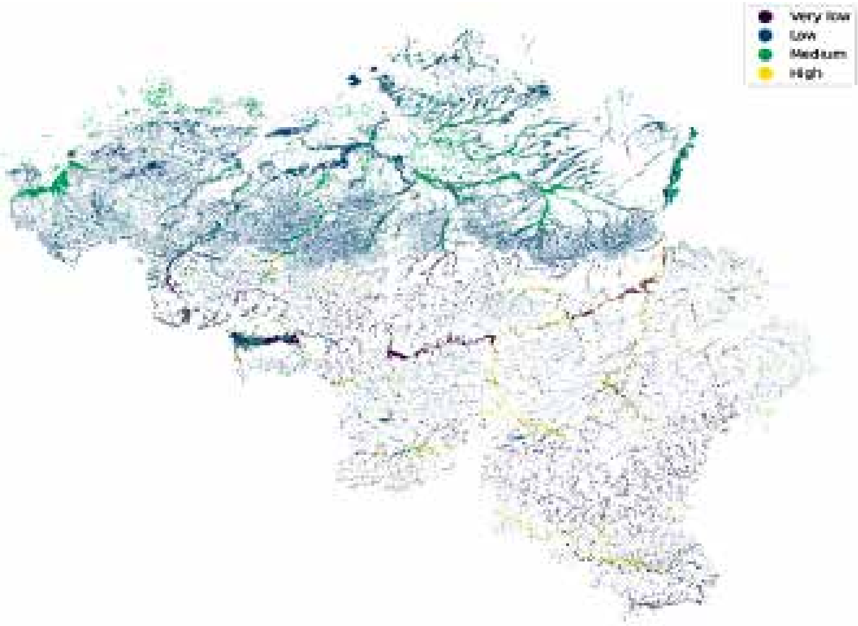
This is a sector-level analysis that does not take into account the huge potential differences between industries and companies within one sector. All companies active in a given sector are thus considered "at risk". In order to finetune this analysis, deep dives would be required to identify enterprises that have already taken measures to mitigate the risks via a transition plan, disinvestments, market and technological shifts, reduction of their carbon footprint, energy sourcing switches or limitation of their dependency on natural resources, to name a few. These companies could then be excluded from the list of vulnerable counterparties, which would in turn significantly lower the figures presented here.
The proportion of climate sensitive exposures in loans and advances to non-financial corporations and total loans and advances, is globally unchanged compared to 2021 and amounts to 22% and 59% respectively.
It should be noted that no huge sectorial concentration is observed in the balance sheet, neither in climate sensitive nor other sectors, with no single sector representing more than 14% of loans to non-financial corporations. The climate sensitive sectors that each compose more than 10% of this portfolio are "wholesale and retail", "construction" and "real estate". Exposure to the most vulnerable sectors such as agriculture and mining are particularly small (0.3% and 0.1% respectively). Climate sensitive exposures are managed through the Transition Acceleration Policy, Risk Appetite Framework and ad hoc hedges for single name concentrations.

- Belfius' exposure to fossil fuel projects and companies amounted to EUR 1.2 billion as of 31 December 2022. In this screening, a customised fossil fuel definition based on NACE-codes along the fossil fuel value chain referenced in either CPRS or Pillar III was used. The methodology used for this fossil fuel value chain screening is constrained by data limitations. Most of the exposure (EUR 0.9 billion) is part of the legacy run-off portfolio. De-risking opportunities of the run-off portfolios are assessed on a regular basis and counterparties' ESG profiles, including climate transition risks, are factored into the analyses. In the meantime, mitigating actions (e.g. swaps) have been taken for these most climate sensitive exposures.

In 2022, the focus was set on real estate assets, since mortgage loans constitute a significant share of Belfius' financing activities and the bulk of these exposures are secured by real estate assets. A mortgage simulation tool was developed to project possible evolutions of mortgage loan portfolios in the long term (up to 2050), triggered by physical and transition climate risks. This dynamic view on climate risks allows to project risk levels over time. A number of proxies and assumptions have been embedded in the tool using data from official documents (e.g. NGFS scenarios, Belgian flood maps), existing policies (e.g. regional climate plans) and in-house studies performed with the support of the Belfius research department or academic institutions such as the University of Ghent.

- Using this tool, an analysis to assess the physical risks related to floods within Belfius' banking and insurance mortgage portfolio was conducted. Currently, floods are considered as the main physical climate risk in Belgium. The real estate assets used as collateral have been geolocalised and mapped to the latest available regional maps on flood risk existence and severity.

Flood map for Belgium as of 31/21/22, combination of regional maps with varying risk scales



The results showed that 90% of Belfius' mortgage exposures are located outside of flood risk zones, around 9% in low or very low risk zones and 1.6% in medium or high-risk zones. These percentages might evolve over time as new maps become available and cover additional risks (such as the sea level rise risk). Belfius will update the figures accordingly.

- The prospective module simulates the possible long-term impact of transition policies (estimated by mainly taking into consideration EPC required by Belgian authorities for Belgium's climate plans by 2050) on assets and debtors under various NGFS inspired scenarios. It also covers the potential impacts of flooding on asset values and debtor's credit risk profiles. This allows Belfius to assign "climate vulnerability scores" to assets and debtors, cluster them and identify the characteristics of the most vulnerable ones and thus the main risk pockets within its mortgage portfolio.

Scenario	Risks evaluated	Time horizons and intervals	Modelling assumptions	Sector exposure and business segment scope	Granularity of the assessment	Approach and methodology	Portfolio scope, coverage and exclusions	Output metric
NGFS[1] 2021-Net Zero 2050 NGFS 2021-Delayed Transition NGFS 2021-Current policies	Transition risks (EPC driven) and physical risks (flood risk)	2025-2030-2040-2050	Dynamic balance sheet EPC improvement trajectories	Mortgage loans	Asset and debtor	Sensitivity analysis based on location and energy performance of immovable property used as collateral	96% of the portfolio for flooding risk 47% of the portfolio for transition risk	Intermediary metrics: LTV[2] and EDSTI[3] Final metric: Climate vulnerability score per asset and debtor

(1) NGFS: Network for Greening the Financial System.
(2) Loan to Value.
(3) EDSTI: Energy bill & Debt servicing to income.

The main conclusion of the performed simulations at the moment is that the “delayed transition” scenario appears more risky than the “net zero” or “current policies” ones, with risks peaking in 2030.

At counterparty/asset level

Since there is more data available at sector-level than company-level, a top-down approach to materiality assessment is a logical first step to gaining quick insights on risks. However, the added value of these approaches remains limited as sector-level data do not take into account the large differences between firms within a sector, such as companies’ production processes and technologies, company specific strategies and dynamics over time. The same is true for the mortgage portfolio analysis, from which Belfius can gather interesting insights at portfolio level but that are based on numerous assumptions and proxies.

Consequently, Belfius believes the bottom-up approach is complementary to the top-down approach in risk assessment. Belfius started performing these analyses by assigning individual scores to individual companies with the help of a tool that was developed in-house. This tool factors in a range of qualitative and quantitative ESG indicators to which varying weights have been allocated.

This tool will enable Belfius to rank counterparties based on their exposure to ESG factors, their willingness to take ESG issues into consideration, their ability to assess and measure ESG risks and opportunities, their capacity to monitor ESG risks, their current ESG risks management practices, the results of their mitigation actions, their level of transparency and their overall performance with regards to ESG.

This risk scoring approach is fully integrated into a customer dialogue. Indeed, the questionnaire used to capture the relevant data serves as a basis for engaging more deeply with clients to better understand where they stand, what their key issues are, how they plan to transition to a low carbon economy and how Belfius can support them to this end. As such, the ESG score will be embedded in Belfius’ commercial strategy.

The aforementioned ESG scores are also expected to contribute to quantification of credit risks if and when a robust statistical link can be made between these scores and risk parameters, such as probability of default and loss given default.

Belfius is in the process of developing a similar individual ESG risk scoring tool for its mortgage loans in 2023.

7.3.5.2. Risk identification and assessment of insurance activities

As a first step, a climate risk map was established in 2021 following EIOPA’s opinion and guidance published on the use of climate scenarios in ORSA. The goal was to better assess risks and led to a first top-down risk assessment. Results are shown in section 7.3.2.

As part of this analysis, Belfius Insurance started a global climate risk materiality assessment in 2022 that will be finalised in 2023. Materiality assessment will cover all Belfius Insurance activities in order to determine which bear the most material risk and to identify if more accurate indicators to assess and monitor these risks are needed.

As a first assessment of transition risks in insurance activities, CPRS classification and the Paris Agreement Capital Transition Assessment (PACTA) tool were applied to the Belfius Insurance equity portfolio. As a result, the CPRS assessment shows that exposure to the high transition risk sectors on equity is limited, except for the real estate side where Belfius Insurance’s exposure is quite material. This exposure will be analysed more deeply in the future and extended to the portfolio of Corporate bonds.

Regarding the climate risk on government bonds, the Notre Dame Adaptation Initiative Index (ND Gain) has been applied to Belfius Insurance's portfolio. This index summarises a country's vulnerability to climate change. It showed that Belfius Insurance's government bonds portfolio was mainly composed of assets belonging to countries that were among the less vulnerable to climate change.

Based on the climate risk mapping and Belfius Insurance's risk insurance taxonomy, Belfius Insurance crystalised ESG risks around three categories:

- **Regulatory risk**: risk of not respecting regulations related to sustainability in due time;
- **Strategy risk**: risk of ESG ambitions being considered insufficient or late by stakeholders;
- **Resilience risk**: risk of ESG event or evolutions materially affecting profitability and solvency.

For the first two categories, the risk level is assessed on a quarterly basis. Assessment is done by the risk management function in collaboration with Belfius Insurance's sustainability manager.

For the third risk category on physical risk (resilience), the existing indicator relates to the risk mitigation on Natural Catastrophy events impact from the reinsurance program, which is reassessed annually. In addition, specific analyses of resilience risks for both physical and transition risks are being developed in a climate risk materiality assessment. This analysis is following several guidances published by EIOPA on "Application guidance on running climate change materiality assessment and using climate change scenarios in the ORSA", "Sensitivity analysis of climate change related transition risks", and "European insurers' exposure to physical climate change risk: Potential implications for non-life business".

Belfius Insurance's ESG Risk Management journey so far

In order to manage sustainability risks, Belfius Insurance devised a multi-year risk roadmap to foster awareness in the first line of defense and embed ESG into the business decision processes. Belfius Insurance maximally aligns with the Belfius Group approach for more efficient and consistent solutions.

The implementation of the Belfius Insurance ESG risk roadmap started in 2021 and continued in 2022, resulting in tangible achievements:

- the establishment of a climate risk map in 2021;
- the execution of a first stress test in 2021 – following ORSA's solicitation – reviewed in 2022. The outcome of both test runs was that the Belfius Insurance solvency ratio was strong enough to withstand these shocks;
- the inclusion of the ESG dimension in key risk management tools e.g. Risk Taxonomy, Risk Charter, Investment Risk Framework, Real Estate Risk Framework, RICAP & SARIC, etc;
- the adaptation of the 2022 Risk Appetite Framework, to track three types of risks linked to ESG: regulatory, strategy and resilience;
- the appropriate inclusion of climate elements in insurance underwriting and reservation;
- the inclusion of ESG elements (EPC) in mortgage loans acceptance guidelines and pricing;
- the implementation of a process to ensure TAP compliance of financial investments.

7.3.5.3. Risk identification and assessment in asset management activities

In order to better identify and assess the risks of its investment activities, BIP looks at sectoral breakdowns, existence of PAI's, as well as evolution of social trends and interacts with its asset managers on a range of responsible investment topics, including management of climate-related risks. To improve identification and assessment of climate related risks:

- **Candriam** actively engages with investee companies to improve access to climate-related information so as to better assess companies' exposure, support alignment with TCFD recommendations and encourage efforts to improve the disclosure of Scope 3 emissions.
- **BlackRock** engages with investee companies regarding their climate risk disclosures and practices by requesting net-zero aligned business plans consistent with their business model and sector, considerations on reliable energy supply and assessment of impact of the just transition on their business. Through these activities, BlackRock assesses climate risk exposure at portfolio level, amongst others.
- **JP Morgan** encourages investee companies to report on their climate risk exposure. Efforts towards transparency allow JP Morgan to assess risks stemming from climate and environment.

7.3.6. Scenario analysis and stress testing

One of the most efficient ways to ascertain Belfius' level of climate resilience is to perform dedicated stress tests considering various climate-related scenarios with different temperature increases and transition pathways, including different time horizons. Such exercises allow Belfius to quantify the potential impacts of certain events relating to climate change and pave the way for risk mitigation solutions. Belfius believes that climate stress tests will undoubtedly become a common feature of financial institutions' stress test frameworks.

In the first half of 2022, Belfius Bank participated in the ECB climate stress tests and integrated climate scenarios in its internal stress tests for the financial planning process. Under the run scenarios, simulations showed limited and manageable vulnerabilities. For its part, Belfius Insurance conducted internal stress tests as part of its ORSA, leveraging upon and tailoring the scenarios provided by European regulators.

Belfius Bank supervisory stress test

ESG Risk Management through the supervisory lens

One of the ECB's missions is to ensure the safety and soundness of the financial system. In line with the growing importance of climate change for the economy and increasing evidence of its financial impact on banks, the ECB (in its role as a supervisor of European banks) expects banks to properly detect, manage and disclose risks stemming from climate change:

- in November 2020, the ECB published a guide on climate-related and environmental risks;
- banks were required to perform a self-assessment in early 2021 and submit an action plan to close any existing gaps between practice and supervisory expectations outlined in the guide;
- the ECB provided feedback to each significant institution by the end of 2021 and published a first report on the state of climate and environmental risk management in the banking sector in November 2021;
- in 2022, the ECB further stepped up its efforts by conducting a supervisory stress test exercise focusing on climate related risks and a thorough review of the practices of 186 banks (via a thematic review on environmental and climate related risks);
- following these exercises, the ECB published several reports, including papers highlighting good practices in the field of climate risk management on the one hand and climate stress testing on the other. A new report was also published regarding banks' climate related risk disclosures.

The main conclusion from the thematic review at sector level was that "despite improvements, banks still need to better identify and manage climate and environmental risks: even if 85% of banks now have in place at least basic practices in most areas, they are still lacking more sophisticated methodologies and granular information on climate and environmental risks."

To encourage banks to speed up their efforts, the ECB decided to set staggered (institution-specific) deadlines for banks to progressively meet all supervisory expectations by the end of 2024. Each systematically significant financial institution thus received its own individual feedback letter, detailing identified weaknesses and shortcomings and communicating expected remediation dates.

Outcomes from the thematic review were integrated in the Supervisory Review and Evaluation Process (SREP) and, in some limited cases, resulted in binding qualitative requirements or even an impact on the SREP score (affecting, in turn, Pillar 2 capital requirements of concerned banks).

Upon the request of the ECB, Belfius Bank, like other European banks, will submit an updated action plan by 31 March 2023, highlighting the additional actions that will be undertaken in 2023 and 2024 to accelerate the integration process of environmental and climate-related risks in Belfius' risk management framework.

The whole financial sector expects supervisory scrutiny to remain high and new supervisory exercises to be launched.

More details on the aggregated results and lessons learnt from the thematic review of environmental and climate related risks can be consulted here: Walking the talk – Banks gearing up to manage risks from climate change (europa.eu)

The European Central Bank (ECB) organised the first supervisory climate stress test during the first semester of 2022. Belfius was one of the 104 significant banks who participated in the two first modules of the test relating to climate stress-test capabilities and reliance on carbon-emitting sectors. Furthermore, Belfius was also among 41 banks that had to carry out a bottom-up stress test aimed at gauging their performance under different scenarios over different time horizons through a projection of potential losses based on shocks proposed by the ECB.

It should be noted that, unlike other supervisory stress tests, this was not a capital adequacy exercise, but rather a joint learning exercise with pioneering characteristics whose goal was primarily to assess the financial sector's preparedness in this field and explore the possible impacts of climate-related factors on the economy and the financial system. The exercise therefore focused solely on the impact of global warming on a limited set of risk parameters and only entailed a first gross estimation of the probabilities and magnitude of potential losses arising from acute weather events and different transition pathways to a low carbon economy. Transition risks and physical risks were assessed separately.

Description Module 3 (bottom-up stress test)

	Transition risk assessment		Physical risk assessment	
SCOPE	Corporate exposures and Mortgage loans		Mortgage loans and Corporate exposures secured by real estate	Corporate exposures not secured by real estate
HORIZON	3 year	30 years	1 year	1 year
SCENARIO	Disorderly transition (NGFS)	3 scenarios: orderly transition, disorderly transition and hot house (NGFS)	Flood	Drought
RISK DRIVER	Sharp increase of carbon price	Changes in Gross Added Value per sector	Collateral's value decrease	Labour productivity losses
TRANSMISSION CHANNEL	Credit and Market	Credit	Credit	Credit
BALANCE SHEET	Static	Dynamic	Static	Static

The aggregated results at European level[1] show that banks' losses are lower in an orderly transition scenario than after delayed action. Almost two-thirds of banks' income from non-financial corporate clients come from GHG intensive industries. Credit and market losses in the short-term, disorderly transition and the two physical risks scenarios amount to around EUR 70 billion.

Belfius' individual results show good resilience and globally satisfactory performance. Vulnerabilities to climate scenarios are highly dependent on the sectoral breakdown of the corporate portfolio and the geographical location of the real estate assets used as collateral for mortgage loans and corporate exposures. Belfius Bank's relatively low concentration of corporate exposures to carbon-intensive sectors[2] explains Belfius' manageable sensitivity and vulnerability to transition scenarios. The modest impact of the physical risk scenarios in terms of credit risk parameters is mostly linked to Belfius Bank's very limited exposure to the agriculture sector that is one of the most heavily hit sectors in case of drought, and to the fact that almost all the immovable property used as collateral at Belfius is located in Belgium, for which no high flood risk zone was defined according to the ECB's methodology.

Results should however be interpreted with caution. Key lessons learnt from this exercise is that financial institutions face significant challenges as accurate data is often still lacking to better assess the level of exposure and most banks rely on models that currently only rudimentarily capture climate factors. Lastly, it should be noted that the scope of this exercise in terms of balance sheet coverage was rather limited and that second round effects of certain scenarios were excluded.

Belfius will use the findings and good practices derived from this exercise as a compass to guide it towards an even better incorporation of climate risks into Belfius' stress-testing framework, internal models and long-term strategy.

(1) See ECB press release published on 8 July 2022: Banks must sharpen their focus on climate risk, ECB supervisory stress test shows (europa.eu)
(2) As mentioned elsewhere in this report, the agriculture and mining sectors only represent very limited exposures on Belfius Bank's balance sheet. The quality of Belfius Bank's exposures in the energy sector should also be underlined as Belfius does not have any coal-extraction exposure based on available NACE data, has put strict lending limits in place for companies active in fossil fuel related industries and finances many renewable energy projects.

Belfius Bank internal climate stress test

Leveraging on the supervisory climate stress test, Belfius included a flood scenario in its 2022 internal stress test. The rationale behind this scenario is that better informed buyers combined with more (severe) flood occurrence in the coming years will lead to a permanent flood risk discount of asset values in regions prone to flooding. This scenario was applied on the mortgage loans portfolio and aimed at forecasting the impact on the cost of risk of market values shocks on residential properties following a flood event. Damages to properties were assumed to be insured and were thus not included in this assessment. In other words, the analysis focused on Loan to Value and Loss Given Default impacts, rather than Probability of Default impacts.

The internal flood scenario differed from the supervisory scenario, as Belfius used the official regional flood maps that are more precise than the map at NUTS3 level proposed by the ECB. A coastal flood/sea level rise risk was also considered in the scenario and several shocks in the form of haircut levels on the value of the properties were applied.

Scenario	Risks evaluated	Time horizons and intervals	Modelling assumptions	Sector exposure and business segment scope	Granularity of the assessment	Approach and methodology	Portfolio scope, coverage and exclusions	Output metric
Own flooding risk scenario based on ECB's supervisory climate stress test scenario	Physical risks (flood risk)	Frontloaded impact in 2022	Static balance sheet Damages insured	Mortgage Loans	Asset	Applying several haircuts to the market value of the collateral in function of the flood risk level associated with their location	100% of the portfolio	Intermediary metrics: Collateral market value, LGD(1) and LTV(2) Final metric: Cost of Risk

(1) LGD - Loss Given Default.
(2) LTV - Loan to Value.

Results from this sensitivity analysis showed that the absolute impact on the cost of risks remained limited, even in the most severe scenario, as less than 12% of Belfius' exposures are located in a zone that is considered as subject to flood risk. Following this first internal stress test exercise, Belfius plans to include additional and fine-tuned scenarios in the future.

Belfius Insurance climate stress test

Based on the outcome of its climate risk mapping exercise, by the end of 2021 Belfius Insurance conducted its first stress testing exercise in its ORSA. For more details on climate risk mapping please refer to section 7.3.2.

The scenario used in the stress test consisted of:

Extreme catastrophic events with exceptional magnitude such as unprecedented storms lead to deadly floods in Belgium, the Netherlands and Northern Germany. Following public opinion voicing for immediate change, these events trigger a major transition risk by an abrupt implementation of climate regulations heavily penalising high GHG emitters. The regulations designed to reduce GHG emissions materially impact the profitability of many companies leading to highly negative performances of stock exchanges and a credit crisis. The economic recovery is neither supported by major technological breakthroughs, nor by a positive perspective for climate action. These events lead to a structural deterioration of the economic situation for several years, materially and negatively impacting public debt. The reinsurance cost increases significantly.

The stress test scenario conducted was similar to the "disorderly transition scenario" developed by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS)[1], however calibration used for this stress test was inspired by the DNB "policy shock" scenario[2] coupled with additional calibrations used in former Belfius internal stress tests.

For the second stress test which was part of the 2022 ORSA, several stress alternative scenarios proposed by European supervisory authorities (i.e. the Bank of England, the French Prudential Supervision and Resolution Authority, the EBA) in 2021 were reanalysed, but their impact was considered too mild for a stress test exercise. It was decided therefore to keep calibrations used in the first Belfius Insurance climate stress test performed in 2021 for this stress test.

These two stress test exercises show that, in these given scenarios, Belfius Insurance solvency ratio is impacted, but solvency risk appetite indicators continue to be respected. This resilience is due to Belfius' business strategy and proper risk mitigation systems already in place through an effective reinsurance programme, appropriate insurance underwriting and pricing practices, as well as the limits included in the investment risk framework.

7.3.7. Environmental and climate risk mitigation

To mitigate the identified environmental and climate risks, Belfius has put in place a series of key measures, most of which apply to the whole group/business areas, while some are specific to insurance and asset management activities.

Accordingly, climate and sustainability dimensions are gradually included into business practices for all Group activities, leading to certain climate risk mitigations by design. For banking, climate risks are progressively being integrated in the full end-to-end credit process. Similarly, ESG considerations will gradually make their way into pricing guidelines and collateral valuation tools. That being said, physical climate events have been embedded into practices related to product underwriting & pricing and reinsurance activities for decades now.

In line with its overall group sustainability strategy that covers all business activities (i.e. lending, insuring, investing), Belfius' commitments to decarbonise and its ambition to increase its positive impact on its value chain through more sustainable product and service offerings provide further safeguards in managing risks stemming from environment and climate concerns.

For more details on Belfius Group 's commitments and strategy on climate and environmental risks, please refer to section 7.3.3.

Limits to financing with the Transition Acceleration Policy (TAP)

As mentioned in the previous chapters, the TAP serves as a risk management tool for the whole group by excluding or restricting the financing of activities deemed non sustainable, enabling Belfius to lower its exposure to those activities which present increased financial and reputational risks. This policy is applicable to all types of activities and was immediately applied to new customers from its introduction. Customers who were not in line with the guidelines were not onboarded and the TAP is currently also being applied to existing customers on a progressive basis. Additionally, Belfius' commitment to the TAP has triggered modifications to other policies and guidelines, such as the credit acceptance policy and investment risk framework.

All investment products for which Belfius has full control must be TAP-compliant. This also applies to the funds managed for Belfius by its preferred asset management partners – Candriam, BlackRock Investment Management and JP Morgan Asset Management – as they fall into the above-mentioned scope.

Limits to financing with the Risk Appetite Framework

The Belfius Risk Appetite Framework (RAF), which already included social and governance key risk indicators, is gradually enhanced year upon year with a revision of ESG related qualitative statements and the inclusion of additional ESG quantitative risk indicators. The governance around these climate-related key risk indicators follows the one defined for the RAF in general.

New limits that will be implemented as from 2023 relate, among others, to fossil fuel exposures, the share of mortgage loans collateralised by immovable property located in zones subject to medium or high flood risk, and the proportion of Belfius Bank's mortgage loan production collateralised by real estate assets with very low energy performance certificates.

The targets set on a one-year horizon are revised on a yearly basis and are expected to be stricter over time to meet long-term objectives. A first threshold is set that triggers internal escalation to relevant management bodies, a second threshold requires corrective actions.

Belfius aims to gradually extend the number of key risk indicators to include a monitoring and control of indirect impacts through financed activities and to implement additional and more granular targets and limits.

(1) https://www.ngfs.net/ngfs-scenarios-portal/explore/
(2) 2018 DNB stress test: https://www.dnb.nl/media/pdnpdalc/201810_nr-_7_-2018-_an energy_transition_risk_stress_test_for_the_financial_system_of_the_netherlands.pdf

Specific measures taken by Belfius Insurance

In order to mitigate the risks related to the resilience of Belfius Insurance in the case of ESG risks affecting profitability and solvency, on the asset side, Belfius Insurance has integrated ESG related criteria in its investment risk framework and investment decisions, real estate decisions, fund selection, acceptance criteria and pricing of mortgages based on EPC scores.

On the non-life insurance underwriting side, climate event risk is materially mitigated thanks to the reinsurance programme. Furthermore, climate-related risk is integrated in underwriting acceptance criteria and pricing mainly for home and motor insurance. Perils included are floods, windstorms, hail and subsidence. Flood risk level is used to determine Natural Catastrophe premium level in home insurance based on flood risk maps. Other perils are included in the pricing but are not based on localisation. Subsidence risk is a more recent focus and models have been designed to estimate the necessary provisions to face related claims.

Specific measures taken by Belfius Investment Partners (BIP)

Regarding BIP's asset management activities, BIP mitigates risks stemming from sustainability (including climate) for its own investments by:

- considering sustainability risks (e.g. PAI's) in the financial analysis of individual investment instruments (e.g. shares, bonds);
- applying sector/industry limits at portfolio level related to sectors that are considered to have high sustainability risk (e.g. carbon intensive sectors, in line with the TAP);
- using voting rights (in the case of shares) to vote at shareholder meetings in favour of agenda items and shareholder resolutions related to sustainability risk related topics such as improving governance structures, increasing corporate disclosures related to sustainability aspects and implementing targets related to material sustainability topics;
- engaging with investee companies to first better understand the sustainability risks they are exposed to and the actions they have taken to identify, measure, mitigate and monitor them, and secondly to stimulate company management to take suitable action in the event that a high unmanaged sustainability risk has been identified.

PAI's are considered at investee company level where BIP selects individual securities, such as stocks and bonds. Where ETFs/funds are selected or the fund management is delegated to an external asset manager, BIP has requirements in place that its external managers need to meet with respect to various aspects of responsible investment, including identifying, measuring, managing and disclosing the PAI's of the investments. BIP then takes into account the PAI's considered by the selected asset managers.

In its Proxy Voting Policy, BIP commits to encourage companies to incorporate ESG considerations in their activities and supports environment-oriented proposals. In addition, BIP requests its external partners to either have or design a formal engagement policy on ESG related topics. BIP expects partners' approaches to be based on structural and systematic engagement with investee companies in relation to sustainability aspects that may be material to the financial value of the investment.

Whenever BIP believes an external asset manager is not operating entirely in line with BIP's responsible investment requirements, BIP actively further engages with them to resolve the issue. When needed, BIP approves an agreed upon period to meet requirements.

On top of BIP's own mitigation actions, BIP's external partners Candriam, BlackRock and JP Morgan also use risk mitigation actions such as investee engagement and proxy voting with regards to climate, amongst others.

7.3.8. Climate risk monitoring and reporting

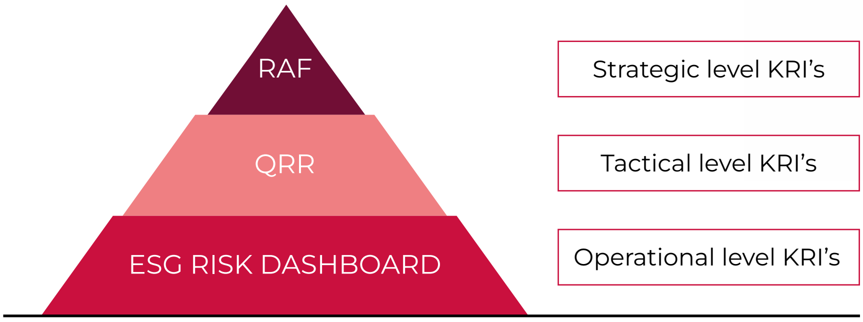
In order to properly monitor environmental and climate risks, Belfius is in the process of setting up an ESG Risk Dashboard. This tool lays the foundations for the comprehensive management of ESG risks and can be used to both support strategic objectives and ensure the institution's global resilience. It is reviewed and monitored on an ongoing basis. Indicators relate for instance to the availability of counterparty or asset level data.

Some of the input from the ESG Risk Dashboard is integrated into the Quarterly Risk Report (QRR) submitted to the Management Board and the Board of Directors. Examples of relevant indicators include statistics regarding the collection of EPC data and the distribution of EPC scores within the mortgage loans portfolio, a breakdown of ESG scores assigned to suppliers, as well as metrics related to operational events in the field of ESG (e.g. litigations, fines, penalties).

Finally, key risk indicators have been translated into limits incorporated in the Risk Appetite Framework. For more details on the RAF, please refer to section 7.3.7.

When mature, additional input from the ESG Risk Dashboard is expected to feed through to other strategic decisions such as limits at individual or portfolio-level and adjustments to Belfius TAP with financing conditions or exclusions.

KRI mapping



Sustainability-related commitments and targets are also monitored and reported to the Board of Directors on a regular basis throughout the year. The RAF for instance includes dedicated KRI's relating to the follow-up of the timely implementation of the ECB ESG action plan and the achievement of Belfius' decarbonisation targets of Belfius' own operations (see section 7.1. and 8). The evolution of the average CO_2 emissions of Belfius Auto Lease's car fleet is also subject to a monitoring process (see section 5.2.5.2.).

Furthermore, relevant teams (e.g. legal, risk, central Sustainability team) monitor environmental and climate-related regulatory risks on a quarterly basis to ensure full compliance with related regulations.

The search for accurate ESG data

Gathering granular data (at counterparty/asset level) is crucial but remains challenging, especially for non-listed or smaller companies where most data points are not yet publicly available and sometimes even non-existent.

A mix of internal and external data sources such as opensource data, data from external service providers or data submitted directly by customers are being used to this end. Proxies and estimations are being developed to fill the gaps.

Belfius set up a dedicated ESG Data Programme in 2020 which mainly focused on:

- the setup of a data (governance) framework;
- the identification of all data needs;
- capturing the required data and ensuring consistency between data sources (one single version of the truth);
- designing new calculation engines where appropriate (for instance for carbon accounting purposes);
- storing and making the data and outputs of calculation engines available to all business units.

As of now:

- some important data points are already readily available in Belfius' systems but need to be improved upon to finetune Belfius' risk analysis:
  - NACE codes: the sector corresponding to a company's main activity is known, but Belfius requires comprehensive and granular identification of all material activities carried out by a company;
  - addresses: the localisation of a company's headquarters and the immovable property used as collateral is known, but further identification of addresses of all immovable properties owned or used by a company (storage facility, plant, shop etc.) is needed.

Availability of some other crucial data points remains limited:

- GHG emissions:
  - at this stage, only listed and large companies disclose their carbon footprint (but covering varying scopes which poses comparability issues);
  - this information is mostly collected either via a third party provider, or through a questionnaire/survey to be filed by the customer;
  - a workaround is foreseen via a proxy calculated using PCAF emission factors and based on companies' revenues.
- EPC:
  - as Belgian banks have not been granted access to regional EPC registers, they must collect certificates directly from customers;
  - the EPC certificate has become a mandatory document in the credit granting process since 2021 and is available in around 70% of 2022's new mortgage production. As regional EPC regulations only impose the drafting of an EPC in certain cases, reaching coverage of 100% is impossible;
  - following some communication actions, Belfius also managed to capture this information for a limited share of its lending stock predating 2021;
  - for properties where EPC data is lacking, a workaround will be set up via a proxy provided by a third party.

7.3.9. Metrics and targets

Belfius as a group identified key metrics to measure and manage climate-related risks and opportunities. Due to their nature, these metrics are followed up by different functions within Belfius for different purposes. In addition to the aforementioned ESG Risk Dashboard that combines several key risk indicators which will be embedded to determine risk appetite framework around climate risk, Belfius has articulated a dashboard of key performance indicators around four topics: internal KPIs to implement the "Walk the Talk" strategy, as well as commercial KPIs for meaningful investing, insurance and financing offerings. For more details, please refer to Chapter 5: Meaningful Growth.

As on one of its key metrics, Belfius uses the percentage breakdown of climate sensitive sectors within its loans and advances portfolio. Belfius identifies climate sensitive sectors using an in-house selection of NACE codes based on CPRS methodology, ECB climate stress test methodology and Pillar III ESG standards.

Breakdown of climate sensitive sectors in Belfius' loans and advances portfolio	Carrying amount (%) 31/12/21	Carrying amount (%) 31/12/22
Manufacturing	8.0%	8.7%
Electricity, gas, steam and air conditioning supply	4.1%	4.0%
Construction	12.4%	12.1%
Wholesale and retail trade	14.3%	14.0%
Transport and storage	3.4%	3.6%
Financial and insurance activities	4.3%	6.2%
Real estate activities	13.8%	13.8%
Professional, scientific and technical activities	11.6%	11.4%
Administrative and support service activities	4%	3.7%
Human health services and social work activities	13.3%	12.0%
Other climate-sensitive sectors	2.9%	2.7%
Other non climate-sensitive sectors	7.9%	7.6%
LOANS AND ADVANCES NON-FINANCIAL CORPORATION (in millions of EUR)	36,078	40,990
LOANS AND ADVANCES TOTAL (in millions of EUR)	101,382	107,824
TOTAL CLIMATE-SENSITIVE SECTORS (in millions of EUR)	21,258	24,215
CLIMATE-SENSITIVE SECTORS AS % OF LOANS AND ADVANCES TO NON-FINANCIAL CORPORATIONS	59%	59%
CLIMATE-SENSITIVE SECTORS AS % OF LOANS AND ADVANCES	21%	22%

Red: climate-sensitive sector.

While Belfius has already been disclosing its Scope 1, Scope 2 and Scope 3 emissions covering its operational activities on a voluntary basis, for the first time in 2022 Belfius accounted for and disclosed its financed emissions. 2022 will be the basis for setting science-based targets in line with Belfius' commitment to the SBTi and climate science. For Scope 1, Scope 2 and Scope 3 emissions breakdown, please refer to section 7.1.

Metrics used for investment activities

Furthermore, all major Belfius entities (Belfius Bank, Belfius Insurance and Belfius Investment Partners) are working towards quantifying their chosen PAI under SFDR regulation and BIP will work on integrating PAIs related to GHG emissions in particular.

Regarding carbon emissions of its investment products that are actively advised by Belfius, Candriam provided data on the metrics below:

Absolute carbon footprint

(in Mio tonnes CO_2)	2021	2022
Belfius and Candriam labeled funds (incl PSP & My Portfolio), actively advised by Belfius, managed by Candriam	1,060,705	811,971

Weighted average carbon intensity (WACI)

	2021	2022	
(Tonnes CO_2e/EUR millions revenues)	Portfolio	Portfolio	Benchmark
Belfius and Candriam labeled funds, actively advised by Belfius, managed by Candriam	115	106	169

Note: the data covers scope 1 and 2 emissions.

7.4. Aligning with the EU Taxonomy – mandatory reporting

The **EU Taxonomy** regulation provides a classification system of economic activities that can be considered environmentally sustainable on the EU market. This classification enables to compare the sustainability performance of economic actors in the EU and is based on the six environmental objectives of the European Commission: climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems. To be qualified as environmentally sustainable, the European definition of sustainability requires that an activity contributes substantially to one of the six environmental objectives of the European Union and that it does not harm any of the other five European environmental objectives, in accordance with the technical criteria defined in the regulations. In addition, each actor subject to this regulation must also prove that it respects certain minimum social safeguards.

For now, the European Commission has prioritized two of the six objectives. To achieve the objective of **mitigating climate change**, an economic activity must make a substantial contribution to stabilizing greenhouse gas emissions by avoiding or reducing them, or by enhancing the capture of greenhouse gases. This type of activity should be compatible with the long-term objective of the Paris Agreement. An economic activity that pursues the objective of adaptation to climate change should make a substantial contribution to reducing or preventing the negative impacts or the risk of negative impacts of the current climate or its future evolution, whether on the activity itself or on the population, nature or property. The sustainability criteria that will make it possible to meet the four other European objectives are expected to be published in the course of 2023.

This regulation (and the subsequent Disclosure Delegated Act and Annexes) imposes sustainability disclosure obligations to actors on the EU market that are subject to the Non-Financial Reporting Directive (NFRD), namely financial market participants and large public interest companies, and will later cover all large companies and listed SME[1] subject to the Corporate Sustainability Reporting Directive (CSRD). The first exercise started in 2022 required these large public interest companies to publish eligible activities, i.e. activities for which sustainability criteria have been defined in the regulations but for which an assessment of their sustainability did not have to be performed yet. During the year 2023, these same companies must publish the alignment of these activities with the criteria laid down in the EU taxonomy, assessing the sustainability of these activities. The implementation of this legislation is gradual, which should enable involved actors to gather the necessary underlying information on the technical criteria defining sustainability, and to perform the mandatory sustainability calculations.

As financial institutions, the evaluation of our Green Asset Ratio (GAR) and Green Investment Ratio (GIR), or the share of environmentally-sustainable activities complying with the EU Taxonomy criteria over our total assets and investments, is dependent on information published by our clients and investees that are subject to the Non-Financial Reporting Directive (NFRD). Therefore, the Belfius Group publishes here its eligibility report for the financial year 2022 and expects to publish its alignment figures in its Sustainability Report 2023, published in 2024. In the sections below, the eligibility results consolidated by entity for Belfius Bank Group, Belfius Insurance Group and Belfius Investment Partners are presented.

Financial institutions are required under EU Regulation 2022/1214 to disclose the proportion of their eligible and non-eligible nuclear and gas related activities. Belfius does not publish these key performance indicators for the year 2022 due to the lack of reported and sufficiently reliable data from its clients relating to these activities.

(1) Except for listed micro enterprises.

7.4.1. Taxonomy disclosure on Belfius Bank balance sheet

The following table shows Belfius Bank mandatory disclosures. It includes its eligibility percentage, but also further information on the counterparties and instruments that are not included in the sustainability-calculations. The data used to define on-balance sheet assets in this table are aligned with the definitions of the Commission Implementing Regulation (EU) 2021/451 on financial reporting (FINREP) consolidated at Group level.

Taxonomy mandatory reporting for Belfius Bank activities[1]

	Total Gross Carrying amount (in EUR bn)	% covered assets
TOTAL ASSETS	165.82	-
Of which total exposure to central governments, central banks and supranational issuers	50.17	-
Of which trading portfolio	5.27	-
TOTAL COVERED ASSETS (EXCLUDING EXPOSURE TO CENTRAL GOVERNMENTS, CENTRAL BANKS AND THE TRADING PORTFOLIO)	110.38	100%
Taxonomy-eligible economic activities	40.02	36.26%
Taxonomy non-eligible economic activities	9.01	8.16%
ADDITIONAL, COMPLEMENTARY DISCLOSURES ON THE DENOMINATOR	61.36	55.59%
Of which total exposure to derivatives (not in the trading portfolio)	1.19	1.08%
Of which on demand inter-bank loan	3.51	3.18%
Of which total exposure to undertakings not subject to NFRD[2]	46.86	42.45%
Of which non-EU counterparties	6.39	5.79%
Of which SMEs or NFCs not subject to NFRD	40.47	36.66%

(1) These figures do not include capex data.
(2) It is worth mentioning that the identification of non-financial undertakings subject to the NFRD may present some challenges, especially in the case of large international groups and holdings due to lack of qualitative data.

In accordance with the regulations, central governments, central banks and supranational bodies, as well as financial assets held for trading purposes are excluded from the ratio, while companies that are not required to disclose non-financial information under the Non-Financial Reporting Directive (NFRD), derivatives and on demand inter-bank loans are excluded from the numerator only. As the leading bank for public institutions in Belgium, Belfius' sovereign exposure is unsurprisingly high at 30% of our total assets. Unfortunately, this exposure will have no influence on our taxonomy alignment report as these counterparties are entirely excluded from the GAR calculations under the Taxonomy regulation. Furthermore, as a Belgian bank, Belfius has few **non-EU counterparties** in its portfolio, yet a significant exposure (36%) to **small and medium enterprises** (SMEs). Since lending to and investments in companies not subject to NFRD are not eligible for the GAR calculations, the current exclusion of SMEs from reporting obligations is expected to reflect on Belfius' future green asset ratio.

In order to contribute to the GAR of Belfius, the counterparties which Belfius lends to or which Belfius invests in need to be among those that can be taken into account for the calculations under the Taxonomy Regulation. However, the identification of companies subject to NFRD is data driven and comes with many data quality issues. Moreover, the activities run by these companies needs to be eligible, meaning that they are described with sustainability criteria within the regulation.

The eligible activities reported herein have been identified based on loans and advances with known use of proceeds to households and to large corporates subject to NFRD. For such products, we capture information on the destination of our financing in our internal systems and do not rely on third-party information. The largest share of eligible activities identified at present concern real estate activities and motor vehicle loans for households as well as commercial real estate

loans towards large companies. For general purpose loans, i.e. products with unknown use of proceeds, the screening of eligibility percentage part of the mandatory reporting is based on the most recent eligibility data provided by our ESG data provider. Careful review of our ESG data provider's methodology has been performed and only data reported by the underlying counterparties have been used to prepare the figures presented in this table. This eligibility percentage only covers the climate change mitigation objective as data on climate change adaptation is not yet available from our ESG data provider.

It is worth mentioning that our project finance portfolio does not include entities large enough to be eligible in our calculations. Nevertheless, a large part of these projects are related to electricity generation using renewable energy, infrastructure projects for personal mobility or rail transport, as well as some projects on construction of new buildings that could potentially be considered in a later stage. In addition, no exposure to local governments has been identified since the only eligible activity in the Taxonomy relates to social housing, which is financed by the regions in Belgium, and therefore do not qualify as local government financing according to the Belgian National Bank (schema A).

Belfius considers the EU Taxonomy as an essential tool to support the climate transition strategy, next to Science-Based Target setting. The EU Taxonomy is used as a means to identify climate-solutions and opportunities of financing, and in particular as a metric enabling the Belfius Group to better track its contribution to financing assets positively contributing to climate objectives. Development of the Taxonomy to the four remaining environmental objectives will allow us to further identify environmentally-sustainable activities and increase our exposure to green activities. Therefore, Belfius uses the taxonomy to engage with its customers improving their own alignment with the sustainability criteria defined by the EU. During 2022, Belfius launched Ambition Loans in the real estate, transportation, energy and water and waste sectors. These loans are a first attempt to integrate taxonomy activities in our loans offerings. However, several technical criteria of the EU Taxonomy leave room for interpretation or are challenging to implement. Therefore, further research need to be performed or alignment with our peers in the interpretation of the criteria to ensure these products become compliant with the EU taxonomy definitions.

In parallel, Belfius aims to limit its risk exposure and the adverse impact it has on several ESG major issues. Hence, the Group is revising its Transition Acceleration Policy and will consider, amongst other, the technical criteria defined as significantly harmful to the environment, assessing their relevance and practicality of implementation.

7.4.2. Taxonomy disclosure on Belfius Insurance balance sheet

Belfius Insurance assets are presented here according to the guidelines of the Taxonomy Disclosure Delegated Act.

Taxonomy mandatory reporting for Belfius Insurance balance sheet[1]

	Total Gross Carrying amount (in EUR bn)	% of total assets covered by the KPI
TOTAL ASSETS	19.72	-
Of which total exposure to central governments, central banks and supranational issuers	5.64	-
TOTAL ASSETS COVERED BY THE KPI (EXCLUDING EXPOSURE TO CENTRAL GOVERNMENTS, CENTRAL BANKS AND SUPRANATIONAL ISSUERS)	13.88	100%
Taxonomy-eligible economic activities	4.71	33.94%
Taxonomy non-eligible economic activities	3.66	26.4%
ADDITIONAL, COMPLEMENTARY DISCLOSURES ON THE DENOMINATOR	5.50	39.67%
Of which derivatives	0.02	0.12%
Of which total exposure to undertakings not subject to NFRD[2]	0.93	6.70%
Of which non-EU counterparties	0.43	3.11%
Of which SMEs or NFCs not subject to NFRD	0.50	3.59%

(1) These figures do not include capex data.
(2) It is worth mentioning that the identification of non-financial undertakings subject to the NFRD may present some challenges, especially in the case of large international groups and holdings due to lack of qualitative data.

Belfius Insurance commits itself at creating long-term value for our beneficiaries and the community in a responsible manner requiring important decisions about what we choose to do or not considering near financial criteria, also environmental, social and governance criteria. The EU Taxonomy will be one of the ESG criteria that will be considered during the due diligence process.

Our investment strategy is liability-driven as the main objective is to meet our contractual liabilities to policyholders (Pension, Insurance Based Invest products, non-life products, ...). Our investment approach is a buy and hold strategy on fixed income assets.

Therefore, we invest in relatively lower profile risks (as defined by Solvency II) such as sovereigns. Indeed, 29% of Belfius Insurance total assets are sovereign exposure that do not count in the KPI. Compared to the banking group, Belfius Insurance has a relatively smaller exposure to SMEs and corporates not-subject to NFRD. Yet, Belfius Insurance has a larger but still limited exposure to non-EU counterparties.

Data on eligible taxonomy activities in the mandatory reporting are calculated with the same methodology as for the banking group, i.e.:

- either coming from products with known use of proceeds, as mortgages backed activities or direct investment in real estate assets; or
- through reported taxonomy eligibility data captured through our ESG data provider. Therefore, no proxies were used.

7.4.3. Taxonomy disclosure on Belfius Insurance non-life insurance and reinsurance activities

The European Commission is defining specific economic activities that can qualify as sustainable linked with 6 environmental objectives in the EU Taxonomy. One of those objectives is climate adaptation aiming at reducing or preventing the adverse impact of the current or expected future climate, and the risks of such adverse impact. The non-life Insurance activity, or the underwriting of climate-related perils covers, contributes to climate adaptation by supporting people, households and businesses facing life hazards such as natural catastrophes.

Two business lines foresee climate-related covers within Belfius Insurance offer, namely motor insurance (i.e. omnium car) and fire and other damage to property insurance. These two business lines represent 51% of the overall amount of premiums on consolidated level (Belfius Insurance SA and Corona SA). The following tables provide the detailed breakdown of insurance and reinsurance activities that could contribute to climate adaptation according to the EU Taxonomy.

Taxonomy mandatory eligibility reporting for non-life insurance and reinsurance activities

	Absolute Premium in Mio consolidated(1)	Proportion of premiums in % consolidated
Taxonomy eligible non-life insurance and reinsurance activities	412.58	51.25%
Of which reinsured	14.90	1.85%
Of which reinsured stemming from reinsurance activity	0.51	0.06%
Of which reinsured (retrocession)	0.37	0.05%
Taxonomy non-eligible non-life insurance and reinsurance activities	392.43	48.75%
TOTAL TAXONOMY ELIGIBLE AND NON-ELIGIBLE NON-LIFE INSURANCE AND REINSURANCE ACTIVITIES	805.01	100%

(1) Scope: Belfius Insurance SA and Corona SA (= Belfius Insurance consolidated).

As for the Bank, the data provided is the data used for the financial statements. It should also be noted that in order to facilitate reporting during the first two years, when a Line of Business was confirmed to cover climate-related perils, the full Gross Written Premium (GWP) for that line of business had been reported as eligible.

7.4.4. Taxonomy disclosure on Belfius Investment Partners investment activities

The following table provides Belfius Investment Partners disclosure of eligible activities. It represents the eligible basis for the Green Investment Ratio following guidelines from the Annex III & IV of the Disclosure Delegated Act. The basis of these calculations covers all assets under active management, discretionary and advisory, as reported in financial statements. Care was taken to avoid double counting BIP exposures among the various investment instruments.

Belfius Investment Partners percentage eligibility is calculated with the same assumptions as those applied for the banking and insurance eligibility reports. Eligibility figures provided in this table only consider data reported by the underlying counterparty, as captured through our ESG data provider. This data covers the climate change mitigation objectives, as climate change adaptation data was not available at the time of the preparation of this report. Belfius Investment Partners noted that a limited amount of eligibility data were available, either because it was not captured through our data provider or not reported by the underlying investees. In addition, for this report, the assumption was made that all funds had 0% eligibility due to a lack of reported information. Therefore, the percentage of eligible activities identified is relatively low. In the same line, the exposure to other counterparties is relatively high as it represents all funds and ETFs.

Taxonomy mandatory eligibility reporting for Belfius Investment Partner asset management activities[1]

The weighted average value of all the investments that are directed at funding, or are associated with taxonomy-eligible economic activities **relative to the value of total assets covered by the KPI**, with following weights for investments in undertakings per below: Turnover-based: **1.36%** Capex-based: **1.18%**	The weighted average value of all the investments that are directed at funding, or are associated with taxonomy-eligible economic activities, with following weights for investments in undertakings per below: Turnover-based: **387 EUR Mio** Capex-based: **334 EUR Mio**
The percentage of assets covered by the KPI relative to total investments (total AuM). Excluding investments in sovereign entities. Coverage ratio: **98.83%**	The monetary value of assets covered by the KPI. Excluding investments in sovereign entities. Coverage: **28,363 EUR Mio**
ADDITIONAL, COMPLEMENTARY DISCLOSURES: BREAKDOWN OF DENOMINATOR OF THE KPI	
The percentage of derivatives relative to total assets covered by the KPI: **0.16%**	The value in monetary amounts of derivatives: **45 EUR Mio**
The proportion of **exposures to EU financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU** over total assets covered by the KPI: For non-financial undertakings: **7.20%** For financial undertakings: **4.31%**	Value of **exposures to EU financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU**: For non-financial undertakings: **2,041 EUR Mio** For financial undertakings: **1,222 EUR Mio**
The proportion of **exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU** over total assets covered by the KPI: For non-financial undertakings: **7.31%** For financial undertakings: **1.33%**	Value of **exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU**: For non-financial undertakings: **2,074 EUR Mio** For financial undertakings: **377 EUR Mio**
The proportion **of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU** over total assets covered by the KPI: For non-financial undertakings: **0.94%** For financial undertakings: **0.51%**	Value of **exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU**: For non-financial undertakings: **267 EUR Mio** For financial undertakings: **144 EUR Mio**
The proportion of **exposures to other counterparties over** total assets covered by the KPI: **70.51%**	Value of **exposures to other counterparties: 19,999 EUR Mio**

(1) It is worth mentioning that the identification of non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU may present some challenges, especially in the case of large international groups and holdings due to lack of qualitative data.

8. Towards more sustainability in our own operations

In 2019, we committed to reduce the carbon footprint of our own operations by 20% by 2025, mainly from the use of our buildings and the mobility of our employees. This ambition was in line with previous efforts and has been progressively accomplished. In the context of the current energy crisis, it is all the more relevant for Belfius to contribute to the collective effort to minimise the use of energy resources in order to remain a credible financial partner for Belgian economic players (individuals, companies, public or social players) who are also working towards a low-carbon future.

In addition, we are seeing a growing awareness within the organisation of the direct negative impact that each of us has on the environment, promoted among other things by internal communications during key moments such as Earth Day or Mobility Week. These communications are often the result of collaboration between Human Resources and Building Management, Internal Communications and the Corporate Social Responsibility (CSR) Commission(1).

8.1 Reducing resource use and avoiding waste

8.1.1. Saving energy

In order to carry out its activities, Belfius uses a large number of buildings - central and regional buildings and local branches - which need to be lit and heated. Given the impact of energy consumption on climate change, Belfius takes measures to limit its energy needs and opts for renewable energy sources wherever possible.

(1) The CSR Commission is a working group within Belfius Bank's social consultation process that focuses on corporate social responsibility and staff awareness regarding ecological and social topics

8.1.1.1. Active management of the building stock

New buildings and major renovation projects use the latest techniques in energy-efficient and socially responsible construction: insulation and ventilation that meet the latest standards, LED lighting, heat pumps and, where possible, the installation of photovoltaic panels. The choice of materials takes into account their environmental impact.

Where appropriate, local branches with a high CO_2 impact are closed and integrated into other more energy-efficient sales points or new construction projects. Such adjustments have also been made at the level of regional buildings, the latest example being the Namur-Combattants site, which will replace the old locations in Bouge, Namur, Liège and Wépion.

For the next few years, Belfius is implementing an energy-saving renovation programme for its branches. The first step is to map the energy intensity of all branches (EPC scores) so that the buildings with the best improvement potential can be tackled first.

8.1.1.2. Green electricity

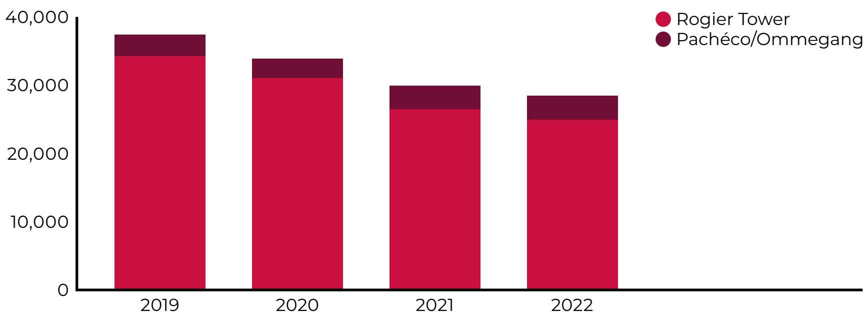
While the headquarters, regional buildings and branches of the employee network have been using renewable energy for many years, this is not necessarily the case across our independent network branches, as each cluster of branches (SComm) manages its own energy contracts. In order to further integrate the Belfius energy and climate vision into our value chain, an agreement has been reached whereby Belfius will take over all existing (Belfius brand) SComms electricity contracts and convert them to green energy as soon as possible. The agreement also includes gas and water contracts.

In order to reduce energy consumption, the lighting in the salaried and independent branches is almost exclusively LED. These branches are gradually being equipped with solar panels where possible according to local standards. At the end of 2022, 12 Belfius branches were equipped with solar panels.

In 2022, lighting at our head office was replaced with LED models that consume much less energy. Presence sensors were also installed in areas that are frequented on an intermittent basis (meeting rooms).

26% of our salaried and independent branches are equipped with Nanogrid, an application that allows energy consumption to be monitored and adjusted continuously. All branches are expected to be equipped with Nanogrid by 2025. A similar system has been in operation for several years at our head office and allows progress made to be monitored.

Consumption of primary energy at the central offices in Brussels
(in MWhep)



Belfius, through its partner P[I2], uses 2 data centres that consumes around 9.4 thousand MWh of energy for Belfius. 100% of the consumption of the 2 centres is covered by renewable energy certificates.

8.1.1.3. Energy crisis

Following Europe's call for energy savings, the winter 2022-2023 energy plan, which started on 17 October 2022, is the most visible and impactful measure taken by Belfius this year. The plan was discussed in the Committee for Prevention and Safety at Work and is the subject of a communication campaign (e-mail, intranet) to employees in the buildings affected (central and regional buildings and employee network branches). It includes a widening of the comfort temperature range with a minimum authorised temperature of 19°C instead of 22.5°C and a reduction in automatic lighting to 7.30 a.m.-5.30 p.m. A re-organisation of the teams at our head office has made it possible to vacate floors that no longer need to be heated or lit.

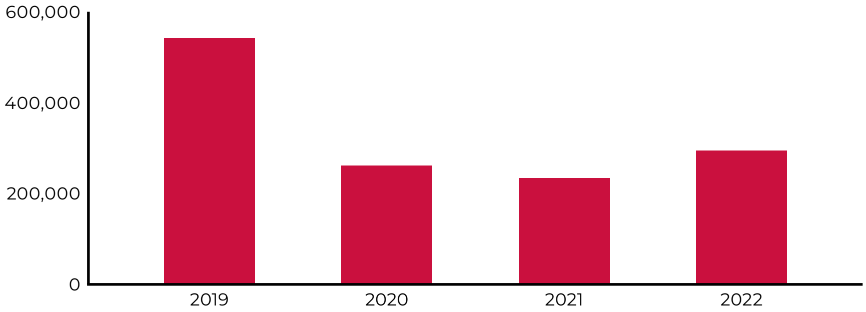
With this plan, we aim to reduce electricity consumption by 5% and gas consumption by 19% in central offices during the winter, taking into account average weather conditions. Belfius will evaluate the results after the Winter season. Comparable measures have been taken for the heating and lighting of the branches.

8.1.2. Steadily decreasing waste

In order to reduce the pressure on natural resources, we are working both to limit the production of waste (mainly office waste but also catering and hygiene waste) and to increase the percentage of recycled waste.

After two covid years, during which the company restaurant was temporarily closed, waste production at head office has increased again. However, the level is still 46% below the 2019 baseline, close to our ambition to achieve an overall reduction of 50% between 2019 and 2025.

Production waste at the Brussels head office (in kg)



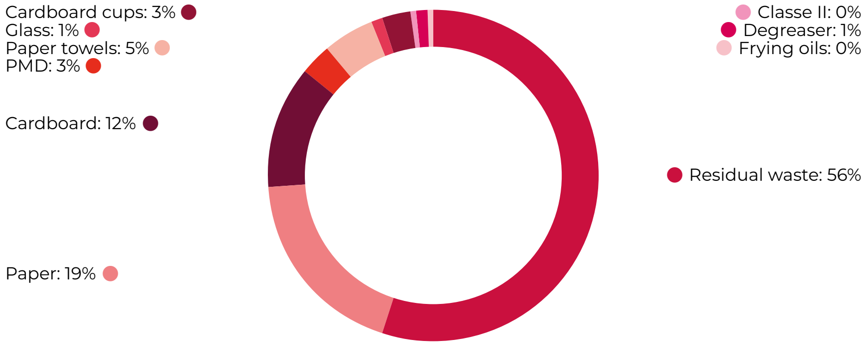
The waste generated at the Belfius Tower (head office) and regional headquarters is sorted using sorting bins installed on all floors. These are collected by the cleaning company. Some of the waste goes into the processing chain of the local municipal services, while other waste is collected by specialised companies.

Paper (confidential and non-confidential), cardboard, paper cups and paper towels are recycled.

At all local branches, waste is sorted in accordance with the regulations of the municipality concerned. However the removal, destruction and further processing of confidential paper is uniformly handled by a single operator appointed by our head office.

The graph below shows the distribution of the different waste categories for 2022 as measured by our waste manager using the FMIS system. Electronic equipment (servers, laptops, tablets, telephones, etc.) is not included because Belfius operates through leasing contracts for IT equipment.

Production waste at the Brussels head office



The close monitoring of the presence of staff in our buildings avoids food waste from the company restaurant. In addition, we continue to set our caterer ambitious targets to further reduce food and non-food waste in their assigned buildings. These include composting food waste or converting it into biogas, using sustainable products, shorter production chains and eliminating single-use plastic.

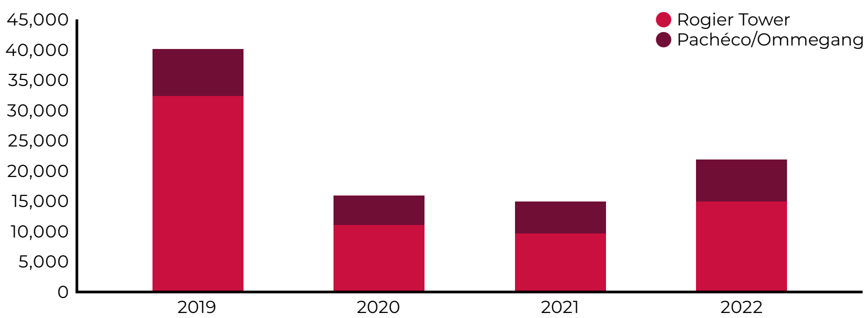
8.1.3. Water consumption

Water management is a key environmental issue in Belgium. Although in absolute terms Belfius is not a major player in this area, we nevertheless want to optimise our management of running water. For example, our new building in Namur uses rainwater for its toilets.

Water consumption at central offices is monitored so that we can intervene quickly in the event of leaks or anomalies. Most of the decrease in water consumption in our offices compared to 2019 is due to teleworking, which has become an integral part of our way of working. Waste water is discharged via the municipal sewer system.

Local offices are connected to the local water supply. As Nanogrid also monitors water consumption, it is also used to check for leaks. All offices are expected to be equipped with Nanogrid by 2025.

Water consumption at head office in Brussels (in m^3)



Belfius, through P[I2] uses 2 data centres. Belfius' share of the running water consumption at these centres is 2.5 thousand m3.

8.2. Fleet and commuting

In 2022, Belfius introduced a new structural teleworking status which has reduced commuting and associated CO_2 emissions.

In addition, since January 2022 employees entitled to a company car can only choose electric or hybrid cars. Due to the long delivery times of electric cars, the increase in electric driving for 2022 is slower than expected.

From 1 May 2023, only fully electric cars can be ordered. This initiative is also in line with the Belgian government's desire to promote more environmentally friendly mobility for leased cars.

The intention is to extend this measure to all employees who order a so-called "flex car" from 1 May 2023. In this way, the use of the Belfius car fleet and the fleet of flex cars will be decarbonised by the end of 2028.

Additional charging stations have been installed at headquarters and regional buildings for a total of 61 - more will follow if necessary. 44 local branches have one or more charging points and more are planned. Employees entitled to a company car will have a charging point installed at home for optimal use. This is already the case for some two hundred members of staff.

For more than ten years, Belfius has been encouraging the use of public or active modes of transport. Public transport and parking at a railway station are free. Cyclists and pedestrians receive an allowance per kilometre and have access to showers, changing rooms and secure parking. The mobility plan further discourages individual car use (not carpooling) by charging a parking fee at the workplace. In view of the congestion on Belgian roads and its negative impact on the environment, this is a choice that Belfius still promotes today.

Main mode of transport for home-to-work journeys Belfius Group

	2020	2021	2022
Public transport	57.8%	68.4%	77.2%
Private motorised transport (car, motorbike, carsharing)	38.0%	26.0%	17.7%
Active modes (walking or cycling)	4.2%	5.6%	5.1%

8.3 Sustainable IT

Our Information Technology Systems are pivotal to our success and are at the very heart of our "engine". Over the coming years, the use of all types of digital services will continue to grow.

All companies and organizations should address sustainable IT. Therefore, we continue to support ISIT-BE (Institute for Sustainable IT) in their ambition to inform and train institutions to reduce the environmental and social impact of IT systems.

The environmental axis – often called "Green IT" – aims to minimise the environmental impact of IT. With an ever-growing application portfolio where new business developments or mandatory needs outpace decommissioning of older applications, carbon reduction is more than a challenge. To limit the impact of the IT activity, we will foremost focus on rightsizing equipment and configurations and on applying principles of eco-coding to ensure optimal development practices.

- Infrastructure: rightsizing computing and storage configurations at the start of applications and throughout their lifecycles is an obvious action, although we should maintain a buffer to guarantee the availability and required performance of applications;
- Eco-design: one of the foundational elements of sustainable IT, the enterprise and solution architects, designers and developers must grasp the impact of their activities. Well-built software is a prerequisite for lowering infrastructure load;
- Optimising equipment usage by lengthening the use of devices: material that is used for a longer period is contributing to a more responsible use of minerals. Still, a large part of Belfius employee laptops have come to a respectable age and need replacement. Following an RFP, Belfius selected a supplier with a proven track record in collecting material after three years and selling it on to the refurbished market. The replacement of older appliances will gradually take place in 2023.

The social axis addresses the need to lower barriers in technology. We are fully aware of the importance of offering accessible customer channels. An extensive audit was performed on Belfius Mobile and Belfius Direct Net to detect anomalies. Going forwards, and after corrective actions, strengthened governance (including recurring testing) should ensure we stay at the required level. In addition, we want to facilitate gender diversity among staff (currently 31% of Technology department staff are women) and provide all IT staff members with the skills to deliver on our sustainable IT objectives.

The governance axis ensures that policies and procedures enforce the activities relevant to the advancement of sustainable IT. As such, the Belfius AI & Ethics framework developed in 2022 will be part of standard governance and applied to every usage of AI. This will guide and support the teams to manage all inherent and related risks and ensure we are using AI to the best possible extent, taking into account our values, the legislative framework, present public concerns around AI and technical capabilities.

9. Community involvement

Belfius' purpose is to be "Meaningful and Inspiring for Belgian Society. Together." Every day we aim to make a positive contribution to society through our product and service offers. We are also deeply committed to supporting our society year after year through Belgian charities and promoting access to culture for all.

9.1. Teaming up to tackle social issues

Belfius has a strong tradition of supporting social projects and favours long-term partnerships with a limited number of stable, credible organisations that truly make a difference for Belgium's communities and fit with Belfius' purpose and strategy. This fit is assessed by the Brand Committee, in charge of the protection and development of all of Belfius' brands, and whose main members are the CEO's of Belfius Bank and Insurance, the Directors responsible for the Business lines and the Head of Communication. It has resulted in the selection of good causes that care for those who have been given fewer opportunities in life.

The Belfius communication department manages relations with chosen charities. The charities in question maintain full autonomy in their choices and operation of projects for children, young people and the disadvantaged.

Belfius staff and agents from the independent network are encouraged to actively champion these charities. Next to this, every year Belfius staff also support various smaller charities and other initiatives.

9.1.1. Fighting child poverty (Viva for Life)

Belgium has one of the highest rates of child poverty in Europe. In the Wallonia-Brussels Federation, 80,000 children, hence one in four, grow up in poverty. Combatting child poverty must therefore be a strategic priority because we, as Belfius, believe children are the future.

That is why Belfius has been supporting Viva for Life, the biggest end-of-year charity initiative in French-speaking Belgium that is committed to the fight against child poverty. It is run by the Belgian radio and television station RTBF, in partnership with charity Cap 48 and Belfius, who has been its main sponsor since 2016.

All donations and profits generated through this initiative are managed by Cap 48, who is also responsible for selecting the dozens of supported associations. In 2022, a total of 166 institutions were supported with funds collected in 2021. 60% of donations went to associations for children aged 0-3 years, while the remaining 40% went to associations for children aged 4-6 years. The 2022 edition continued to raise an impressive amount equal to EUR 8,034,120 of which EUR 784,563 was provided by Belfius.

Money raised Viva For Life

(In EUR)	2020	2021	2022
Amount from Belfius(1)	623,345	620,545	784,563
Total raised(1) for Viva For Life	7,061,534	7,512,346	8,034,120

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

9.1.2. Helping young people become more resilient (Red Nose day - JEZ!)

In collaboration with VTM, Qmusic and Het Laatste Nieuws, Belfius has supported Red Nose Day since it was launched in 2015 to help Flemish youths who suffer from mental health problems find the care they need. Over the years, the focus has extended to building resilience in young people and resulted in the creation of 30 "OverKop" houses and the Sidekick Sam Academy for teachers who wish to provide young people with additional support.

After six years, it was yet again time to move towards an even broader concept, starting from our belief in young generations. We believe that motivated, committed and well-supported young individuals have the power to shape the future and solve the most difficult problems. Through JEZ!, a brand new collective of young people, the sponsors (VTM, HLN, QMusic and Belfius) aim to put young people back in society's spotlight and connect them through a positive, optimistic attitude.

Around 200 local associations and organisations signed up for JEZ!, making the collective the biggest charitable action for young people to obtain financial support. The Sidekick Sam Academy is one of these associations.

9.1.3. Supporting the disabled through sport (Special Olympics)

Through Belfius' partnership with Special Olympics Belgium since 2014, we support individuals with intellectual disabilities and encourage their integration into Belgian society through sport. Belfius has been a main partner of the Belgian Special Olympics since 2019. Following two digital sessions due to Covid (2020 and 2021), in 2022 the games resumed physically. These games represent the sporting event of the year in Belgium for athletes with a mental disability and a total of 3,000 athletes participated in 16 sports.

9.1.4. Fostering second chance education (Campus 19)

Since 2018, Belfius has been a sponsor of the Brussels Campus of Campus 19 – previously Ecole 19 – a new type of school that trains young people aged 18 to 30 in computer coding. The school does not require a diploma to enter and is free, emphasising the social aspect of this initiative. There are no teachers, and students progress at their own pace thanks to e-learning and challenges that they must solve alone or in teams to advance in their learning. In October 2022, Campus 19 inaugurated a second Belgian campus in Antwerp, which Belfius also sponsors.

In 2022, Campus 19 had 322 active students, 31 internships and enabled 50 jobs. Several students have launched their own start-ups. The school is working to increase the number of female students as the IT sector is experiencing an important gender gap.

9.2. Philanthropy (through our product offer)

9.2.1. Beats

Beats, an innovative and combinable banking and telecom offer, gives customers the opportunity to mark their choice of one or several societal themes that they consider important:

- 28% favour Beats for Health with My Cancer Navigator. My Cancer Navigator from the Antikankerfonds provides cancer patients with evidence-based information in understandable language, giving them somewhere to go for information and allowing them to choose the most appropriate treatment in consultation with their doctor.
- 24% favour Beats for Planet via Airscan. The air quality in and around schools is often particularly poor due to poor ventilation or car traffic and therefore has an impact on the health of our children. Airscan places measuring equipment that monitors many air quality parameters in real time in and around schools with the intention of drawing up an action plan to improve air quality, both outside (CO_2 + fine dust) and inside.
- 18% opt for Beats for People with the Sidekick Sam Academy for Flanders and Viva for Life for French-speaking Belgium.
- The remainder support all three in equal measure.

9.2.2. Funds of the Future

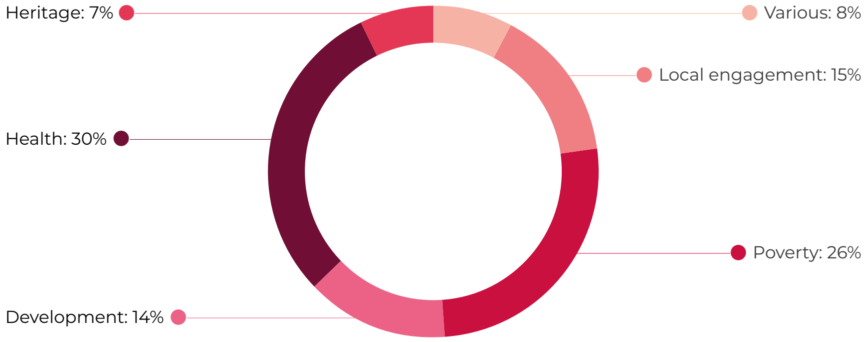
We offer investment solutions that invest in organisations that aim to tackle social and environmental problems. Belfius adds a further dimension by financially supporting good causes through partnerships with local entities, charities or similar initiatives: the Foundation Against Cancer for Cure, Airscan for Climate, Boost for Wo=Men, Tubbe for Be=Long, Responsible Young Drivers for Move, Close the Gap for Re=New, Campus19 for Virtu=All and Foodwin for Innov=Eat. Since 2019, EUR 4.8 million have been donated.

9.2.3 Private and Wealth Management

The Belfius philanthropy programme offers its wealthier customers a specific framework for including charitable donations as a structural element of their wealth management or estate planning. In this way, Belfius responds to the demand of clients who wish to support certain charitable activities (e.g. health, poverty, heritage preservation and development aid, amongst others) in a structured manner. Through this programme, Belfius supports its clients in the creation of their own registered fund within an existing structure, such as a public utility foundation or university.

In 2022, 257 funds were in operation and more than EUR 6 million were transferred from the estate of Belfius customers to various charities.

Allocation of philanthropic funds in 2022



9.3. Our heart Beats for Belgian Art

Belfius has been sharing its passion for art with the public for the past decade. Every year, the Belfius Art Gallery on the 32nd floor of the Belfius Tower, our Brussels headquarters, presents a new thematic selection of some 60 works from our collection. The Belfius Art Collection, with more than 4,000 works, is the largest private collection of Belgian art. In 2022, the Art Beats exhibition offered a fresh look at Belgian art by exploring the link between different styles, currents and artists.

In parallel to the exhibition, we proposed virtual tours of past and present exhibitions via our website in 2022, giving many visitors the opportunity to enjoy a digital experience of the Belfius Art Gallery. Our Facebook and Instagram accounts also highlight exhibitions and give the public a glimpse behind the scenes, as well as insights into known and lesser-known artists from this outstanding collection spanning over five centuries.

The collection is actively managed as new works by emerging Belgian talents are still acquired and loans of works from the collection to museums in Belgium and neighbouring countries are set up.

Human resources

Belfius' purpose is to be "Meaningful and inspiring for Belgian Society. Together.". This purpose is embodied by the talents of Belfius' human capital.

Belfius attaches great importance to its talents and human capital plays a key role in the company's success. Our human resources policies also help to position Belfius as a highly customer-oriented organization that is adapted to an ever-changing environment.

Consequently, our mission is to manage this human capital and anchor the Belfius' culture in line with Belfius' purpose.

The four Belfius values provide the framework of a corporate culture:

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

Belfius has a specific identity that goes beyond the FACE (Fairness, Authenticity, Customer-orientation and Entrepreneurial spirit) values that guide its actions, as they are made manifest through a set of concrete behaviors.

All Belfius managers learn about and are encouraged to champion the Belfius "Love" brand, FACE values and expected behaviours through our Leadershift Learning Expeditions, a four-day intensive residential training programme first held in 2019 and re-organised in 2022 to include newly-promoted or newly-hired managers. With the LeaderShift Expeditions, Belfius has created tremendous momentum and managers feel energised, proud and eager to make change happen.

Staff members: the backbone of the company

1. Key Figures

In 2022, Belfius Group counted 6,715 staff members of which 99% had permanent contracts.

The age pyramid shows the distribution of the number of staff members by age group. These figures show that ageing is not only one of the major challenges of the near future (more than 48% of staff members of Belfius Bank & Insurance, are aged 50 or more), but also offers opportunities in terms of “employability” of younger staff members, who can thus continue to develop within the organisation.

Movements in the number of active employees in the consolidated Belfius Group (headcount)(1)

Type of contract	2021			2022		
	Male	Female	Total	Male	Female	Total
Permanent contract	3,329	3,118	6,447	3,422	3,234	6,656
Fixed-term contract	34	50	84	30	29	59
TOTAL	3,363	3,168	6,531	3,452	3,263	6,715

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

Work regime	2021			2022		
	Male	Female	Total	Male	Female	Total
Full-time	3,244	2,295	5,539	3,327	2,389	5,716
Part-time	119	873	992	125	874	999
TOTAL	3,363	3,168	6,531	3,452	3,263	6,715

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

Age category	2021			2022		
	Male	Female	Total	Male	Female	Total
20y-29y	270	281	551	310	307	617
30y-39y	560	499	1,059	617	534	1,151
40y-49y	813	965	1,778	790	930	1,720
50y-59y	1,277	1,222	2,499	1,252	1,244	2,496
60+	443	201	644	483	248	731
TOTAL	3,363	3,168	6,531	3,452	3,263	6,715

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

2. Tailored Talent Acquisition strategy

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

In 2022, 907 internal and external vacancies for permanent positions were published for Belfius Bank and 347 for Belfius Insurance.

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

	2021	2022
# vacancies	1,184	1,254

Movements in the number of 'arrivals' per age group in the consolidated Belfius Group excl. transfers between entities(1)

Year	Age group	Male	Female	Grand Total
2021	20-29	102	85	187
	30-39	82	52	134
	40-49	28	41	69
	50-59	20	8	28
TOTAL 2021		232	186	418
2022	20-29	123	94	217
	30-39	113	89	202
	40-49	60	51	111
	50-59	35	22	57
TOTAL 2022		331	256	587

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

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

Each year Belfius recruits around 20 to 30 **Young Professionals**, young people who have just graduated or who have limited professional experience. These young staff members work on strategic projects in different departments for four to six-month missions.

As part of our objective to reach a younger audience for a diverse and inclusive workforce, Belfius invests in university job fairs and networking events that reinforce Belfius' employer brand.

In 2022, Belfius Bank and Belfius Insurance welcomed 76 **interns**.

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

	2021	2022
Male	30	46
Female	16	30
GRAND TOTAL	46	76

Belfius aims to attract the best talent and develop their full potential. Increased inflow of young talents with the potential to grow and continuously develop is crucial for Belfius to remain relevant. To this end, we have established a **partnership with "Capital"**, whose mission is to offer a wide range of impactful activities together with different societal partners to Brussels youth.

Finally, Belfius invests in developing an inspiring end-to-end talent acquisition and onboarding journey, underpinned with a focus on a strong **Employer & Employee Brand**, attention to Diversity & Inclusion, and a focus on the attraction of Millennials.

A new and more modern recruitment and onboarding tool will be implemented in 2023. This will complement the authentic and warm Belfius onboarding with a digital touch.

3. Outflow

Natural turnover is also a challenge for Belfius. In absolute figures, the number of departures increased last year. The majority of these were staff members in the 60+ age group who were retiring (35% of total departures). At the end of 2022, the 60+ age group represents 11% of our active population at Belfius Bank and Belfius Insurance.

Movements in the number of "departures" per age group in the consolidated Belfius Group, excl. transfers between entities(1)

Year	Age group	Male	Female	Grand total
2021	20-29	33	31	64
	30-39	41	32	73
	40-49	31	15	46
	50-59	17	25	42
	60 and +	67	47	114
TOTAL 2021		**189**	**150**	**339**
2022	20-29	27	29	56
	30-39	57	38	95
	40-49	31	22	53
	50-59	25	10	35
	60 and +	82	44	126
TOTAL 2022		**222**	**143**	**365**

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

	2020	2021	2022
Belfius Bank	3.10%	4.01%	4.82%
Belfius Insurance	6.36%	8.54%	7.81%

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

Talent management

As a bank-insurer, the quality of Belfius' talents is a key asset, but attracting the right profiles is not enough – creating a healthy, safe and motivating work environment and focusing on the development of talents is key to providing meaningful employment. Only by investing in lifelong learning and sustainable careers can talent retention be fostered to face the challenges of tomorrow.

1. Lifelong learning

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

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

To give its employees every opportunity to develop in a rewarding work environment, a "Talent Development, Leadership and Change" team is dedicated to the development and management of training (hard and soft skills), talent development and change management.

Belfius offers its employees a wide range of **training programmes** that cover soft skills, technical skills and theoretical knowledge through the "My Development" portal. 35,593 days of training were given in 2022 (mostly by videoconference).

	2021		2022	
	Belfius Bank	Belfius Insurance	Belfius Bank	Belfius Insurance
Average days of training per employee (incl. on-the-job, e-learning & mandatory training)	6.1	6.4	7.8	6.8
Average per female employee	6.3	5.6	8.0	7.0
Average per male employee	6.0	7.2	7.6	6.5

In addition, Belfius regularly organises enriching **conferences** given by renowned external speakers to inspire employees.

The **"My Development"** portal also provides access to:

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

Initiatives organised by and for employees are also promoted. In our **Train Your Colleague sessions**, employees with specific expertise share with their colleagues, for example digital or linguistic skills (Linguistic Lunches), or even skills beyond banking and insurance activities. In total, more than 70 training sessions were given in 2022.

Finally, change management is another key element considered by Belfius in creating sustainable jobs and opportunities. The **Belfius Change Center** is available for all staff from management committees, senior managers and team and project leaders, through to senior managers, the Management Board and the Board of Directors.

2. A sustainable career policy

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

In 2019, Belfius Bank introduced a new career policy based on two pillars: on the one hand a reflection tool that is available in the form of a personal online questionnaire, allowing employees to ask themselves the right questions to manage all aspects of their career; and on the other hand each employee has the opportunity to invite their manager at least once every 12 to 18 months to a career interview to discuss their future professional plans.

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

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

Internal mobility

One of the ways to achieve a sustainable career is to move to another role/function within the company (internal mobility). As an employer, Belfius offers a wide range of functions, both in central and regional departments, and offers a wide variety of job opportunities to potential candidates. In 2022, 360 staff members changed jobs within Belfius Bank and 110 within Belfius Insurance.

3. Employee satisfaction and engagement

For the past nine years, Belfius has been measuring the satisfaction and engagement of its staff members through its annual engagement survey. Engagement remains very high in 2022, with 86.9% of employees engaged across Bank and Insurance together.

"Satisfaction indicator" scores from the Engagement Survey (Belfius Bank and Belfius Insurance)(1)

	2020	2021	2022
Belfius Bank	96.7%	92.9%	95.0%
Belfius Insurance	95.5%	92.7%	92.0%

"Engagement Indicator" scores from the Engagement Survey (Belfius Bank and Belfius Insurance)(1)

	2020	2021	2022
Belfius Bank	90.9%	87.0%	87.5%
Belfius Insurance	88.8%	84.7%	83.9%

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

4. Leadership

Leadership is the ability to inspire and guide others towards a common goal or vision.

Leadership plays an essential role in aligning everyone behind a common vision, conveying meaning and inspiration, supporting change and bringing values to life within teams. Leadership training courses are available on MyDevelopment.

Coaching requests increased in 2022 to 45, for Belfius Bank and Belfius Insurance.

Every year, HR launches an internal **talent scouting exercise**. Each department can offer employees the opportunity to enroll in a talent development programme (Key Potentials, Forward, Future Teamleaders, Talented Employees) to shape the managers of tomorrow. The HR Business Partner supports departments and their managers in their

	2020		2021		2022	
	Belfius Bank	Belfius Insurance	Belfius Bank	Belfius Insurance	Belfius Bank	Belfius Insurance
Number of staff members who changed jobs within Belfius	238	62	336	75	360	110

choice of candidates with their knowledge of the individuals concerned. During this exercise, Belfius ensures that women and men are given equal opportunity and are fairly distributed.

Inclusive company culture

1. Human rights

Belfius respects the rights of its employees and in turn expects them to respect Belfius' human rights values and the Code of Conduct which requires an honest and ethical attitude at work.

In accordance with Belgian law and its regulations on human rights and labour law, Belfius formally prohibits child and forced labour across all of its activities. In line with the International Labour Organization's (ILO) conventions and local/EU-level regulations, Belfius shows the utmost respect and compliance on its employees' **right to collective bargaining and freedom of association**. In 2022, 94.18% of Belfius Bank and Belfius Insurance employees were covered by collective bargaining agreements.

The CLA No. of the NAR dated 24 May 1971 on the status of trade union delegation of personnel within companies posits that the representative workers' and employers' organisations express agreement with the following principles:

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

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

The management body is responsible for setting the social strategy, policies and risk framework, as well as supervising and managing their implementation. Conversely, employees are bound to perform their assigned work carefully and observe professional secrecy, particularly regarding confidential information which could cause damage to the company, both during and after the execution of the employment contract.

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

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

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

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

Belfius believes a diverse and inclusive workplace where each employee feels their presence is valued and respected is conducive to a sense of engagement and innovation. For this reason, DEI makes up one of the core values of Belfius' approach. We also believe that this contributes to the development of Belgian society. With this purpose, the **Diversity Manager** and the **Diversity Steering Group** have been working towards creating an ever more inclusive environment at Belfius since 2015. An environment that gives the opportunity to all employees to be and to act in line with their personality and share this with their colleagues in an open and authentic way.

In line with this, Belfius has also integrated its DEI approach into the screening of candidates, interview processes, salary proposals, recruitment KPIs, onboarding journeys, promotions & leadership trajectories and employer brand & value propositions.

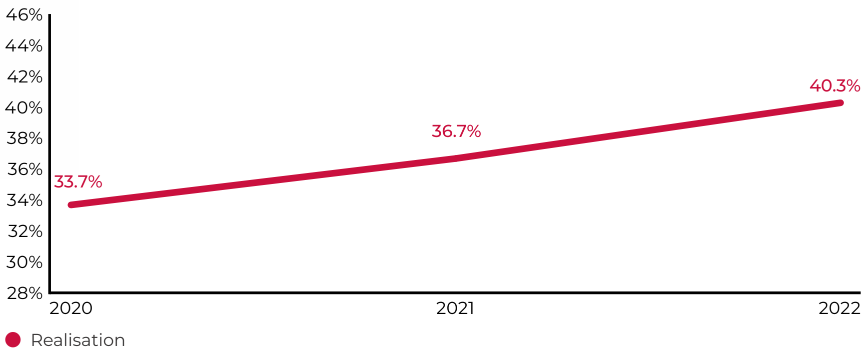
As a firm believer of the importance of diverse representation (gender, age, origin, language etc.), Belfius is a signatory to the **Inclusive Panels Charter**, to strive towards diverse panel representation in order to facilitate the creation of a sense of belonging for the audiance.

In 2022, Belfius took another step towards diversity and inclusion by officially becoming a partner of **Open@Work** to bring together and connect people from the LGBTQIA+ community within Belfius. The initiative aims to join forces to create and improve the working environment of the companies involved so that everyone feels comfortable and at home in the work environment.

Belfius continues to take an active part in the **"Women In Finance"** initiative to improve gender balance in the financial sector. By signing the Financial Sector Diversity Charter in 2019, Belfius committed to pursuing a set of diversity objectives, making them public and reporting on them annually. The results are published on the Department of Finance website. In 2022, Women in Finance hosted an inclusive networking event, in which Belfius' Diversity Manager took part.

Belfius Group is gradually establishing a better gender balance at all levels of the organisation. The average number of women in managerial positions (manager or senior/key position except Management Board) evolved positively in 2022 By 2025, our aim is that 44% of managerial positions are occupied by women (scope Belfius Bank and Belfius Insurance). Women make up 37.5% of Belfius Bank's Board of Directors and 33.3% of Belfius Insurance's Board of Directors.

Arithmetic average BB & BI weight female managers



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

Belfius Bank

	2021			2022		
	Total	Male	Female	Total	Male	Female
Total number of employees entitled to parental leave	1.044	608	436	1100	633	467
Total number of employees who took parental leave	120	59	61	152	64	88
Total number of employees who returned to work after parental leave ended	120	59	61	152	64	88
Total number of employees who took parental leave in the year and are still employed today	119	58	61	147	61	86
Retention rate of colleagues who took parental leave	99%	98%	100%	97%	95%	98%

Belfius Insurance

	2021			2022		
	Total	Male	Female	Total	Male	Female
Total number of employees entitled to parental leave	387	180	207	387	181	206
Total number of employees who took parental leave	65	24	41	64	22	42
Total number of employees who returned to work after parental leave ended	63	24	39	61	21	40
Total number of employees who took parental leave in the year and are still employed today	59	22	37	59	21	38
Retention rate of colleagues who took parental leave	91%	92%	90%	92%	95%	90%

Belfius supports employees through all stages of their lives and their career paths by a **parental leave policy** that complements our DEI approach.

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

Strong focus on health and wellbeing

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

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

1. Health and Safety risk assessment and system

Occupational health and safety management system

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

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

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

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

Hazard identification, risk assessment and incident investigation

A job risk analysis exists for all internal employees. It is carried out by the internal H&S department and the occupational physician. The result of this analysis determines whether the employee should have a medical examination, follow specific trainings, have personal protection equipment, etc. The results of this analysis are reviewed on a yearly basis and adjustments are carried out if needed.

Persons/organisations who perform work at Belfius (bodyshoppers, contractors, trainees etc.) receive the following information in advance of their time at Belfius: Health, Safety & Environment - A responsible bank-insurer - Belfius.

Every employee has the right and duty to report an unsafe situation and also has the right to stop work if they consider it too dangerous. An internal employee can do this by informing their supervisor or by contacting the H&S service. The legislation protects employees against possible reprisals.

The external workforce has the same duties, rights and protection in reporting unsafe situations under the wellbeing legislation.

For internal employees, a root cause analysis is performed for each accident (via an insurance declaration tool). Based on this analysis, corrective measures are determined to avoid a similar incident/accident in the future.

For the external workforce, accident investigations are carried out by the third-party employer. These provide Belfius with the necessary information so that any preventive measures can be taken. Every third party is obliged to provide Belfius with all incidents that have occurred at least annually. In the case of serious accidents, Belfius has the right to participate at the Root Cause Analysis.

As a service providing company, Belfius' greatest risks are situated in the psychosocial and ergonomic domain for internal employees. Contractors may come into contact with more technical installations as a result of their work, such as the maintaining of buildings. So far, no serious industrial accidents have occurred with contractors. Nevertheless, through contractor management, Belfius always tries to provide the necessary exchange of information in order to detect risks preventively and reduce them to a minimum by taking all the necessary measures.

Risk assessments are carried out on a regular basis: psychosocial (2019, 2021, 2022), ergonomics (2016, 2017, 2022), indoor climate (2021, 2022), fire (2021, 2022), functions (2016, 2021). Belfius often opts for participatory risk analyses in which every employee can partake and contribute to the mapping of risks via a global anonymous employer's report. Additionally, all employees have the opportunity to propose initiatives and points for improvement.

The advice and results from these risk analyses are translated into an action plan. Both the results and the action plan are presented and followed up at the Committee for Prevention and Protection at Work.

Health and Safety organisation at Belfius

The Internal Service for **Prevention and Protection at Work** contributes to the implementation of legal and regulatory provisions relating to the wellbeing of employees in the performance of their work. The workers' representatives in this committee are elected every four years as part of the social elections and represent all employees within the organisation (white-collar and blue-collar workers). They are convened as soon as the need arises.

In 2022, 10 meetings were organised for Belfius Bank and 11 meetings for Belfius Insurance. The following areas were formally discussed: safety at work, protection of employee health, psychosocial stress (stress and violence, harassment or sexual harassment at work), ergonomics, occupational hygiene, embellishment of workplaces and environmental measures which have an impact on wellbeing at work.

Moreover, various prevention advisers are also at the service of employees, including a prevention adviser responsible for psychosocial aspects. At Belfius, each **prevention adviser** is also a confidential adviser and is therefore bound by professional secrecy. All these persons have also been approved by the Committee for Prevention and Protection at Work.

Belfius provides a lot of information on wellbeing via InSite. Employees can find information via internal communication channels on the following topics: physically fitness, mental fitness & resilience, safety at work, optimal working environment, healthy lifestyle, training, and a contact page for H&S support (internal and external services).

Belfius has a mandatory Health & Safety e-learning for all employees, as well as an evacuation exercise /fire drill. First aid training is provided to the first aid team and fire training to the fire intervention team. Optional trainings include psychosocial training (such as mindfulness, dealing efficiently with stress) or automatic defibrillator training.

Most Belfius employees do not come into contact with customers. For those who do, the biggest risk is aggression. To support staff in this, extra security personnel are provided and training is given on dealing with aggression and aggressive customers.

The policies and actions with regards to health and wellbeing, as well as figures (absenteeism, engagement, PBT-score, etc.) compared to external sectoral and national benchmarks, are presented annually to the **Board of Directors**.

Investing in well-being

Belfius has been following a structured approach to employee health and wellbeing for several years. A **"wellbeing tool"** makes it possible to identify the level of resilience and risk factors, both at collective and individual level, so that targeted measures can be taken. At the individual level, employees receive confidential report with concrete courses of action. They can find support internally from the psycho-social team, but also externally through an Employee Assistance Programme (EAP).

The **EAP** provides free external assistance, complementary to the internal prevention services. The service is accessible 24/7, remotely or via a personal interview, is fully confidential and is available to employees and their families for any problem (psychological, relational, financial, legal, practical work /life balance support etc.), whether private or professional in nature. In 2022, 184 Belfius Bank & Insurance employees called on the EAP.

In addition, Belfius is also affiliated to an external prevention service, Idewe, which has more than 900 qualified employees and provides support in the seven welfare domains of the welfare legislation. Annually, they support Belfius for around 1,500 hours, the largest number of hours going to medical examinations and performing risk analyses in all domains (safety, ergonomics, psychosocial). In the ergonomics domain, they provide suggestions and advice on the most appropriate type of office chairs, mice, desks, workstation settings and the use of computer glasses.

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

Work-related issues

At Belfius Bank and Belfius Insurance, there were 10 accidents at work, 35 accidents whilst commuting and 1 fatality in 2022 (which represents a 0.03% loss of productivity).

	2021		2022	
	Belfius Bank	Belfius Insurance	Belfius Bank	Belfius Insurance
Total number of employees with work-related injuries	27	6	39	7
Of which fatalities	0	0	1	0
Of which a workplace accident	16	2	10	0
Of which commuting	11	4	28	7

Specific guidelines are communicated to minimize **work-related injuries**. These include reporting an unsafe situation, creating an optimal working environment, detailed safety instructions and recommendations for safe commuting, as well as detailed emergency procedures and/or descriptions of evacuations.
In addition to the hardship caused to employees, the work-related accidents recorded in 2022 represent a loss of productivity.

	2021		2022	
	Belfius Bank	Belfius Insurance	Belfius Bank	Belfius Insurance
Performable Hours (in thousand)	6,862	1,490	6,933	1,473
Work accident (expressed in thousands of hours)	1.6	0.4	3.3	0.3
Loss of productivity	0.024%	0.029%	0.048%	0.019%

The **loss of productivity** is calculated by the quotient of the number of hours of incapacity in the event of an accident and the total number of performable hours. Only employees on the payroll are taken into account.

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

Absenteeism

	2020	2021	2022
Belfius Bank	3.76%	3.90%	4.61%
Belfius Insurance	4.98%	5.42%	5.51%

Remuneration at Belfius

1. Employee benefits

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

Remuneration and benefits for employees are different per entity of the group. Overall, Belfius Bank and Belfius Insurance employees have access to benefits that include, but are not limited to, pension, life and health care insurance, disability and invalidity coverage, parental leave, meal vouchers and a cafetaria plan with a.o. mobility options such as car lease. Differentiation of benefits for employees based on the type of employment contract is possible:

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

2. Senior management

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

Process of defining remuneration

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

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

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

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

Structure of remuneration

Any type of remuneration may consist of:

- a **fixed** part (including fixed salary, function premium on condition that the person continues to occupy that position), allowance (provided the legal conditions are fulfilled) for group insurance, fixed reimbursement of out-of-pocket expenses, healthcare insurance and company car. The fixed proportion is the largest part of the remuneration;
- a **performance-related**, variable part: additional payments that are linked to pre-defined performance criteria to retain and motivate staff already working for the Group, as well as to be able to recruit new talent in line with market practices.

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

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

Belfius also encourages the adoption of Belfius' sustainability values by its managers through their annual variable remuneration. Non-financial qualitative criteria, such as customer satisfaction, carbon emissions of own operations, employee engagement, the development of leadership, diversity and the management of operational risks are included in the three parts set out above and represent at least one third of the total to provide even greater support for ESG considerations in management decisions.

In the event of a possible consolidated loss of Belfius Group (net result after tax), of a noticeable fall in results, or in other unfavourable circumstances, the group and entity share and business share of the performance-related remuneration may be reduced to zero. In addition, the entire performance-related remuneration may be reduced to zero if the individual assessment falls below a certain percentage or if the results or other circumstances in which Belfius Group finds itself are so severe that the Board of Directors, on the advice of the Remuneration Committee, is obliged to bring the entire performance-related remuneration to zero.

Notwithstanding the statutory and regulatory provisions, **variable remuneration clawbacks** are possible in a number of situations (e.g. active participation in fraud, performance or risk issues at the company, etc.).

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

Severance pay not only covers compensation for dismissal or redundancy, but also any other payment allocated at the end of an employee's professional relations in any form whatsoever, including payments for non-competition. Severance pay proposals are prepared by Human Resources and, if required, coordinated with the independent control functions and submitted to the Remuneration Committee, Board of Directors and, where applicable, to the General Meeting and Works Council. When working out severance pay, the performance of the Senior Manager in question during the two years prior to the date on which collaboration comes to an end is taken into account.

Financial results

Preliminary notes to the consolidated financial statements

1. Changes to the scope of consolidation

Belfius Insurance acquired a 100% stake in the real estate company MC^2 (investing in an office building in Belgium) in January 2022 for a total amount of EUR 18 million.

Belfius Insurance sold the subsidiary Alysea (a real estate company investing in a retirement home in Luxembourg) in June 2022 for a total amount of EUR 52 million.

The fully consolidated company The Studio was liquidated in June 2022.

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 at Belfius' consolidation level as at 31 December 2022.

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. Fundamentals of the consolidated financial statements

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

Analysis of the consolidated balance sheet

Total assets decreased by EUR 12.7 billion, or -6.6%, from EUR 192.2 billion for the year ending 31 December 2021, to EUR 179.5 billion as of 31 December 2022. The total assets are composed of EUR 163.0 billion for the Belfius Banking Group (compared with EUR 174.3 billion at 31 December 2021) and EUR 16.5 billion for the Belfius Insurance Group (compared with EUR 17.8 billion at 31 December 2021). These amounts represent the contribution of the Banking and Insurance Groups to the consolidation scope and do not reflect their respective stand-alone total assets.

The decrease in balance sheet total stems primarily from the partial repayment of the TLTRO III participation (EUR -9.65 billion), as well as decreasing fair values of derivatives (EUR -3 billion) and debt and equity instruments (EUR -1 billion) due to higher interest rates and deteriorating stock markets. These effects were partially compensated by a continuous increase in commercial lending (EUR +7.6 billion) and organic growth of deposits from customers (EUR +4 billion).

1. Assets

1.1. Cash and balances with central banks

Cash and balances with central banks decreased by EUR 4.3 billion, or -13.7%, to EUR 27.3 billion (31 December 2021: EUR 31.6 billion). The decrease is mainly linked to the partial repayment of the TLTRO III for EUR 9.65 billion. Belfius deposits part of its cash at the NBB/ECB within the framework of its liquidity management.

1.2. Loans and advances due from credit institutions

Loans and advances due from credit institutions decreased with EUR 6.3 billion, or -60.2%, to EUR 4.1 billion (31 December 2021: EUR 10.4 billion). The decrease stems from the decrease in cash collateral paid of EUR 5.8 billion, in line with the fair value movement of the derivatives (mainly inflation linked derivatives), as well as a decrease in term loans of EUR 0.4 billion.

1.3. Loans and advances

Loans and advances increased by EUR 7.6 billion, or +7.4%, to EUR 110.3 billion (31 December 2021: EUR 102.7 billion), stemming from an increase in loans measured at amortised cost of EUR 7.8 billion (mainly term and mortgage loans) in line with our strategy to continuously develop our commercial franchise and to support the Belgian economy.

Belfius Insurance continues to invest a small part of its reserves in leveraged loans, through the investment fund Belfius Euro Loans, resulting in an increase in loans and advances measured at fair value through other comprehensive income of EUR 72 million, the total amount outstanding amounts to EUR 171 million per 31 December 2022.

Certain other loans do not pass the SPPI-test and are therefore measured at fair value through profit or loss. These mostly relate to loans to the public and social sector with specifically structured interest rate features. The outstanding volume decreased by EUR 0.2 billion to EUR 0.8 billion at the end of 2022, as a result of repayments 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, decreased from 1.95% at 31 December 2021 to 1.82% at 31 December 2022 (see chapter on Risk Management for additional information).

1.4. Debt securities and equity instruments

The Belfius Banking Group contributed EUR 13.9 billion (31 December 2021: EUR 16.5 billion) to the debt securities and equity instruments portfolio and the Belfius Insurance Group contributed EUR 9.1 billion (31 December 2021: EUR 10.7 billion).

The debt securities measured at amortised cost decreased by EUR 3.3 billion, or -16.1%, to EUR 17.5 billion (31 December 2021: EUR 20.8 billion) resulting from the impact of fair value hedge revaluations on hedged items, as well as redemptions of corporate and government bonds, partially offset by new investments mainly in government bonds.

The financial assets measured at fair value through other comprehensive income decreased by EUR 0.9 billion, or -18.5%, to EUR 4.0 billion (31 December 2021: EUR 5.0 billion). This is the result of negative fair value adjustments on bonds and equity instruments stemming from higher interest rates, widened credit spreads and deteriorating stock markets compared with the 2021 year-end (EUR 0.9 billion), as well as disposals of equity instruments (EUR 0.2 billion), partially compensated by acquisitions of bonds and participations (EUR 0.2 billion).

Debt securities measured at fair value through profit or loss increased by EUR 0.1 billion, or +6.8%, to EUR 1.5 billion (31 December 2021: EUR 1.4 billion) mainly due to acquisitions in the fund portfolio, partially offset by a decreasing volume of temporary client flow management positions.

1.5. Unit-linked products insurance activities

Unit linked products within our insurance activities (Branch 23) decreased by EUR 0.3 billion, or -6.5%, to EUR 4.0 billion (31 December 2021: EUR 4.2 billion), resulting from negative fair value adjustments (EUR 0.6 billion) partially compensated by transfers of customer investments from maturing Branch 21 policies (EUR 0.3 billion).

Synoptic consolidated balance sheet

(In millions of EUR)	31/12/21	Contribution Bank into group[1]	Contribution Insurance into group[1]	31/12/22	Contribution Bank into group[1]	Contribution Insurance into group[1]	Evolution
TOTAL ASSETS	192,151	*174,329*	*17,822*	179,466	*162,986*	*16,480*	-12,685
Of which							
Cash and balances with central banks	31,640	*31,640*	*0*	27,295	*27,295*	*0*	-4,345
Loans and advances due from credit institutions	10,411	*10,312*	*99*	4,144	*4,077*	*66*	-6,268
A. Measured at amortised cost	10,411	*10,312*	*99*	4,144	*4,077*	*66*	-6,268
Loans and advances	102,679	*97,793*	*4,886*	110,311	*105,507*	*4,804*	+7,632
A. Measured at amortised cost	101,541	*96,769*	*4,772*	109,344	*104,728*	*4,615*	+7,803
B. Measured at fair value through other comprehensive income	99	*0*	*99*	171	*0*	*171*	+72
C. Measured at fair value through profit or loss	1,039	*1,024*	*15*	796	*778*	*18*	-243
Debt securities & equity instruments	27,195	*16,456*	*10,739*	23,027	*13,897*	*9,130*	-4,169
A. Measured at amortised cost	20,840	*15,536*	*5,304*	17,495	*13,061*	*4,434*	-3,345
B. Measured at fair value through other comprehensive income	4,959	*196*	*4,763*	4,041	*221*	*3,820*	-918
C. Measured at fair value through profit or loss	1,396	*725*	*671*	1,491	*615*	*876*	+95
Unit linked products insurance activities	4,246	*0*	*4,246*	3,970	*0*	*3,970*	-276
Derivatives	8,909	*8,909*	*0*	5,893	*5,876*	*17*	-3,016
TOTAL LIABILITIES	180,658	*163,693*	*16,964*	167,845	*151,881*	*15,964*	-12,813
Of which							
Cash and balances from central banks	15,418	*15,418*	*0*	5,904	*5,904*	*0*	-9,514
Credit institutions borrowings and deposits	3,591	*3,590*	*1*	1,870	*1,857*	*12*	-1,721
A. Measured at amortised cost	3,591	*3,590*	*1*	1,870	*1,857*	*12*	-1,721
Borrowings and deposits	104,404	*104,404*	*0*	108,447	*108,447*	*0*	+4,043
A. Measured at amortised cost	104,355	*104,355*	*0*	108,428	*108,428*	*0*	+4,072
B. Measured at fair value through profit or loss	49	*49*	*0*	20	*20*	*0*	-29
Debt securities issued and other financial liabilities	23,145	*23,145*	*0*	25,929	*25,927*	*1*	+2,783
A. Measured at amortised cost	15,117	*15,117*	*0*	18,517	*18,516*	*1*	+3,400
B. Measured at fair value through profit or loss	8,029	*8,029*	*0*	7,411	*7,411*	*0*	-617
Unit linked products insurance activities	4,246	*0*	*4,246*	3,970	*0*	*3,970*	-276
Derivatives	14,019	*14,002*	*17*	8,249	*8,248*	*0*	-5,770
Provisions for insurance activities	12,191	*0*	*12,191*	11,495	*0*	*11,495*	-696
Subordinated debts	1,643	*1,643*	*0*	1,547	*1,547*	*0*	-96
A. Measured at amortised cost	1,643	*1,643*	*0*	1,547	*1,547*	*0*	-96
TOTAL SHAREHOLDERS' EQUITY	10,963	*10,138*	*825*	11,089	*10,607*	*482*	+126
Of which							
Shareholders' core equity	10,560	*10,061*	*499*	11,167	*10,570*	*597*	+607
Gains and losses not recognised in the statement of income	403	*77*	*326*	(78)	*38*	*(115)*	-481
TOTAL EQUITY	11,493	*10,636*	*857*	11,621	*11,105*	*516*	+128
of which							
Total shareholders' equity	10,963	*10,138*	*825*	11,089	*10,607*	*482*	+126
Additional Tier-1 instruments included in equity	497	*497*	*0*	497	*497*	*0*	0
Non-controlling interests	33	*0*	*32*	35	*0*	*34*	+2

(1) Information based on non-audited figures

1.6. Derivatives

Derivatives decreased by EUR 3.0 billion, or -33.9%, to EUR 5.9 billion, (31 December 2021: EUR 8.9 billion), mainly due to the impact of higher interest rates. The total impact of the offsetting for derivatives concluded with LCH amounted to EUR 8.0 billion at the end of 2022, compared with EUR 8.5 billion at the end of 2021.

2. Liabilities

Total liabilities decreased by EUR 12.8 billion, or -7.1%, to EUR 167.8 billion (31 December 2021: EUR 180.7 billion), mainly resulting from a decrease in funding sources in "Cash and balances from central banks" explained by a partial redemption of the TLTRO III (EUR -9.65 billion) and a decrease in the fair value of derivatives (EUR -5.8 billion) due to market evolutions. The funding sources "Deposits" from customers and "Debt securities issued" increased as a result of continued organic growth of demand and savings deposits (EUR +3.2 billion) and an increase in outstanding certificates of deposit (EUR +2.9 billion).

2.1. Cash and balances from central banks

Cash and balances from central banks decreased by EUR 9.5 billion to EUR 5.9 billion (31 December 2021: EUR 15.4 billion), resulting from partial redemption of the TLTRO III participation for EUR 9.65 billion. The total remaining TLTRO III participation amounts to EUR 6 billion as of 31 December 2022.

2.2. Credit Institutions borrowings and deposits

Credit Institutions borrowings and deposits decreased by EUR 1.7 billion, or -47.9%, to EUR 1.9 billion (31 December 2021: EUR 3.6 billion), resulting from a decrease of EUR 2.0 billion in cash collateral received in line with the fair value movement of derivatives.

2.3. Borrowings and deposits

Borrowings and deposits increased by EUR 4.0 billion, or +3.9%, to EUR 108.4 billion (31 December 2021: EUR 104.4 billion), mainly due to continued organic growth of demand and savings deposits and an increase in term deposits following higher interest rates.

2.4. Debt securities issued and other financial liabilities

Debt securities issued and other financial liabilities increased by EUR 2.8 billion, or +12.0%, to EUR 25.9 billion (31 December 2021: EUR 23.1 billion).

The debt securities measured at amortised cost increased by EUR 3.4 billion, or +22.5%, to EUR 18.5 billion (31 December 2021: EUR 15.1 billion), mainly due to an increase in outstanding certificates of deposits from EUR 0.9 billion end 2021 to EUR 3.8 billion end 2022 and the issuance of debt securities at Belfius Financing Company (EUR 1.4 billion), partially compensated by maturities of bonds (EUR 0.8 billion).

Debt securities measured at fair value through profit or loss decreased by EUR 0.6 billion, or -7.7%, to EUR 7.4 billion (31 December 2021: EUR 8.0 billion), mainly caused by negative fair value evolutions.

2.5. Derivatives

Derivatives decreased by EUR 5.8 billion, or -41.2%, to EUR 8.2 billion (31 December 2021: EUR 14.0 billion), mainly due to the impact of higher interest rates. The total impact of the offsetting for derivatives concluded with LCH amounted to EUR 8.0 billion at the end of 2022, compared with EUR 8.5 billion at the end of 2021.

2.6. Provisions for insurance activities

Gross technical reserves for Life decreased by EUR 676 million, or -6%, to EUR 10.1 billion (31 December 2021: EUR 10.7 billion) caused by maturing Branch 21 contracts, only partially compensated by new inflow that increased in 2H 2022 as a result of specific commercial actions and increased customer appetite in line with higher interest rates.

Furthermore, as a result of the reassessment of the technical provisions, a release of EUR 48 million of Life additional provisions was recorded in 1H 2022 in line with the risk appetite framework (compared with a release of EUR 15 million in 2021). The calculation of the best estimate for the Liability Adequacy Test showed an excess above the risk appetite framework in 1H 2022 mainly as a result of the evolution of the market conditions during the first six months of the year. End 2022, the excess above the risk appetite was still confirmed.

No shadow loss adjustment was recognised at year-end 2022, compared to a shadow loss adjustment of EUR 320 million at year-end 2021. The decrease stems from the impact of the increase in discount rate on the calculation of the best estimate of the Life reserves. The Liability Adequacy Test showed that the technical reserves were sufficient compared to the best estimate. For the funds with dedicated assets managed by Belfius Insurance (segregated accounts), a small residual shadow accounting was recognized for EUR 1 million compared to EUR 28 million at year-end 2021, a decrease mainly explained by the decrease in the fair value of the debt instruments (part of the segregated assets), resulting from higher interest rates.

The technical provision for Non-Life products decreased by EUR 18 million, or -1%, to EUR 1.5 billion (31 December 2021: EUR 1.5 billion) mainly due to a decrease in incurred claims awaiting settlement. Note that in 1H 2022 a reassessment of the general Non-Life claims provisions, in line with the risk appetite framework, resulted in a release of the Non-Life claims provisions of EUR 8 million (in comparison with no release in 2021). The decrease in the technical provisions was partially compensated by a general increase in the Non-Life portfolio following new production and the impact of inflation on the reserves for claims charges.

2.7. Subordinated debts

Subordinated debts decreased by EUR 96 million, or -5.8%, to EUR 1.5 billion (31 December 2021: EUR 1.6 billion) as a result of the reimbursement of two subordinated loans amounting to EUR 75 million that came at maturity in 1H 2022 and the call of a Tier 2 subordinated loan amounting to EUR 18 million in 2H 2022.

3. Equity

Total equity increased by EUR 128 million, or +1.1%, to EUR 11.6 billion (31 December 2021: EUR 11.5 billion) mainly attributable to the increase of EUR 607 million in shareholders' core equity, due to the profit for the period of EUR 975 million (note that the proposed dividend over the result of 2022 amounts to EUR 384.4 million), partially compensated by the decrease of EUR 481 million in gains and losses not recognised in the statement of income in line with market evolutions.

3.1. Shareholders' core equity

Shareholders' core equity increased by EUR 607 million, or +5.7%, to EUR 11.2 billion (31 December 2021: EUR 10.6 billion). This increase was due to the profit for the period of EUR 975 million and the realised results on equity instruments that are recognised directly in retained earnings (EUR 20 million after tax, mainly at Belfius Insurance), partially offset by the payment of the dividend over full year 2021 results of EUR 368.5 million. The coupon payment on Additional Tier 1 amounted to EUR 14 million after tax (considered as dividend under IFRS).

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

Gains and losses not recognised in the statement of income decreased by EUR 481 million, or -119.3%, to EUR -78 million (31 December 2021: EUR 403 million). The contribution of the Belfius Banking Group amounted to EUR 38 million (decrease of EUR 39 million) and the Belfius Insurance Group to EUR -115 million (decrease of EUR 442 million).

The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 331 million, or -304.8%, to EUR -222 million (31 December 2021: EUR 109 million) and stems from higher interest rates and credit spreads compared with last year, partially offset by a reversal of EUR 137 million after tax of shadow loss adjustment, as well as a reversal of EUR 21 million of shadow accounting and a reversal of EUR 35 million discretionary participation feature recognized via equity.

The fair value of equity instruments measured at fair value through other comprehensive income decreased by EUR 42 million, or -23.6%, to EUR 137 million (31 December 2021: EUR 179 million), due to decreasing fair values stemming from deteriorating stock markets (EUR -204 million), partially compensated by a reversal of EUR 116 million of shadow loss adjustment and a reversal of EUR 46 million discretionary participation feature recognized via equity.

Gains (losses) on cash flow hedges decreased by EUR 14 million to EUR -113 million (31 December 2021: EUR -98 million), due mainly to the evolution of basis spreads on derivative positions in GBP and USD.

The remeasurement loss recognised in OCI is due mainly to the negative return on plan assets, the higher than expected actual inflation rate, and the upward adjustment of the (long term) inflation hypothesis, partially offset by the positive impact of an increase of the discount rate.

The discretionary participation feature of insurance contracts recognized via equity was fully reversed for EUR 81 million as per end 2022 due to the negative stock of unrealized capital gains.

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

Synoptic consolidated statement of income

(In millions of EUR)	31/12/21	Contribution Bank into group(1)	Contribution Insurance into group(1)	31/12/22	Contribution Bank into group(1)	Contribution Insurance into group(1)	Evolution
INCOME	2,703	*2,164*	*539*	2,982	*2,416*	*567*	+279
Of which							
Net interest income	**2,001**	*1,623*	*378*	**2,080**	*1,752*	*328*	**+79**
Net income from financial instruments at fair value through profit or loss	**25**	*21*	*4*	**25**	*52*	*(28)*	**0**
Net income on investments and liabilities	**15**	*14*	*1*	**56**	*16*	*40*	**+42**
Net fee and commission income	**758**	*732*	*25*	**790**	*757*	*33*	**+33**
Technical result from insurance activities	**73**	*0*	*73*	**150**	*0*	*150*	**+77**
Other income and expense	**(244)**	*(252)*	*9*	**(195)**	*(193)*	*(2)*	**+49**
EXPENSES	(1,477)	*(1,220)*	*(257)*	(1,620)	*(1,337)*	*(283)*	-143
GROSS INCOME	1,226	*944*	*283*	1,362	*1,078*	*284*	+136
Impairments on financial instruments and provisions for credit commitments	**1**	*1*	*0*	**(106)**	*(91)*	*(15)*	**-107**
Impairments on tangible and intangible assets	**(2)**	*(1)*	*(1)*	**(2)**	*(1)*	*(1)*	**0**
NET INCOME BEFORE TAX	1,226	*944*	*282*	1,255	*986*	*268*	+29
Tax (expense) income	**(290)**	*(228)*	*(62)*	**(279)**	*(224)*	*(55)*	**+11**
Attributable to non-controlling interests	**1**	*0*	*1*	**1**	*0*	*1*	**+1**
NET INCOME GROUP SHARE	935	*716*	*219*	975	*762*	*212*	+40

(1) Information based on non-audited figures

1. Income

Total income increased by EUR 279 million, or +10.3%, to EUR 2,982 million (31 December 2021: EUR 2,703 million). Belfius Banking Group contributed EUR 2,416 million (31 December 2021: EUR 2,164 million) and Belfius Insurance Group contributed EUR 567 million (31 December 2021: EUR 539 million).

1.1. Net interest income

Net interest income increased by EUR 78.9 million, or +3.9%, to EUR 2,080 million (31 December 2021: EUR 2,001 million), mainly thanks to the increase in contribution from the Belfius Banking Group (EUR +129 million) due to the combination of higher outstanding volumes in loans at a stabilizing average margin and deposit volumes at improving margins. The net interest income at Belfius Insurance decreased by EUR 50 million due to lower outstanding in Branch 21.

The interest received on TLTRO III funding from ECB/NBB central bank and accounted for in 2022 amounts to EUR 72 million (compared with EUR 155 million in 2021). The conditions of the TLTRO programme over the period from 24 June 2021 to 23 June 2022 have been met and therefore the effective interest rate includes the additional reduction of 50 basis points 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.

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

Net income from financial instruments measured at fair value through profit or loss decreased by EUR 0.2 million to EUR 24.8 million (31 December 2021: EUR 25.0 million). Net trading income decreased by EUR 73 million to EUR -2 million end 2022. Note that this line includes the fair value changes of "economic hedges" (financial instruments that cannot be defined as accounting hedges under IFRS) for EUR -92 million, including EUR -151 million results on swaps economically hedging the hedge inefficiency. The net income from financial instruments mandatorily measured at fair value through profit or loss decreased by EUR 60 million to EUR -90 million end 2022 due mainly to the impact of increasing interest rates, widened credit spreads, and the decreased stock markets. The net income of hedge accounting increased by EUR 136 million to EUR 118 million end 2022 and was positively impacted, among other factors, by evolutions on certain basis spreads and basis risks. Note that the result on economic hedges of the "result of financial assets non-trading mandatorily measured at fair value through profit or loss", and the "net result of hedge accounting", are classified in the line "net trading income".

1.3. Net income on investments and liabilities

Net income on investments and liabilities increased by EUR 41.6 million, or +280.0%, to EUR 56 million (31 December 2021: EUR 15 million).

Belfius realized capital gains on the sale of tangible fixed assets (EUR 35.4 million), mainly on the partial sale of the Pacheco building (EUR 22.2 million) and on the sale of different buildings containing bank agencies (EUR 12.3 million). Note that capital gains of EUR 15 million were realized in 2021, mainly on the sale of different buildings containing bank agencies and of a building in Mechelen. Capital gains of EUR 12.9 million were also realised on the sale of Alysea, a subsidiary that invested in a retirement home building in Luxembourg.

Furthermore, Belfius Insurance realised capital gains on the sale of bonds in 2022, amounting to EUR 10 million, partially compensated by EUR 1 million capital losses (compared to no realised results from the sale of bonds in 2021).

1.4. Net fee and commission income

Net fee and commission income increased by EUR 32.7 million, or +4.3%, to EUR 790 million (31 December 2021: EUR 758 million). The increase was mainly attributed to an increase in commission income on payment services (EUR +25 million) as a result of a rise in transactions and the implementation of the Private Membership, as well as on insurance activity (EUR +19 million), in line with commercial dynamics. Fee income on asset management services only slightly decreased (EUR -10 million), coping very well with the decline in outstanding due to financial markets' decline, and decrease in investment transactions on mutual funds compared to 2021.

1.5. Technical result from insurance activities

The technical result from insurance activities Life and Non-Life increased by EUR 77 million to a profit of EUR 150 million (31 December 2021: profit of EUR 73 million).

The technical result from insurance activities Life increased by EUR 51 million to a loss of EUR -52 million. The interest guarantees decreased by EUR 18 million due to the declining outstanding volume in Branch 21. Furthermore, the reassessment of the Life provisions resulted in a release of EUR 48 million in line with the risk appetite framework (compared to a release of EUR 15 million in 2021).

In Non-Life, the technical result increased by EUR 26 million to EUR 202 million. The Non-Life result was positively impacted by the increase of gross earned premiums and the realisation of boni on previous years claims (EUR 25 million). The cost for natural catastrophes (net of reinsurance) amounts to EUR 33.8 million in 2022, compared to EUR 27.5 million in 2021. The CatNat claims in 2022 mainly result from the storms Dudley, Eunice and Franklin in February 2022 (EUR 25 million); the reinsurance intervention for CatNat claims in 2022 amounts to EUR 30.5 million. Furthermore, the average claim charge increased following the impact of inflation. Following the reassessment of the technical provisions, a release of non-life claims provisions was recognized in 1H 2022 of EUR 8 million in line with the risk appetite framework (compared to no release in 2021).

1.6. Net other income and expenses

Net other income and expenses increased by EUR 48.5 million, or +19.9%, to a loss of EUR 195 million (31 December 2021: a loss of EUR 244 million).

Other income and expenses on asset finance activities increased (EUR 33 million) stemming from the reclassification of the leasing contracts of Belfius Auto Lease to operating lease (moving the related income from net interest income to other income and expenses).

Belfius recognised an expense of EUR 283 million in 2022 as levies (including the contribution to the Single Resolution Board), an increase of EUR 6 million compared to 2021 due to increased sector levies. Note that Belfius has opted to book part (EUR 13 million) of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment. The total Irrevocable Payment Commitment included in off-balance sheet commitments amounts to EUR 30.5 million per 31 December 2022.

2. Expenses

Expenses increased by EUR 142.9 million, or +9.7%, to EUR 1,620 million (31 December 2021: EUR 1,477 million), mainly due to the impact of increased inflation and the continued investment in workforce, innovation, digital and our brand name.

2.1. Staff expense

Staff expense increased by EUR 58.8 million, or +9.2%, to EUR 700 million (31 December 2021: EUR 641 million) due to an increase in the number of FTE and the general wage drift in the 2022 inflationary context.

2.2. General and administrative expense

General and administrative expense increased by EUR 89.8 million, or +18.6%, to EUR 572 million (31 December 2021: EUR 483 million), impacted by the inflation and in line with our continued investments, supporting our continued commercial growth, in additional external workforce, digital and automatization, and our brand name. Professional fees also increased due to some consultancy services for some strategic projects. Marketing expenses increased as a result of several brand campaigns.

2.3. Network costs

Network costs decreased by EUR 4.0 million, or -1.8%, to EUR 217 million (31 December 2021: EUR 221 million), and were positively impacted in 2022 by a partial reversal of a provision for network restructuring for EUR 4 million.

2.4. Depreciation and amortisation of fixed assets

Depreciation and amortisation of fixed assets decreased by EUR 1.7 million, or -1.3%, to EUR 131 million (31 December 2021: EUR 133 million) resulting from the accelerated depreciations accounted for end 2021, partially offset by the accelerated depreciations accounted for end 2022 in line with the revised useful life of internally developed software given the rapid changes in technology and the accelerated uptake of digital services.

3. Net income before tax and impairments

Net income before tax and impairments increased by EUR 136.2 million, or +11.1%, to EUR 1,362 million (31 December 2021: EUR 1,226 million). Belfius Banking Group contributed EUR 1,078 million (31 December 2021: EUR 944 million) and Belfius Insurance Group contributed EUR 284 million (31 December 2021: EUR 283 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 107.0 million to EUR -106 million (31 December 2021: EUR 1 million).

In 2021, Belfius updated the underlying macroeconomic scenarios due to the general macroeconomic improvement and reassessed the management overlays, resulting in partial reversals of the stage 1 and 2 impairments accounted for in 2020 that were set up in the context of the Covid pandemic. Impairments were also recognised on a limited number of defaulted (stage 3) exposures during 2021 and as a result of portfolio evolutions.

In 2022, Belfius updated the underlying macroeconomic scenarios to take into account the increased macroeconomic uncertainties (due amongst others to the second-round effects of the Covid-19 crisis, the inflationary environment and the geopolitical situation) resulting in an increase of the stage 1 and 2 impairments. The overlays for specific risk pockets and individual counterparts were also reassessed, resulting in partial reversals of the stage 2 impairments accounted for back in 2020. As customary, impairments were also recognised on a still, historically speaking, limited number of defaulted exposures (stage 3) during 2022. Overall, this resulted in a Cost of Risk of EUR -106 million in 2022. More detailed information is provided in the Credit Risk section of the management report.

4.2. Impairments on tangible and intangible fixed assets

Impairments on tangible and intangible assets increased by EUR 0.3 million to EUR 2 million (31 December 2021: EUR 1.8 million).

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

5. Net income before tax

Net income before tax increased by EUR 28.9 million, or +2.4%, to EUR 1,255 million (31 December 2021: EUR 1,226 million). Belfius Banking Group contributed EUR 986 million (31 December 2021: EUR 944 million) and Belfius Insurance Group contributed EUR 268 million (31 December 2021: EUR 282 million).

6. Tax expense

The tax expense, including deferred taxes, decreased by EUR 11.4 million, or -3.9%, to EUR 279 million (31 December 2021: EUR 290 million) despite an increase in the overall profit before tax. This is mainly explained by an increase in non-taxable income elements, like dividends received, realized capital gains on real estate investments, and profit before tax in Belfius Ireland (that is leading to zero tax cost thanks to the recognition of formerly derecognized deferred tax assets).

As such, a decrease in the effective tax rate to 22.2% can be observed for 2022, compared with 23.7% for 2021.

Net deferred tax expense decreased by EUR 43.3 million to EUR -12 million (31 December 2021: deferred tax expense of EUR -55 million), due mainly to temporary differences for impairments and fair value adjustments.

7. Net income Group share

Total net income amounted to EUR 976 million. The net income attributable to Belfius amounted to EUR 975 million (31 December 2021: EUR 935 million).

8. Post balance sheet events

8.1. Dividend

The Board of Directors of 21 March 2023 has proposed to the General Assembly of 26 April 2023 an ordinary dividend of EUR 384.4 million in respect of the accounting year 2022, based on a pay-out ratio of 40% on the consolidated 2022 net result.

8.2. Capital and liquidity management

To optimize its capital structure and to contribute to MREL requirements, Belfius issued in January 2023 EUR 500 million of Tier 2 notes with a maturity in April 2033 and a call date in 2028. Note that, in February 2023, Belfius notified the holders of the EUR 200 million resettable callable Tier 2 notes about its decision to call the entirety of the outstanding amount on 15 March 2023.

To support its liquidity diversification, Belfius issued EUR 500 million of Belgian Mortgage Pandbrieven with a 4-year maturity in February 2023.

8.3. Merger Corona and Belfius Insurance

Corona and Belfius Insurance will merge in the course of 2023. Note that the merger is still subject to approval of the National Bank of Belgium and will be applied retroactively (for tax and accounting purposes) as from 1 January 2023.

8.4. Collaboration between Jaimy and insurer a.s.r.

To internationally develop the "repair in kind" activity of Jaimy, Belfius Insurance and a.s.r. (one of the largest Dutch insurers) have founded Fixxer. This new company will include the technology platform of Jaimy after a demerger of Jaimy that will take place in April 2023. Belfius Insurance will take a share of 50.16% in Fixxer and the remaining 49.84% will be held by a.s.r. Fixxer will manage the technology platform and its international expansion. Jaimy will continue to manage the commercial and operational activities in Belgium, Belfius Insurance retains 100% of the shares of Jaimy.

8.5. US Bank failures and contagion risk

Belfius is closely monitoring the potential risks related to the failures of 3 US regional banks early March 2023 (Silicon Valley Bank, Silvergate Capital Corporation and Signature Bank), and to the general market uncertainties related to Credit Suisse and the merger agreement with UBS entered into on 19 March 2023 following the intervention of the Swiss Federal Department of Finance, the Swiss National Bank and the Swiss Financial Market Supervisory Authority FINMA.

As of the end of 2022 and at the date of this report, Belfius has no direct exposure to the 3 abovementioned US banks.

As of the end of 2022 and at the date of this report, Belfius has a very limited direct exposure to Credit Suisse amounting to a nominal amount of EUR 27.8 million, under the format of a trade finance guarantee for EUR 2.8 million and a senior bond issued by Credit Suisse AG for EUR 25 million. Furthermore, Belfius has collateralized derivatives with Credit Suisse for a fair value of EUR -54 million (fair value as of 17 March 2023). Such negative fair value represents a debt owed by Belfius to Credit Suisse, on which Belfius posts cash collateral for that amount.

Within Belfius Group, very close monitoring of these market circumstances is put in place, for instance to assess actions to take if contagion would accelerate. It is to note that Belfius can rely on its strong solvency and liquidity position as further detailed in the sections Capital Management and Liquidity Risk of this report.

9. Solvency[1]

9.1. Solvency at Bank level

At the end of 2022, CET 1 ratio amounted to 16.55%, an increase of +17 bps compared with the end of 2021. The CET 1 ratio takes into account the transitory add-back of IFRS 9 provisions, end 2022 amounting to 36 bps (compared to 51 bps end 2021).

The increase in CET 1 ratio is the result of positive effects from higher CET 1 capital (+10 bps) and the decrease of the total risk exposure amount (+7 bps).

CET 1 capital amounted to EUR 10,722 million, compared with EUR 10,658 million at the end of 2021. The increase in CET 1 capital of EUR 64 million resulted mainly from the increase in regulatory core own funds by EUR 607 million partially offset by the higher deduction for foreseeable dividend for EUR 384.4 million (compared to EUR 371.4 million in 2021) and the lower add-back of IFRS 9 provisions thanks to the transitional arrangements stated in the CRR for EUR 216 million (compared to EUR 307 million in 2021).

At the end of 2022, total risk exposure[2] amounted to EUR 64,796 million, a decrease of EUR 299 million compared with EUR 65,095 million at the end of 2021.

The credit risk exposure amount including counterparty credit risk decreased by EUR 727 million to EUR 49,271 million due to a release of the NBB macroprudential add-on on mortgage exposures (EUR -2.4 billion) and a decrease in financial market exposures following the GBP real rate evolution (EUR -2.9 billion), partially offset by an increase in credit risk due to growing commercial volumes (EUR +3.8 billion).

The total risk exposure amount for Danish Compromise decreased by EUR 1,066 million to EUR 9,623 million, due mainly to the decrease of the net asset value of Belfius Insurance.

The CVA exposure amount decreased by EUR 359 million thanks to increasing interest rates that have reduced some long term uncollateralized derivatives exposures.

The market risk exposure amount increased by EUR 1.6 billion compared with 2021 mainly driven by higher market volatility.

The operational risk exposure amount increased (EUR +235 million) over the period, in line with the increase in income.

At the end of 2022, the Tier 1 capital ratio amounted to 17.31%, an increase of +17 bps compared to 2021. This increase follows the evolution of the CET 1 ratio since there are no new AT 1 elements.

The total capital ratio remained stable at 19.83% in comparison to end of 2021.

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 205% at the end of December 2022, the Solvency II-ratio after dividend stood at 193%. It slightly increased compared to last year, given that the decrease in SCR has not been fully compensated by a same proportionate decrease in AFR including a foreseeable dividend of EUR 125.9 million.

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

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

Segment reporting

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

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

Key figures of the segment reporting(1)

Balance Sheet

(In billions of EUR)	31/12/21 Assets	Liabilities	Equity
Individuals (IND)	55	82	2
Entrepreneurs, Enterprises & Public (E&E&P)	60	45	5
Group Center (GC)	78	53	5
TOTAL	**192**	**181**	**11**
of which banking group	174	164	11
of which insurance group(2)	18	17	1

(In billions of EUR)	31/12/22 Assets	Liabilities	Equity
Individuals (IND)	57	83	2
Entrepreneurs, Enterprises & Public (E&E&P)	64	44	5
Group Center (GC)	59	41	5
TOTAL	**179**	**168**	**12**
of which banking group	163	152	11
of which insurance group(2)	16	16	1

(1) Please note that during 2022 a refinement of the segmentation occurred. This may implicate that there are some slight reclassifications between the three segments (IND, E&E&P and GC) compared to the published segmented FY 2021 figures.
(2) Note that the assets. liabilities and equity represent the contribution of Belfius Insurance Group to the consolidated balance sheet.

The assets and liabilities allocated to Individuals (IND) and Entrepreneurs, Enterprises and Public (E&E&P) reflect the commercial activities of those business lines. Where IND shows an excess of funding, E&E&P is more asset-driven. As a whole, the commercial balance sheet shows a funding excess with a sound 87% loan to deposit ratio at the end of December 2022.

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

The capital allocated to IND and E&E&P corresponds to the normative regulatory capital calculated so that the segment's CET 1 ratio is equal to 13.5% (Belfius' CET 1 minimum operating ratio) taking into account the segment's regulatory risk exposure.

Key figures of the segment reporting

Statement of income

	31/12/21			
(In millions of EUR)	Individuals	Entrepreneurs, Enterprises & Public	Group Center	Total
INCOME	1,461	1,064	178	2,703
EXPENSES	(899)	(428)	(150)	(1,477)
GROSS OPERATING INCOME	562	636	28	1,226
Cost of risk	17	(10)	(6)	1
Impairments on (in)tangible assets	(2)	0	0	(2)
NET INCOME BEFORE TAX	578	626	21	1,226
Tax (expense) income	(134)	(142)	(14)	(290)
NET INCOME AFTER TAX	444	484	8	936
Non-controlling interests	0	0	1	1
NET INCOME GROUP SHARE	444	484	6	935
of which banking group	280	440	(4)	716
of which insurance group(1)	164	44	10	219

	31/12/22			
(In millions of EUR)	Individuals	Entrepreneurs, Enterprises & Public	Group Center	Total
INCOME	1,634	1,144	204	2,982
EXPENSES	(946)	(471)	(202)	(1,620)
GROSS OPERATING INCOME	688	672	2	1,362
Cost of risk	(36)	(80)	10	(106)
Impairments on (in)tangible assets	(2)	0	0	(2)
NET INCOME BEFORE TAX	650	592	12	1,255
Tax (expense) income	(148)	(136)	5	(279)
NET INCOME AFTER TAX	502	456	18	976
Non-controlling interests	0	0	1	1
NET INCOME GROUP SHARE	502	456	16	975
of which banking group	324	411	27	762
of which insurance group(1)	179	45	(11)	212

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

Individuals (IND)

Business description Individuals

Belfius is a leading bank-insurer in Belgium, serving 3.4 million Individuals. It is renowned for its mobile banking services, with over 1.88 million active mobile users at the end of 2022 and a top-rated mobile banking app. Sia Partners confirms in their 2022 International Mobile Banking Benchmark that Belfius Mobile can count itself amongst the top 10 best mobile banking apps worldwide. Belfius is the second largest provider of mortgage loans in the Belgian market, with a portfolio of EUR 44.0 billion in outstanding for Individuals. Belfius also holds a 17.4% market share in new mortgage loan production in 2022. Additionally, Belfius is one of the largest providers of savings and investment products in Belgium.

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

3.4 million
of Individuals

1. Customer Segmentation

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

Savers and Investors

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

Private Banking and Wealth Management

Customers in these high-net-worth segments are typically subdivided on the basis of their financial footprint. Private Banking starts from clients with a portfolio of at least EUR 500,000. Private clients are assigned a Private Banker, serviced through Private Houses, and enjoy a range of privileged services. In addition, Belfius introduced its Private Membership which offers clients access to exclusive investment solutions and benefits.

Wealth Management clients (> EUR 2.5 million) are admitted by invitation only. They are assigned a Wealth Manager. Belfius' Private & Wealth Management franchise showed excellent development during this last year, despite a challenging macroeconomic environment.

2. Our range of banking solutions and services

Payment products

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

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

Credit Products

Belfius' main credit products for individuals include mortgage loans, which are available at a range of fixed or variable interest rates. The uncertain macroeconomic environment has impacted the mortgage market, which started to slow down in the course of 2022. Belfius achieved a market share in the production of mortgage loans of 17.4%.

In March 2022, Belfius launched its interest rate discount for the financing of low energy houses which will support the Belgian society in the Energy Transition. Over the long term, Belfius is exploring other structural financing solutions to encourage and facilitate energy investments. Furthermore, in order to support our clients during this difficult macroeconomic context marked by rising energy prices, Belfius offers its most vulnerable clients the option of temporary relief on their mortgage repayments.

To further support growth, Belfius launched a new state-of-the-art online mortgage loan simulator in November 2022. Clients and prospects can directly request an appointment with a local credit specialist to develop their simulation further.

Belfius also offers a wide range of consumer loans for different purposes, all with a fixed interest rate.

There has already been a significant increase in renovation loans over the past two years, as many Belgians began renovating their homes during the Covid crisis. However, this year, due to the sharp rise in energy costs and upcoming legal obligations, an even greater increase in renovation loans is noticeable. As with mortgage loans, Belfius is looking at ways to provide attractive lending solutions to motivate customers to make energy investments which reduce their energy expenditure.

Savings and Investment Products

Since mid-2022, a new paradigm has been established with a rise in rates linked to the return of inflation. This has resulted in interest rate conditions returning to attractive territory. Fixed income products and Branch 21 products have attracted particular interest from defensive investors who had few other options in recent years because of low interest rates.

For the fixed-rate parts of the Belfius bond issues, the subscription in 2022 exceeded expectations. This appetite shows the importance of these defensive solutions in a comprehensive investment range which will support Belfius' transformation into a Bank for Investors. Despite a difficult market environment, asset management solutions continued to grow with three Funds of the Future that were launched in 2022. The first fund provides the opportunity to invest in shares of companies around the world, which offer solutions for a transition or adaptation to a circular economy. The second invests in shares of companies operating worldwide which have a clear link to the metaverse, mainly because of their technological relevance and/or their will to integrate the metaverse into their business model. The third fund, launched in the last quarter of 2022, addresses the theme of “food”. This fund invests in international stocks of companies which contribute to the sustainable production of sufficient food and/or provide healthier food. Through the launch of these three funds, which complement the existing range of 6 Funds of the Future, the investments of these 9 funds cover more than 65% of the United Nations Sustainable Development Goals.

The ESG regulation also evolved further in 2022 with the obligation from August 2022 to capture clients' sustainability preferences and to take them into account in the proposals formulated under advice to clients.

For the Private and Wealth segments, the year 2022 was marked by the integration of the Private Portfolio Management teams previously housed at Candriam into Belfius Investment Partners. This integration brings the portfolio managers of our Private and Wealth clients even closer to their Private Banker and Wealth Manager. This will further improve the management service offered to these two client segments.

Re=Bel Platform

Re=Bel, the investment app with a cause, experienced significant growth, accounting for more than 71,000 users and EUR 1.2 billion in investments of which 76% in sustainable companies according to Belfius ESG criteria.

The Re=Bel Platform has significantly expanded its offering, which exceeds more than 1,000 trackers. A new product category with Exchange Traded Commodities (ETC) and Exchange Traded Notes (ETN) was added, allowing clients to invest in additional trackers.

Next to adding multiple new functionalities to the Re=Bel platform, the Transition Acceleration Policy (TAP) indication was directly included on the ID card of an instrument. This allows clients to immediately see the impact of a potential investment.

Insurance Products

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

In Non-Life, the product range includes car insurance (third party and omnium/damage), fire insurance, third party civil liability insurance, and miscellaneous risks insurance such as bicycle insurance for example. For Non-Life insurance products, the most significant products are fire and car insurance, which accounted for 39.7% and 41.2% of gross written premiums for Individuals in 2022 (at group level). Some milestones were reached in 2022 for Non-Life insurance, including an award for our bicycle insurance as the best offer in this category on the Belgian market and the launch of a revamped omnium offer for second-hand cars. Nevertheless, the growth trend on Non-Life products for Individuals has slowed down in 2022, mainly in cars, and in a general market context of slowdown of car registrations.

In Life insurance products, Belfius offers Protection and Saving & Invest products. Protection includes mortgage/outstanding balance cover, death insurance and critical illness insurance. 2022 has been a noteworthy year for Life Investment Products (Branch 21, Branch 23 and Branch 44) filled with campaigns. The rise in interest rates especially brought opportunities for the Branch 21 product.

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

3. Distribution Channels

Belfius has an omni-channel business model aimed at striking the right balance between human interactions and efficient, user-friendly digital and remote-access interactions. The innovative digital and remote-access approach is geared towards basic sales and servicing interactions, combined with value-added branch interactions for key life moments or if desired by the customer.

Belfius offers its banking and insurance products through its network of 482 branches (including Private Houses), its digital channels and its Belfius Connect remote service centre. It also offers its insurance products through its network of 300 (at the end of 2022) DVV tied insurance agent branches, its direct insurance subsidiary, Corona Direct Insurance, and its Elantis brand.

Branch Network

Belfius Bank serves its customers through 482 Universal Branches as at the end of 2022, of which 377 are tied independent agent branches and 105 are own branches. All branches are grouped into 66 organisational “clusters”. On average, each cluster operates across 7 branches and has a sales force of approximately 46 persons. The branches or branch employees are available physically in the branches with or without an appointment and by telephone, mail and other digital channels.

To support our growth ambitions in Private Banking, Belfius is creating a dedicated branch footprint for our Private Banking & Wealth Management customers. So far, 20 Private Houses have been opened.

DVV Insurance,
a tied network of 300
branches and
more than 900
dedicated experts.

Belfius Connect

Belfius Connect, the Belfius sales and servicing centre, supports omni-channel end-to-end sales flows, using different communication channels (including telephone, mail, chat, chatbot and social media) to interact with customers.

Accessibility remains an important area of attention. However, it can be observed that our investments, starting from the end of 2021/beginning of 2022 are paying off. Thanks to the recruitment of new talents, the continued implementation of our Connect2Net strategy and a clear “digital first” contact strategy, (e.g. chatbot) the general accessibility of Belfius Connect has significantly improved in the last couple of months.

DVV Insurance, Tied Agent Network

DVV Insurance has a history of more than 90 years in the Belgian Life and Non-Life insurance markets, thanks to a network of self-employed agents, selling exclusively DVV’s insurance solutions. Through 300 branches, and more than 900 dedicated insurance experts (headcount) as at the end of 2022, DVV Insurance offers individuals, the self-employed and small enterprises a complete range of insurance products and mortgage loans.

DVV has a unique brand promise based on servicing enabled by digital technology: empathy, expertise, straightforward and proximity.

DVV’s strategy is aimed at extending its customer base, relying on a high-quality product range of both Life and Non-Life insurance products for personal and business needs. Clear focusses have been set on Business and Life Insurance and the ongoing digitalisation, supporting the local DVV agents as contemporary insurance specialists in the daily support of their customer.

In 2022, the DVV tied agent network remained the most important channel for the distribution of Non-Life insurance products of Belfius both in the Individuals and in the Business segment.

Corona Direct Insurance

Corona Direct Insurance is Belfius’ direct insurance subsidiary. It offers its 230,000 customers (increased 2.30% compared to last year) insurance products through direct channels (e-commerce, telephone and affiliate partners).

Besides the kilometre-linked car and motor insurance, which are the founding pillars of the company, Corona Direct has intensified its multi-portfolio strategy by distributing pet insurance, tenant insurance and funeral insurance.

The agility to innovate has resulted in new partnerships (i.e. Just Russel) and an acquisition (Funalia), increasing the non-mobility portfolio share to 41%.

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

Total incasso including Life represents EUR 97.7 million GWP with GWP Non-Life of EUR 69.7 million, still representing the majority of its portfolio.

Elantis

Elantis offers mortgage loans and consumer loans through independent brokers and is a Belfius Insurance’s subsidiary since 2012. As of 31 December 2022, Elantis accounted for EUR 0.2 billion of Belfius’ outstanding consumer financing and EUR 4.5 billion of Belfius’ outstanding mortgage loans. The loans production also gives the opportunity to cross sell with Life insurances and Belfius daily banking products.

4. Digital, data and beyond banking

Digital Leadership

In a challenging environment where digital competition is becoming more fierce, Belfius continues to establish digital leadership across all customer segments, reinforcing its brand and strengthening the digital-human connection.

Belfius Mobile remains a world leading app showing one of the highest app ratings (4.6) and establishing a top customer satisfaction (98%). As competition is catching up, a vision is being established to ensure our digital leadership in the future.

Meanwhile in 2022, the mobile platform continued to evolve to address customers' changing mobile needs. Our customer base has never been more digitally active. 1.88 million active users are using the app on a daily basis with an average of 38.5 log-ons per month. This frequency is amongst the highest in the world (Finalta benchmark). While Mobile is still being mostly used for daily banking features, the launch of our chatbot on mobile has given a new dimension to self service via our digital channels. The number of conversations multiplied by ten reaching 40,000 conversations a month between customer and chatbot.

In 2022, Belfius made material progress in execution and governance with respect to our Beyond strategy. This Beyond strategy is giving additional options to Belfius for the future, for instance in terms of cross-sell capacities and full digital distribution power. Every three months new functionalities are added. The latest releases included, inter alia, Apple Pay for both credit and debit cards, an option to add loyalty cards to the Belfius Wallet and online mortgage simulation.

Digital Sales

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

- 74% of pension savings plans were sold digitally, of which 90% via mobile;
- 44% of new credit cards were sold through digital channels;
- Digital sales contributed to 38% of recurring investment plans sales and digital communications contributed further to branch sales, underlining the commercial added value of an innovative digital and omni-channel approach;
- 14% of home insurances were sold digitally. This ratio increases to 30% for renters.

In the coming months, Belfius will capitalise on a strong digital penetration, high frequency of contact and high degree of satisfaction to trigger users to come more often to the App, to inspire our customers and trigger end-2-end digital sales transactions thanks to relevant insights based on customer behaviour, transactional data and preferences. The digital platform, supported by customer analytics, creates numerous opportunities for cross-selling, also through proactive customer proposals in the high number of digital touchpoints per month per user at a cost-effective service cost for Belfius.

Data

Data & AI has been recognised as a key lever to better understand the customer, develop the relationship, improve customer experience, maximise efficiencies and better manage risk. 2022 has brought an acceleration in the extensions of our data foundations, cloud adoption and industrialising data science in an integrated corporate data platform.

Our strategy is completely built to leverage these solid and shared data foundations to allow us to continue the data transformation journey to become even more a data-driven company.

Beats

Telco sales have more than doubled since the beginning of the year with new record heights in the fourth quarter thanks to reinforced communication efforts and the launch of additional network incentives. Belfius has equipped a large number of households with a Beats telco package since the launch.

In 2023, Belfius expects further growth thanks to a strong partnership and continued investments on different dimensions. Belfius will extend the Beats offer with a 4th telco package combining Mobile and Internet as a response to the increase of 'cord-cutters'. After-sales processes will be streamlined to improve the support to our clients and agents.

Banx

Banx, a fully digital, Belgian banking experience, imagined by Proximus, powered by Belfius, was launched by the end of 2021. Banx raises the bar for digital banking and allows users to monitor the impact of their purchases on the planet, thanks to an integrated CO_2 dashboard. During the first 15 months of Banx, the focus was on raising brand awareness and optimising the value proposition. In addition, a network of eco partners to reward customers was built. After one year, the Banx app ranked 3rd Belgian bank in the Sia Partners 2022 International Mobile Banking Benchmark. Banx will soon integrate ItsMe in order positively to impact the onboarding experience even further. Loyalty and reward programmes with our eco-partners will be extended to encourage the transition towards a more sustainable life for our customers.

Ambition & Strategy 2025 in Digital, Data & Beyond

In 2022, Belfius continued implementing its 2025 ambitions adapting Belfius even more to a digital-human and integrated business model. The investments in the following three domains are key drivers of transformation of Belfius as part of the 2025 strategy. Data, Digital and Beyond act as performance and efficiency enablers for all segments, enabling Belfius to implement its strategy.

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

Commercial performance Individuals in 2022

At 31 December 2022, **total savings and investments** amounted to EUR 116.4 billion, a decrease of -1.8% compared with the end of 2021. The organic growth in 2022 amounted to EUR 4.7 billion, stemming mainly from the large increase in Maturing Deposits (Term Deposits, Bonds) and by solid performance in Mutual Funds & My Portfolio despite very volatile financial markets.

Non-Maturing deposits totalled EUR 62.5 billion at 31 December 2022, up +1.1% from the end of 2021. The payment and savings accounts outstanding reached EUR 13.9 billion (+3.9%) and EUR 48.6 billion (+0.3%) respectively at the end of December 2022.

Asset Management, Bonds and Equity investments volumes (including Branch 23) decreased by -6.8% compared to the end of 2021, to EUR 46.1 billion. In particular, Asset Management Services have declined by -10.9% in 2022. This decrease stems from strong negative market effect while organic growth remained positive and very satisfactory, particularly in the Funds of the Future. On the other hand, Bonds increased by +15.7% to EUR 8.8 billion.

Term deposits and Other Savings and Investments amounted to EUR 7.7 billion, up +8.3% compared to the end of 2021. This increase is mainly due to Term Deposits that benefit from higher interest rate and amounted to EUR 1.3 billion at the end of 2022 compared to EUR 0.1 billion at the end of 2021.

Individuals (Unaudited)

(In billions of EUR)	31/12/21[1]	31/12/22	Evolution
TOTAL SAVINGS AND INVESTMENTS	118.5	116.4	-1.8%
NON MATURING DEPOSITS	**61.9**	**62.5**	**+1.1%**
Savings accounts	48.5	48.6	+0.3%
Savings certificates	13.4	13.9	+3.9%
ASSET MANAGEMENT, BONDS AND EQUITY	**49.5**	**46.1**	**-6.8%**
Asset Management Services	38.4	34.2	-10.9%
Bonds	7.6	8.8	+15.7%
Equity	3.5	3.1	-11.8%
OTHER SAVINGS AND INVESTMENTS	**7.1**	**7.7**	**+8.3%**
Capital guaranteed products (Branch 21/26)	4.9	4.5	-7.3%
Saving Certificates	0.6	0.4	-23.9%
Term accounts	0.1	1.3	-
Third Party Products	1.5	1.4	-6.4%

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

Total loans to customers rose strongly (+7.4%) to EUR 48.6 billion at 31 December 2022. Mortgage loans, which account for 90% of all loans for Individuals, amounted to EUR 44 billion at the end 2022 (+7.6%), while consumer loans and other loans to Individuals stood at EUR 1.7 billion and EUR 2.9 billion respectively.

New long-term loans granted to Individuals clients during 2022 amounted to EUR 9.3 billion compared to EUR 9.0 billion in 2021. In 2022, the new production of mortgage loans continued to increase to EUR 7.9 billion. During the same period, EUR 0.8 billion in consumer loans and EUR 0.6 billion in new long-term business loans were granted.

Individuals (Unaudited)

(In billions of EUR)	31/12/21	31/12/22	Evolution
TOTAL LOANS TO CUSTOMERS	45.2	48.6	+7.4%
Mortgage loans	40.9	44.0	+7.6%
Consumer loans	1.7	1.7	+2.5%
Other loans[1]	2.7	2.9	+8.2%

(1) Mainly Professional loans.

The **total insurance production** from customers in the Individuals segment amounted to EUR 2,445 million in 2022, compared with EUR 2,232 million in 2021, an increase of +9.5%.

Life insurance production stood at EUR 1,816 million in 2022[1], up +11.0% compared to 2021[2]. Unit-linked (Branch 23) production went down (-17.4%) due to difficult market conditions. Traditional Life (Branch 21/26) production increased (+107.0%) thanks to the successful relaunch of Branch 21 Life Invest product, as first in the market.

Non-life insurance production in 2022 stood at EUR 628 million, up +5.6% compared to 2021, boosted by the Bank distribution channel (+8.2%). The premium collection in DVV Insurance amounted to EUR 280 million, (+3.5% compared to 2021) and in Corona, Belfius' direct insurer, to EUR 70 million, up +4.0% compared to 2021.

The mortgage loan intentional cross-sell ratio for credit balance insurance increased to reach 131% at the end of 2022. The intentional mortgage loan cross-sell ratio for property insurance increased to 88%.

Total insurance reserves, in the Individuals segment, amounted to EUR 11 billion. Life insurance reserves decreased slightly (-6.1%) since end 2021 to EUR 9.9 billion at the end of 2022. Unit-linked reserves (Branch 23) decreased by -7.1%, mainly due to a negative market effect of EUR 0.6 billion (-15%), while traditional guaranteed Life reserves (Life Branch 21/26) decreased with -5.4% since end of 2022 but growing with +5.0% since 1H 2022 thanks to relaunch of Branch 21 Life Invest. Non-life reserves staid almost stable at EUR 1 billion.

Individuals (Unaudited)

(In billions of EUR)	31/12/21	31/12/22	Evolution
TOTAL LIFE INSURANCE RESERVES[1]	10,571	9,927	-6.1%
Guaranteed products (Branch 21/26)	6,422	6,072	-5.4%
Unit-Linked (Branch 23)	4,149	3,855	-7.1%

(1) Investment products and insurance products.

Belfius continues to set the pace in **mobile banking** in Belgium and further developed its digitally supported business model. At the end of 2022, Belfius apps for smartphones and tablets had 1.88 million users (+5%) and were consulted on average 38.5 times per month. The high satisfaction figures show that continuous innovation, focused on user-friendliness and valuable utility for the customer pays off.

(1) of which EUR 965 million Gross Written Premiums and EUR 852 million Transfers/Conversion/Arbitrage.
(2) of which EUR 679 million Gross Written Premiums and EUR 958 million Transfers/Conversion/Arbitrage.

Belfius continues to extend the functionalities of its apps. In 2022, 74% of the new pension saving contracts, 44% of the new credit cards and 45% of the new savings accounts were subscribed via direct channels.

Financial results Individuals in 2022

Individuals net income after tax increased by +13.0% from EUR 444 million in 2021 to EUR 502 million in 2022.

In 2022, **total income** amounted to EUR 1,634 million, up +11.8% compared to the end of 2021, demonstrating the resilience of Belfius Individuals business model in the context of challenging market.

Net interest income of the bank amounted to EUR 666 million, a strong increase of +20.0%, mainly thanks to non-maturing deposits that benefited from higher interest rate.

Net fee and commission of the bank increased slightly by +1.2% and amounted to EUR 636 million, thanks to increased revenues from Payments, Insurances and Services despite the slight decrease in Asset Management fees which was impacted by the negative market evolution in 2022.

The **Life insurance** contribution amounted to EUR 243 million, up +7.3% compared to 2021, mainly thanks to the partial release of technical provisions and capital gains offsetting lower recurring financial income and negative impact on instruments booked on fair value through P&L.

The **Non-life insurance** contribution strongly increased by +18.1% and amounted to EUR 204 million thanks to positive impact of reassessment of previous year claims provisions mainly in DVV Mobillity and in Bancassurance All-Risks.

The **other income** amounted to EUR -114 million in 2022 compared to EUR -121 million in 2021, EUR 7 million more positive than last year, mainly stemming from higher received dividends in 2022.

In 2022, **total expenses** amounted to EUR 946 million, an increase of EUR 47 million or +5.3% compared to 2021. Staff expenses and general expenses in IND were higher in 2022 compared to 2021 due to high inflation and continued investments in people, technology and Brand, while network costs and depreciations were lower than last year.

As a result, **gross operating income** increased to EUR 688 million in 2022, up EUR 126 million or +22.4% compared to 2021.

The **cost of risk** amounted to EUR -36 million in 2022, a degradation of EUR -54 million compared to 2021 (which was largely impacted by net reversals of part of Covid provision).

The **impairments on (in)tangible assets** amounted to EUR -2 million.

Pre-tax income stood at EUR 650 million, up EUR 72 million or +12.4% compared to 2021.

Tax expenses amounted to EUR 148 million in 2022 compared to EUR 134 million in 2021. This increase is mainly due to higher profit before taxes.

As a result, **Individuals net income Group share** increased by +13.0% and amounted to EUR 502 million in 2022.

There is a net income special item of EUR 3 million that comes from Costs (EUR -4 million) for Individuals in 2022, so the **adjusted net income Individuals** amounted to EUR 499 million in 2022, up +12.3% compared to adjusted net income Individuals in 2021.

The Individuals **cost-income ratio** amounted to 57.9%, compared to 61.5% in 2021. The Return on Normative Regulatory Equity (RoNRE) stood at 30.2%.

Financial Results IND

(In millions of EUR)	2021	2022
INCOME	**1,461**	**1,634**
Net interest income bank	555	666
Net fee and commissions bank	628	636
Life insurance contribution	227	243
Non-life insurance contribution	172	204
Other	(121)	(114)
COSTS	**(899)**	**(946)**
GROSS INCOME	562	688
Cost of risk	17	(36)
Impairments on (in)tangible assets	(2)	(2)
NET INCOME BEFORE TAXES	578	650
Tax (expense) income	(134)	(148)
NET INCOME AFTER TAXES	444	502
Non controlling interests	0	0
NET INCOME GROUP SHARE	444	502
ADJUSTED NET INCOME[1]	444	499

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

Ratios

(in%)	2021	2022
Cost-income ratio[1]	61.5%	57.9%
RoNRE[2]	24.0%	30.2%

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

Normative regulatory equity & risk exposures

(In millions of EUR)	31/12/21	31/12/22
Normative regulatory equity[1]	1,885	1,514
Regulatory risk exposures	13,962	11,215

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

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

Business description E&E&P

Belfius offers a complete range of banking and insurance products and services to **some 0.3 million entrepreneurs, enterprises and public and social institutions (E&E&P)**. While still leading the public and social sector with more than 160 years of experience in the sector, Belfius is successfully pursuing its 'Lead and Loved Bank' strategy in the Entrepreneurs and Enterprises (E&E) segment. Three years after the launch of its ambition, it is clear that the Bank is increasingly positioning itself as a leader in the corporate market and has a solid position with a market share of around 19%.

"Lead and Loved Bank for E&E&P."

1. Customer segmentation

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

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

2. Distribution channels

The Public & Social sector sales network consists of 42 Bankers in three regions. The relationship managers focus on specific customer segments. Knowing how their customers operate, they are able to identify the banking and insurance solutions which best meet their needs.

The Corporate Banking sales network comprises 77 Corporate Bankers in four regions. We also have 38 bankers (7 staff members and 31 freelancers in our branch network) to serve companies in the Local Corporate segment (turnover between EUR 10 and EUR 25 million).

Within Corporate Banking and Wealth Management distribution, we also have 23 salaried Wealth Managers who approach entrepreneurs for their private needs. They provide day-to-day support to Wealth customers (with assets of more than EUR 2.5 million) in managing their wealth. Since 2021, wealth customers have been received in exclusive Private and Wealth Houses.

The Business Banking segment, on the other hand, is served by Business Bankers located in our branch network.

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

In addition to our great existing asset of good human service, Belfius is also focusing on the digital side. Just like our individual customers, our professional customers can also do their banking with Belfius remotely. Belfius has a digital offer with its BelfiusWeb application (desktop and mobile).

This digital platform allows you to manage a multitude of banking services. Indeed, amongst others it offers to initiate payments and to sign transactions in security with no limit on the amount. It also offers the possibility to draw straight loans or roll-over directly. Business customers can carry out all their operations via Belfius Direct net. They also have access to the Belfius mobile application which has been recognised as the best in the world in terms of convenience, functionality, design and user experience.

Since 2021, the digital functions have been enriched with new features. First of all there is Smarty, a fast and secure application for dealing with request forms (accounts, cards, BelfiusWeb and so on). Available 24 hours a day, 7 days a week, everything is dealt with digitally and saves customers a great deal of time, as they can also sign documents on their smartphone. Belfius has also launched BE-Trade, which facilitates the end-to-end processing of international trade operations for customers. Belfius Edge allows E&E customers to execute foreign exchange transactions digitally directly in the Belfius trading room. And finally, since June 2022, we have also offered customers a new E-FX application to initiate international payments directly via BelfiusWeb or Belfius Mobile.

3. Our range of banking solutions and services

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

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

"Belfius wins the 'Best Trade Finance Provider 2023' award for the third consecutive time in recognition of Belfius' excellence in international trade".

3.1. Financing products

Belfius has a formal commitment to support the Belgian economy, not only in good times but also in difficult times.

Belfius offers its E&E&P customers a range of long and short-term loan products to enable them to finance and develop their activities. In particular we can note the following:

- Specific tailor-made financing solutions (credit, factoring, leasing) for start-ups, doctors and accountancy professionals. The products include cash management and payment solutions, investments, mobility solutions, Non-Life insurance products and professional Life products;
- Working capital solutions: to finance working capital needs, Belfius offers a range of solutions such as short-term loans and factoring to optimise and avoid the tying up of liquid assets. Each solution is appropriate for a specific situation, facilitating the financial management of the activities, optimising the accounting or tax situation and so on;
- Leasing services: through its full subsidiaries, Belfius Lease, Belfius Auto Lease and Belfius Bike Lease, Belfius offers various financial and operational leasing solutions;
- Debt Capital Markets (DCM): Belfius is widely recognised for its expertise and its role in accompanying Belgian issuers in issuing bonds on the financial markets in the (semi-)public and corporate sectors. Despite the volatility and difficulty of the market, Belfius is the leading bank for DCM in Belgium in terms of number of transactions and volume. In total, no fewer than 46 bond transactions representing EUR 8.1 billion short-term and long-term alternative financing were issued in 2022. Belfius has been awarded 'Bond Finance House of the Year' by Euronext Brussels for the 7th time in 10 years. Besides, Belfius has been recognized in 2022 the 'ESG Bond Finance House of the Year' for its pioneering role in the issuance of Green and Social Bonds for Belgian companies and (semi-)public entities;
- Equity Capital Markets (ECM) activities: Belfius also operates in the equity capital markets, structuring and placing market transactions for its Belgian corporate customers (initial issues, capital increases, private share placements). In order to expand its service offering, Belfius entered into a strategic partnership with Kepler Cheuvreux in 2017. In 2022, Belfius has been among the leading ECM banks in Belgium in terms of the number of Belgian corporate transactions executed in Equity Capital Markets;
- Real estate financing: the Belfius real estate department offers customers the support of its in-house architects, engineers and project managers specialising in construction and financing. With its unique 'Smart Building and Renovation Solutions' (a tailor-made 'all-in' formula to help and accompany customers from A to Z in their projects), in 2022 Belfius financed 44 projects worth EUR 454 million;
- Infrastructure financing: Belfius plays a key role in structuring and financing large infrastructure investment projects in Belgium, including renewable energy projects, as well as semi-public real estate and infrastructure projects, via structured loans, syndicated loans and PPP financing;
- Trade and export financing: Belfius offers Belgian companies operating internationally a range of trade and export financing products and services, from documentary credit to buyer credit. Transactions are carried out through an extensive network of correspondents which embody the presence of Belfius in all major countries of the world;

Belfius has been named 'Best Trade Finance Provider 2023 in Belgium' for the third consecutive year by the international magazine Global Finance. This award is a mark of recognition for the efforts made by Belfius to accompany Belgian companies in their daily import and export activities.

3.2. Payment products

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

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

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

Belfius also positions itself as an account aggregator and offers the management of accounts with other banks and the execution of payment transactions from these accounts.

Belfius offers cash management and liquidity services to its public customers. The Bank has long been the cashier of all Belgian regional administrations (except one) and almost all Belgian municipalities. In 2022, Belfius was again appointed by the Brussels Capital Region and the Walloon Region to act as cashier.

In an uncertain economic context which directly impacts the cash flow of companies, Belfius has joined forces with EMAsphere, an SaaS reporting platform dedicated to monitoring financial performance. Through exclusive dashboards accessible in EMAsphere, Belfius' corporate customers benefit from reliable and up-to-date indicators to help them manage their cash flow. This is an essential tool to facilitate their decision making and ensure their sustainability.

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

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

Belfius is also the exclusive sponsor of the Best Finance Team event, which brings together more than 600 financial managers from numerous Belgian companies and gives Belfius a high profile.

3.3. Savings and investment products

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

3.4. Insurance products

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

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

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

Belfius Insurance also markets Life insurance products among its public and social customers. The specific Life insurance solutions mainly concern first and second pillar pension insurance in the public service.

3.5. People Rewards

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

Belfius also offers a long-term option plan. All Belfius warrant and long-term option plans are managed electronically via the web application MyPlansByBelfius.

3.6. Financial analysis service

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

In keeping with tradition, Belfius Bank also presented its report on the state of local finances in June. After the health crisis, the 2022 study focuses on the evolution of local finances within the context of the energy crisis. The high level of inflation, the strong increase in wage costs, the surge in energy prices and also the explosion in the price of construction materials will have a significant impact on the evolution of revenues and expenditures.

SYMIA is a complementary tool which allows you to visualise the financial situation of a local municipality over a period of seven years. It is an application at the service of local authorities and citizens. Thanks to this application, public administrations can visualise the evolution of budgets in the long term, respect the constraints of a balanced budget, measure the financial impact of political choices and inform citizens. A module on the impact of rising energy costs is also available to municipalities.

Finally, for the 28th time, Belfius deciphered the financial situation of general hospitals in Belgium and analysed the figures for the financial year 2021 and the first few months of 2022, which are affected by the energy crisis. In this study, after two particularly intense years linked to the Covid-19 pandemic, Belfius examines the impact of the current unfavourable economic climate and energy costs on the budgetary framework of hospitals.

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

In order to reaffirm its ambitions to meet the professional and private needs of its customers, in May 2022 Belfius organised 'Inspired by Love' events for its corporate and wealth customers.

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

To support business owners, Belfius has created Bizz Matcher, an internal platform which allows bankers to connect sellers and buyers. In November, on the occasion of the business transfer week, Belfius organised a webinar with over 250 participants and presented its Bizz Matcher platform.

Finally, to continue to inspire its customers, an exclusive digital event 'Inspired By Convictions' was also organised at the end of the year, during which Belfius experts shared their investment convictions for 2023.

"We not only provide objective, high-level analyses, but also support our customers with inspiring solutions."

4. Sustainability as a key element of our offers

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

Driven by its ambition to help its customers make the transition to a more sustainable society, Belfius has launched two new formulas, namely an investment loan and leasing, the funds of which are intended to finance a project which meets environmental objectives (such as electric or hybrid vehicles, improvement of the energy performance of buildings, production of electricity thanks to solar, wind, hydraulic or geothermal energy, management of waste and waste water and so on) at an advantageous rate.

In January 2023, Belfius has launched a unique ESG tool to guide corporate customers in defining their sustainable strategy autonomously and according to their sector of activity (sustainable objectives have been defined for 60 different sectors within our customer base). This tool, available in the form of an ESG dashboard, is a huge acceleration in the ESG dialogue with customers and in our customers' participation in the transition.

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

- Belfius Car Lease, a complete range of tailor-made car leasing formulas, aimed at promoting the use of ecological vehicles and for example including recharging infrastructures for electric or plug-in vehicles;
- Belfius Bike lease, an operational all-in bicycle leasing formula (in partnership with Cyclis, the pioneer of bicycle leasing in Belgium);
- Belfius Move by Skipr, an innovative digital solution to optimise staff travel while reducing the administrative burden for the employer. This solution includes an app which allows you to plan, book and pay for your trips by combining different means of transport and choosing the shortest, most ecological route and so on;
- Belfius also supports the transition to low-carbon mobility, notably by becoming the main shareholder of CenEnergy. This Belgian scale-up specialises in the deployment of safe and intelligent recharging infrastructures throughout Belgium. Belfius also encourages its business customers to move towards greater sustainability in car leasing. For example, 56% of new leasing contracts at Belfius Auto Lease are for more environmentally friendly vehicles.

Belfius Auto Lease is thus well on the way to achieving the objective of reducing the CO_2 emissions of its vehicle fleet by 50% by 2025.

The modernisation and in-depth renovation of many buildings is unavoidable. Solutions to make them more intelligent and, above all, less energy-consuming and thus reduce our CO_2 emissions are at the forefront of our thinking. It is in this spirit that Belfius offers the Smart Building & Renovation solution, an all-in formula tailored to help and accompany, from A to Z, schools, care institutions, companies and local authorities at the various stages of their projects (from approximately EUR 1 million). This is from technical and energy audits to the final acceptance of the building. In doing so, Belfius assists all authorities in one of the main pillars of the National Investment Pact and in Belgium's urgent need to modernise and improve its building stock. Through this Smart Building & Renovation Solutions product, Belfius has supported and financed 44 projects for an amount of EUR 223 million.

In 2022, Belfius also played a senior role in no fewer than 9 Green, Social or Sustainable Bonds for an amount of EUR 1.9 billion.

Finally, we can mention an exceptional deal between Aster, Energyvision and Belfius, which will equip more than 50,000 Flemish social housing units with approximately 400,000 solar panels over the next three years. With the help of Belfius as a privileged financial partner, this collaboration aims to make the energy management of the Flemish social housing stock more sustainable while reducing the energy bill of the 150,000 people living there. This is an investment in sustainable energy of more than EUR 150 million.

5. Belfius, Lead & Loved Bank for Belgian E&E&P

At the beginning of 2022, Belfius launched a large-scale campaign featuring Belgian entrepreneurs, all of which Belfius customers. More than 55 young and more experienced Belgian entrepreneurs directly contributed to this campaign, which proves that Belfius has become 'top of mind' among entrepreneurs and that entrepreneurs trust Belfius. More and more entrepreneurs are choosing Belfius as a partner to realise their dreams and ambitions.

Belfius asked these entrepreneurs to tell their story, to talk about their drive, passion and love for their work, so that they can serve as an inspiration for the whole of Belgian society.

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

The campaign started with general versions which brought together several entrepreneurs. This was followed by individual creations distributed locally, with a specific quote and text per entrepreneur.

The campaign was visible in daily newspapers, on large billboards, on website banners and in social media.

Commercial performance E&E&P in 2022

As of 31 December 2022, **total savings and investments** amounted to EUR 63.0 billion, up +3.2% (EUR +1.9 billion) compared to the end of 2021. Non Maturing Deposits (saving and payment accounts) decreased by EUR 0.7 billion to EUR 39.6 billion. Asset Management, Bonds and Equity investments decreased by EUR 1.1 billion to EUR 11 billion, mainly explained by the negative financial market effect partially offset by the good organic growth. Other Savings and Investments increased by EUR 3.7 billion to EUR 12.4 billion, mainly explained by the increase on Straight deposits.

Entrepreneurs. Enterprises & Public (Unaudited)

(In billions of EUR)	31/12/21[1]	31/12/22	Evolution
TOTAL SAVINGS AND INVESTMENTS	61.1	63.0	+3.2%
Deposits	40.3	39.6	-1.7%
Off-balance sheet investments	12.1	11.0	-8.8%
Other savings and investments[2]	8.7	12.4	+42.3%

(1) A reclassification occurred within the E&E&P segment for the FY 2021 figures between Asset Management, Bonds & Equity and Others compared to the published FY 2021 report.
(2) Capital guaranteed products (Branch 21/26), Savings certificates, Term accounts and Third party products.

Total outstanding loans increased to EUR 61.2 billion (+7.5%). Outstanding loans to Business customers has grown by EUR 0.9 billion (or +6.4%). Outstanding loans to Corporate customers has grown strongly by EUR 3.2 billion (or +17.1%). In Public & Social Banking, the outstanding loans remained stable compared to 2021.

Entrepreneurs. Enterprises & Public (Unaudited)

(In billions of EUR)	31/12/21	31/12/22	Evolution
OUTSTANDING LOANS	57.0	61.2	+7.5%
Business	14.1	15.0	+6.4%
Corporate	19.1	22.3	+17.1%
Public and Social	23.8	23.9	+0.4%
OFF-BALANCE SHEET COMMITMENTS	27.5	28.5	+3.5%

Belfius granted EUR 15.7 billion (+17.6%) in **new long-term loans** in the Belgian economy to Business, Corporate and Public and Social sector clients.

In 2022, EUR 4.4 billion in new long-term loans to business clients were granted. Belfius assisted 26,714 new start-ups of which 57% are starters of 3 years or less.

The **production of long-term loans** for Corporate customers amounted to EUR 8.1 billion (+26.7% increase compared to 2021), 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 2022.

In 2022, Belfius granted EUR 3.2 billion of new long-term financing to the public sector. Belfius remains the undisputed leader in this market and responds to every financing tender from public bodies, to which it offers sustainable financing conditions. Belfius manages the cash flow of virtually all local authorities and was awarded 52% (in volume on production) of the public sector financing files put out to tender in 2022.

Belfius also strengthened its leading position in the **Debt Capital Markets (DCM)** for (semi-)public and private companies: in 2022, the Bank issued EUR 8.1 billion in innovative financing instruments in the form of short-term issues (average outstanding amount on commercial paper) and long-term issues (Medium Term Notes and bonds).

The E&E&P segment's commercial results in insurance shows opposite trends in terms of underwriting volumes:

- **Non-life GWP E&E&P**: increase compared to 2021 (+1.7%) to EUR 177 million thanks to growth in the business segment of both Bancassurance, showing a double digit progress, and DVV, offsetting the well-known decrease in the Wholesale segment due to the continued implementation of the run-off strategy in Wholesale Brokers and Wholesale Bancassurance;
- **Production of E&E&P Life**: decrease compared to 2021 by EUR -24 million to EUR 392 million. The loss of GWP on a terminated contract and the lower GWP on Business Pension (Bancassurance and DVV Business) are only partly offset by higher GWP on Publipension, growth in Wholesale Branch 26 and additional premiums on existing Branch 21 group insurance.

Entrepreneurs. Enterprises & Public (Unaudited)

(In millions of EUR)	31/12/21	31/12/22	Evolution
TOTAL PREMIUMS RECEIVED	589	569	-3.5%
Life	416	392	-5.7%
Non-life	174	177	+1.7%

Financial results E&E&P in 2022

Net income after tax decreased from EUR 484 million in 2021 to EUR 456 million in 2022 mainly due to an important increase of Cost of Risk in 2022.

In 2022, **total income** E&E&P amounted to EUR 1,144 million, up EUR 80 million or +7.6% compared to 2021.

E&E&P **Net interest income** of the Bank amounted to EUR 920 million, up +7% compared to 2021. This is due mainly to the strict pricing of Non Maturing Deposits in an increasing interest rate environment.

E&E&P **Net fee and commission income** of the Bank increased in 2022 to EUR 131 million (EUR +20 million) mainly thanks to the increase in payment, loan and insurance fees despite the slight decrease in Savings & Investment which was impacted by the negative market evolution in 2022.

Life Insurance contribution ended at EUR 94 million in 2022, 24.7% higher than in 2021, mainly explained by the reassessment of technical provisions.

Non-life insurance contribution decreased from EUR 38 million in 2021 to EUR 22 million in 2022, due to 2 large claim provisions in Mobility, and inflation impact on previous year claims provisions for workers' compensation.

In 2022, **total expenses** amounted to EUR 471 million, an important increase compared to 2021 (+10%) explained by the workforce reinforcement and wage drift effect.

As a result, **gross operating income** was EUR 672 million in 2022, an increase of EUR 36 million, or +6% compared to 2021.

The **cost of risk** amounted to EUR -80 million in 2022 (compared to EUR -10 million in 2021), and is explained by the increase in stage 1 and stage 2 impairments in order to take into account changed macroeconomic expectations in 2023 while 2021 was largely impacted by net reversals of part of Covid provision.

As a result, **Pre-tax income** amounted to EUR 592 million, which was EUR 34 million lower than in 2021.

The **tax charge** amounted to EUR 136 million in 2022 while it was EUR 142 million in 2021.

As a result, the E&E&P **net income Group share** reached EUR 456 million in 2022, a decrease of EUR -28 million compared to 2021.

There is **no special item** in E&E&P in 2022, so the adjusted net income E&E&P amounts to EUR 456 million in 2022 compared to EUR 484 million adjusted net income in 2021.

The **cost-income ratio** of the E&E&P segment is 41.2% in 2022. The Return on Normative Regulatory Equity (RoNRE) is 8.8% in 2022 compared to 10.3% in 2021.

Financial Results E&E&P

(In millions of EUR)	2021	2022
INCOME	1,064	1,144
Net interest income bank	860	920
Net fee and commissions bank	111	131
Life insurance contribution	76	94
Non-life insurance contribution	38	22
Other	(21)	(24)
COSTS	(428)	(471)
GROSS INCOME	636	672
Cost of risk	(10)	(80)
Impairments on (in)tangible assets	0	0
NET INCOME BEFORE TAXES	626	592
Tax (expense) income	(142)	(142)
NET INCOME AFTER TAXES	484	456
Non controlling interests	0	0
NET INCOME GROUP SHARE	484	456
ADJUSTED NET INCOME(1)	484	456

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

Ratios

(in%)	2021	2022
Cost-income ratio(1)	40.2%	41.2%
RoNRE(2)	10.3%	8.8%

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

Normative regulatory equity & risk exposures

(In millions of EUR)	31/12/21	31/12/22
Normative regulatory equity(1)	4,923	5,488
Regulatory risk exposures	36,468	40,653

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

Group Center

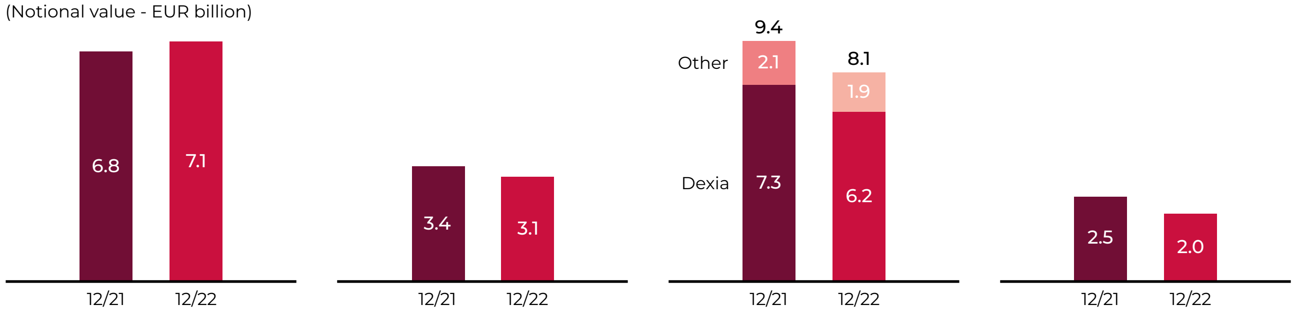
Group Center (GC) operates through two sub-segments:

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

These portfolios and activities are further described below.

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

(Notional value - EUR billion)



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 2022, the ALM Liquidity bond portfolio stood at EUR 7.1 billion[1], up EUR 0.3 billion, or 4%, compared with December 2021. At the end of 2022, the portfolio was composed of sovereign and public sector bonds (63%), covered bonds (30%), corporate bonds (6%) and asset-backed securities (1%). Belgian and Italian government bonds in the ALM Liquidity bond portfolio both amounted to EUR 1.5 billion[1] and EUR 0.9 billion[1] respectively.

At the end of 2022, the ALM Liquidity bond portfolio had an average life of 7.5 years, and an average rating of A- (100% of the portfolio being investment grade) compared with A- at year-end 2021.

(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 2022, the ALM Yield bond portfolio stood at EUR 3.1 billion[1], down 9%, compared with December 2021. At the end of 2022, the portfolio was composed of corporates (77%), sovereign and public sector (12%), asset-backed securities (7%), and financial institutions (4%). Almost 85% of corporate bonds, composed mainly of long-term inflation-linked bonds, are issued by highly regulated UK hospitals, infrastructure companies and utilities such as water and gas distribution companies. These bonds are of satisfactory credit quality and the majority of these bonds are covered by credit protection from a credit insurer (monoline insurer) that is independent from the bond issuer.

At the end of 2022, the ALM Yield bond portfolio had an average life of 19.0 years. The average rating of the ALM Yield bond portfolio stood at A-. 95% of the portfolio was investment grade.

Derivatives with Dexia entities and foreign counterparties

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

The total outstanding notional amount of derivatives with Dexia entities and interest rate derivatives with international counterparties amounted to EUR 8.1 billion[1] at the end of 2022, down EUR 1.3 billion, or -14%, compared with EUR 9.4 billion at the end of December 2021.

Derivatives with Dexia entities decreased by 13% (or EUR -1.1 billion) to EUR 6.2 billion at the end of 2022. This decrease is due mainly to amortisations. Derivatives with international counterparties decreased by EUR 0.3 billion (or -14%) to EUR 1.9 billion at the end of 2022.

The fair value of Dexia and international counterparty derivatives amounted to EUR 0.8 billion at the end of 2022. After collateralisation, the Exposure At Default (EAD) amounted to EUR 0.7 billion, a decrease mostly due to the evolved interest rate environment.

At the end of 2022, the average rating of the total portfolio stood at BBB+ and the average residual life of the portfolio stood at 11.1 years[2].

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

Credit guarantees

At the end of 2022, the credit guarantees portfolio amounted to EUR 2.0 billion[1], down EUR 0.5 billion or -20% compared with December 2021. It relates essentially to Financial Guarantees, and Credit Default Swaps issued on corporate/public issuer bonds (97%) and ABS (3%). The good credit quality of the underlying reference bond portfolio, additional protection against credit risk incorporated in the bond itself and the protections purchased by Belfius, mainly from various monoline insurers (US reinsurance companies, essentially Assured Guaranty) resulted in a portfolio that is 94% investment grade in terms of credit risk profile. The most important risk is a credit default swap position on a Mexican RMBS which saw its credit quality significantly deteriorate following an earlier change in indexation.

At the end of 2022, the average rating of the portfolio stood at A- (compared with BBB+ at year end 2021). The average residual life of the portfolio stood at 12.0 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 2022

GC **net income after tax** stood at EUR 18 million in 2022, compared to EUR 8 million in 2021.

In 2022, **total income** amounted to EUR 204 million, that is EUR 26 million more than in 2021. This increase is mainly due to higher reversal on provision linked to legal disputes.

Total expenses increased from EUR 150 million in 2021 to EUR 202 million in 2022 mainly due to the inflation-driven wage drift in the Bank part and high investments in technology.

The **gross operating income** decreased from EUR 28 million in 2021 to EUR 2 million in 2022.

The **cost of risk** stood at EUR +10 million in 2022, compared to EUR -6 million in 2021. In 2021, the cost of risk was impacted by downgrades or revised Loss Given Default on some positions in our bonds portfolio. The main part of the positive amount of 2022 is explained by the positive impact from the lifetime extension for wraps on positions in the yield portfolio.

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

Pre-tax income stood at EUR 12 million in 2022 compared to EUR 21 million in 2021.

Taxes amounted to EUR +5 million in 2022 compared to EUR -14 million in 2021. In 2021 as in 2022, no deferred tax assets were recognized on the profit before tax at BIRL due to the uncertainty with regard to future taxable income, which was resulting in an increase of the tax cost of EUR 3 million in 2021 with a negative profit before tax in this subsidiary, and a decrease of the tax cost of EUR 7 million in 2022 with a positive profit before tax.

As a result, Belfius' GC **net income group share** amounted to EUR 16 million in 2022, compared to EUR 6 million in 2021.

Excluding special items, the **adjusted net income** GC stood at EUR 16 million in 2022, compared to EUR 11 million in 2021.

Financial Results GC

(In millions of EUR)	2021	2022
INCOME	**178**	**204**
Net interest income bank	209	166
Net fee and commissions bank	(7)	(10)
Life insurance contribution	0	0
Non-life insurance contribution	0	0
Other	(24)	48
COSTS	**(150)**	**(202)**
GROSS INCOME	**28**	**2**
Cost of risk	(6)	10
Impairments on (in)tangible assets	0	0
NET INCOME BEFORE TAXES	**21**	**12**
Tax (expense) income	(14)	5
NET INCOME AFTER TAXES	**8**	**18**
Non controlling interests	1	1
NET INCOME GROUP SHARE	**6**	**16**
ADJUSTED NET INCOME(1)	**11**	**16**

(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[1]

1. Prudential supervision

1.1. Minimum Requirement

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

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

Minimum CET 1 ratio Requirement

(In %)	2021	2022
Pillar I minimum	4.50%	4.50%
Pillar II requirement	1.125%	1.198%
Capital conservation buffer	2.50%	2.50%
Buffer for (other) domestic systemically important institutions	1.50%	1.50%
Countercyclical buffer	0.01%	0.06%
Sectoral systemic risk buffer	0.00%	0.30%
MINIMUM CET 1 CAPITAL RATIO REQUIREMENT	9.635%	10.051%
Pillar II guidance	1.00%	0.75%
MINIMUM CET 1 CAPITAL RATIO GUIDANCE	10.635%	10.801%

Following the annual "Supervisory Review and Evaluation Process" finalized at the beginning of 2022 and the notification of the NBB in May 2022 of the introduction of a new sectoral systemic risk buffer for Belgian residential real estate exposures, Belfius has to comply with a minimum CET 1 capital ratio for 2022 of 10.051% (before Pillar 2 Guidance).

Note that the Pillar 2 Requirement (P2R) was set at 2.13% (to compare with 2% in 2021) to be held in the form of 56.25% CET 1 capital and includes a new prudential add-on for non-performing exposures of 13 bps. Also note that in line with to the enhanced resilience of Belfius in the EBA stress test published in July 2021, the Pillar 2 Guidance (P2G) decreased from 1% to 0.75% on the CET 1 capital ratio. As result, Belfius has to comply with a minimum CET 1 ratio of 10.801% for 2022 (to compare with 10.635% in 2021, based on a P2G buffer of 1% back then). The consolidated CET 1 capital ratio of Belfius at the end of December 2022 stood at 16.55%, well above the 2022 applicable CET 1 capital ratio requirement of 10.051%.

(1) Unaudited.

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

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

1.2 Applied methodology

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

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 all capital instruments of Belfius Insurance, subscribed by Belfius Bank, in the total regulatory risk exposure by applying a weighting of 370% (the so-called "Danish Compromise").

In addition to the CRR 2/CRD 5 regulations, Belfius is considered as a financial conglomerate with significant banking and insurance activities and is required to comply with the Financial Conglomerate Directive (FICO 2002/87/EC). For this purpose, specific reporting requirements with financial statements, regulatory capital, risk concentration 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 December 2022, Belfius complied with all requirements requested from a financial conglomerate point of view.

2. Regulatory own funds at a consolidated level

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

At the end of 2022, the starting point for the regulatory core own funds amounted to EUR 11,167 million and was equal to the core shareholders' equity in the consolidated financial statements. The increase of EUR 607 million compared with the end of 2021 stems mainly from the result of 2022 of EUR 975 million as well as the increased reserves and retained earnings (EUR 567 million) following the integration of last year's result (EUR 935 million) after the dividend payment (EUR 368.5 million) dividend over 2021.

Regulatory own funds

(In millions of EUR)	31/12/21 Transitional	30/12/22 Transitional
STARTING POINT FOR THE REGULATORY CORE OWN FUNDS	**10,560**	**11,167**
DEDUCTION OF FORESEEABLE DIVIDEND	**(371)**	**(387)**
TRANSITIONAL MEASURES FOR IFRS 9 PROVISIONS	**307**	**216**
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	**420**	**35**
Remeasurement defined benefit plans	132	120
OCI reserves - portfolios measured at FVTOCI	288	(85)
Other reserves	(98)	(113)
Prudential filter on the fair value reserves related to gains and losses on cash flow hedges on financial instruments	98	113
DEDUCTIONS AND PRUDENTIAL FILTERS	**(259)**	**(308)**
Investments in securitisation positions	0	0
Deferred tax assets on losses carried forward	0	0
Changes in the value of own credit standing	(3)	(11)
Value adjustments due to the requirements for regulatory prudent valuation	(62)	(64)
Intangible fixed assets	(54)	(74)
Goodwill	(104)	(104)
Shortfall of provisions over expected losses for IRB portfolios	(2)	(2)
Defined Benefit Pension Plan assets	(15)	(8)
Payment Commitments IPC	(17)	(31)
NPE insufficient loss coverage	0	(15)
Additional deduction due to CRR Art 3	0	0
COMMON EQUITY TIER 1 CAPITAL (CET 1 CAPITAL)	10,658	10,722
Additional Tier 1 capital instruments	497	497
TIER 1 CAPITAL	11,155	11,219
Tier 2 capital instruments	1,441	1,281
Excess of provisions over expected losses for IRB portfolios	148	185
General credit risk adjustments SA (standard approach)	163	165
TIER 2 CAPITAL	1,752	1,632
REGULATORY OWN FUNDS (AFTER APPROBATION OF RESULT)	12,907	12,851

At the end of 2022, CET 1 capital amounted to EUR 10,722 million, compared with EUR 10,658 million at the end of 2021. The increase in CET 1 capital of EUR 64 million resulted mainly from the increase in regulatory core own funds by EUR 607 million partially offset by the increased correction for foreseeable dividend for EUR 16 million (amounting to EUR 387 million in 2022 compared to EUR 371 million in 2021, both based on a 40% pay-out ratio and including the AT1 cost) the decreased add-back of IFRS 9 provisions thanks to the transitional arrangements stated in the CRR 2 for EUR 91 million, a decrease of "gains and losses not recognized in the statement of income" for EUR 385 million and an increase of the prudential deductions for EUR 50 million.

(In millions of EUR)	
Consolidated net result 2022	974.7
Correction for coupon for AT1 holders, after tax	(13.7)
Pay-out ratio 2022 (capital and dividend policy)	40%
Foreseeable dividend for ordinary shares	384.4
Paid interim dividend	0
Remaining foreseeable dividend for ordinary shares	384.4
Remaining coupon for AT1 holders for 2022	2.9
TOTAL FORESEEABLE DIVIDENDS TO DEDUCT FROM UNDISTRIBUTED PROFIT	387.3

The deduction for foreseeable dividends, as stipulated in article 3 of CRR2, amounts to EUR 387 million, the sum of EUR 384 million based on the pay-out ratio of 40% on the result of 2022 and the correction for the Additional Tier 1 cost (accounting wise to be treated as dividend) which remained stable at EUR 3 million.

Furthermore, the transitional measure IFRS 9 on impairments amounts to EUR 216 million, the decrease is mainly due to the degressive character of this transitional measure of EUR 104 million (decrease of the multiplicators for the static and the dynamic components), partially offset by the increase of the current stock of impairments of EUR 13 million.

The "gains and losses not recognised in the statement of income" amount to EUR 35 million, the decrease is mainly related to the decrease of the fair value of the bond and equity portfolios of EUR 373 million related to higher interest rates, higher credit spreads and deteriorated stock markets, though partially compensated by the reversal of the shadow loss adjustment and DPF in comparison to 2021 and the decrease of EUR -12 million in the remeasurement of defined benefit pension plans.

The prudential deductions amounted to EUR -308 million (compared to EUR -259 million in 2021), the increase mainly relates to:

- an increase in the deduction of software and other intangible assets of EUR 20 million related to recently activated software eligible for prudential amortization;
- the increase of insufficient loss coverage for Non Performing Exposures of EUR 14 million due to new non-performing exposures coming in the scope of the NPE loss coverage regulation (CRR2); and
- an increase of the deduction for irrevocable payment commitments (IPC) with regard to resolution funds of EUR 14 million; partially offset by
- a decrease of EUR 7 million of the deduction of Defined Contribution pension plan assets due to the evolution of the plan assets and the discount rate;
- note that the deduction for goodwill and the prudential filter for regulatory Additional Valuation Adjustments remained stable.

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

Tier 1 capital amounted to EUR 11,219 million, compared with EUR 11,155 million at the end of 2021, the increase of EUR 64 million is closely related to the increase in CET 1 capital. The Tier 1 capital includes the additional Tier 1 issue of EUR 500 million (nominal value) dated February 2018.

Tier 2 capital decreased to EUR 1,632 million compared with EUR 1,752 million at the end of 2021. The decrease of EUR 120 million was mainly related to the decrease of EUR 160 million of the regulatory value of existing Tier 2 capital instruments, partially offset by the increase related to the higher excess of provisions in comparison to expected losses for IRB portfolios due to methodological changes (EUR 37 million).

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

At the end of 2022, total regulatory own funds amounted to EUR 12,851 million, compared with EUR 12,907 million at the end of 2021.

3. Regulatory risk exposure at a 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 an amount stemming from the application of the Danish Compromise, whereby the capital instruments issued by Belfius Insurance and held by Belfius Bank are included in the RWA via a weighting of 370%.

(In millions of EUR)	31/12/21	30/12/22	Evolution
Regulatory credit risk exposure	49,998	49,271	-727
Regulatory CVA exposure	679	321	-359
Regulatory market risk exposure	1,362	2,980	1,618
Regulatory operational risk exposure	3,433	3,667	+235
Danish Compromise	9,623	8,557	-1,066
Additional risk exposure (Art 3 CRR)	0	0	0
REGULATORY RISK EXPOSURE	65,095	64,796	-299

At the end of 2022, Belfius RWA amounted to EUR 64,796 million, a decrease of EUR 299 million compared to EUR 65,095 million at the end of 2021.

The credit risk exposure amount including counterparty credit risk decreased by EUR 727 million to EUR 49,271 million due to:

- a growth in commercial activities (EUR 3.8 billion), particularly in the Corporate segment;
- a positive regulatory impact (EUR 1.6 billion), following the removal of the NBB macroprudential add-on on mortgages replaced by a sectorial systemic risk capital buffer (EUR 2.4 billion), partially offset by the increase in internal model updates (EUR 0.8 billion);
- a decrease on Group Center RWA (EUR 3.2 billion) thanks to:
  - market risk parameters, as rising interest rates positively affect some uncollateralized derivatives exposures as well as the portfolio hedge assets. The UK real rate evolution also has a direct impact on inflation linked bonds exposures;
  - management actions leading to the de-risking of specific positions.

The RWA for the Danish Compromise decreased by EUR 1,066 million to EUR 8,557 million, as the equity value of the Belfius Insurance participation is negatively affected by the decreased OCI reserves stemming from higher interest rates and decreases in the stock markets compared to 2021.

The CVA RWA decreased by EUR 359 million to EUR 321 million thanks to higher interest rates compared to 2021.

The market risk RWA increased (EUR 1,618 million) by higher market volatility leading to a bigger HVaR/SVaR and some back-testing exceedings in the first half of the year. The increase in volatility was further enhanced by an incoherent behaviour of the VaR Model in a context of rapidly increasing rates. A VaR model change was approved in Q4 2022, resulting in a drop in RWA levels.

Operational RWA increased (EUR 235 million) over the period, in line with the increase in income.

4. Solvency ratios for Belfius Bank at a consolidated level

At the end of 2022, the CET 1-capital ratio amounted to 16.55%, an increase of 17 bps compared with the end of 2021. Note that this transitional CET 1-capital ratio takes into account the transitional IFRS 9 measures with impacts on prudential capital and risk exposure for 36 bps, a decrease by 15 bps compared with the end of 2021.

The increase in CET 1-capital ratio is the result of positive effects from higher CET 1 capital (+10 bps) and the positive effects from the lower total risk exposure (+7 bps). We refer to the comments above for further information.

At the end of 2022, Tier 1-capital ratio amounted to 17.31%, an increase of 17 bps compared with the end of 2021.

The total capital ratio amounted to 19.83%, remaining stable compared with the end of 2021.

Note that without the application of the IFRS 9 transitional measures, the fully loaded CET 1-capital ratio would amount to 16.19%, the Tier 1-capital ratio would amount to 16.95% and the Total Capital ratio would decrease by 36 bps amounting to 19.47%.

(In %)	31/12/21 Transitional		30/12/22 Transitional	
CRR 2/CRD 5	DANISH COMPROMISE	DEDUCTION METHOD	DANISH COMPROMISE	DEDUCTION METHOD
Common Equity Tier 1 ratio (CET 1-capital ratio)	16.37%	16.57%	16.55%	16.93%
Tier 1-capital ratio (T 1-capital ratio)	17.14%	17.14%	17.31%	17.48%
Total Capital Ratio	19.83%	19.51%	19.83%	19.66%

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

5. Solvency ratios for Belfius Bank at a statutory level

At the end of December 2022, CET 1-capital ratio on Belfius Bank statutory level amounts to 15.49% compared to 15.00% end 2021, an increase due to the 2021 reserved result.

At the end of December 2022, the available distributable items on statutory level amounted to EUR 5,250 million.

6. Leverage ratios for Belfius Bank at a consolidated level

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

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

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

Furthermore, the application of transitional measures for IFRS 9 provisions from December 2020 has an impact on the numerator (cf. above) and the denominator, the Covid-19 related regulatory measure to temporarily exclude certain exposures to central banks in December 2021 (impacting the denominator) ended in April 2022.

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

At the end of 2022, the Belfius transitional leverage ratio stood at 6.26%, a decrease of 87 bps compared with the end of 2021 and well above the minimum pillar 1 requirement of 3%.

The decrease is the result of positive effects (4 bps) from the higher level of Tier 1 capital (see above), offset by the negative effect (91 bps) from the increased total leverage exposure measure, due to the end of the temporary regulatory measure to exclude certain exposures to central banks (120 bps on reference date December 2021), and further increase of the loans mainly to corporates and mortgage loans, partially offset by a decrease in securities financing transaction exposures due to decreased off-balance commitments, the decrease of derivatives exposures due to rising interest rates (reducing LT uncollateralized derivatives) and derivatives add-ons due to a refinement of the calculation methodology.

(In millions of EUR)	31/12/21 Transitional	30/12/22 Transitional
TIER 1 CAPITAL	**11,155**	**11,219**
Total assets	192,151	179,466
Deconsolidation of Belfius Insurance (equity method)	(16,700)	(15,552)
Adjustment for derivatives	(13,051)	(6,248)
Adjustment for securities financing transactions exposures	7,478	3,194
Adjustment for Central Banks reserves	(31,641)	0
Adjustment for prudential corrections in calculation of Tier 1 capital	131	13
Off-balance sheet exposures	18,019	18,282
LEVERAGE RATIO EXPOSURE	**156,386**	**179,155**
LEVERAGE RATIO (IN%)[1]	7.13%	6.26%

(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%.

Please note that the fully phased-in leverage ratio, excluding the transitional measures for IFRS 9 provisions would decrease by 11 bps.

7. Minimum requirement for own funds and eligible liabilities

On 22 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 4.35% 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 target BRRD2 MREL requirements end 2022. Indeed, the final binding target for 2024 of 27.58% (incl. current CBR), is realized with an amount of EUR 18.4 billion in liabilities as this results in 28.4% expressed in TREA.

In the same way, Belfius MREL subordination of EUR 15.1 billion amounts 23.2% of TREA to be compared with 20.18% of the 2024 final binding target (based on 8% TLOF, CBR included). Expressed in LRE, Belfius MREL subordination of 8.4% stands in excess of 6.87% MREL final requirement.

Capital management at Belfius Insurance[1]

1. Prudential supervision

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

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

2. Regulatory own funds

The risks that Belfius Insurance faces are reflected in the "Solvency II requirements" which are applicable to all EU-Member States. The own funds of Belfius Insurance available to cover the requirements are determined according to the valuation and eligibility principles defined in the Solvency II regulation, Directive 2009/38/EU.

(1) Unaudited.

The regulatory own funds after foreseeable dividend of Belfius Insurance amounted to EUR 2,043 million at the end of December 2022. It is composed for 79% of the highest quality capital Tier 1. Tier 2 capital equals EUR 336 million and consists mainly of two subordinated loans granted by Belfius Bank and the Tier 3 capital relates to a deferred tax asset of EUR 92 million.

Compared to December 2021, the regulatory own funds of Belfius Insurance have decreased by EUR 271 million, after a foreseeable dividend of EUR 126 million, mainly due to the high inflation and the poor performance of the equity markets in 2022 which was partially offset by the increase of rates and several management actions.

Belfius Insurance consolidated

(In millions of EUR)	31/12/21	30/12/22
AVAILABLE FINANCIAL RESOURCES BEFORE FORESEEABLE DIVIDEND	2,444	2,169
Tier 1	1,830	1,570
IFRS Equity	2,174	1,827
Valuation difference (after tax)	(344)	(257)
Restricted Tier 1	170	171
Tier 2	364	336
Subordinated debt	353	325
Others	11	11
Tier 3	80	92
DTA	80	92
AVAILABLE FINANCIAL RESOURCES AFTER FORESEEABLE DIVIDEND	2,314	2,043
AFR before foreseeable dividend	2,444	2,169
Foreseeable dividend	130	126

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.

(In millions of EUR)	31/12/21	30/12/22
SOLVENCY II CAPITAL REQUIREMENT	1,219	1,060
Market risk	863	664
Credit Risk	172	111
Insurance Risk	717	843
Operational Risk	92	80
Diversification	(540)	(544)
Loss absorbing capacity of technical provisions and deferred taxes	(87)	(94)

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. In its SCR, Belfius Insurance has to apply the restriction on the use of Loss Absorbing Capacity of Deferred Taxes as prescribed by the NBB.

Belfius Insurance's SCR amounted to EUR 1,060 million at the end of December 2022, a decrease of EUR 159 million compared to the end of 2021.

Market risk remains the main contributor to the required capital, due to spread and equity risk, and decreased given the poor performance of the equity markets. The

SCR linked to interest rate risk was rather limited thanks to the ALM management of Belfius Insurance, targeting a limited global duration mismatch between assets and liabilities.

The second important contributor is the Insurance risk, which increased during the year 2022 mainly due to the high inflation and cost assumption review.

4. Solvency ratios at Belfius Insurance

The Solvency II-ratio of Belfius Insurance stood at 205% at the end of December 2022, after dividend we end at 193%. It increased compared to last year (190%), given that the decrease in SCR was not fully compensated by a matching decrease of the AFR.

The Board of Directors of Belfius Insurance proposed to the General Assembly to pay a dividend over FY 2022 equal to EUR 126 million and to maintain the remaining of the profit to be allocated in retained earnings.

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

Solvency II-ratio

(in %)	31/12/21	31/12/22
Solvency II ratio (before dividend)	200%	205%
Solvency II ratio (after dividend)	190%	193%

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

	Shock	Solvency II Ratio (in %)
Base case (after dividend)		193%
Stress scenarios		
Interest rate	-50 bps	197%
Equity	-30%	181%
Credit Spread		
Credit spread on corporate bonds	+50 bps	189%
Credit spread on government bonds	+50 bps	185%
Credit spread on corporate & government bonds	+50 bps	178%
Real Estate	-15%	185%
No Volatility Adjustment (VA)		178%
Ultimate forward rate (UFR) @ 3%		192%

A 50 bps fall in the interest level (compared with the level at the end of 2022) would have an impact of +2 pp on the Solvency II ratio. A stock market shock of -30% on share prices would have an impact of -14 pp while a drop in the real estate portfolio of 15% would decrease the solvency ratio by -10 pp. A 50 bps rise in the credit spreads across the whole bond and credit portfolio leads to a drop of -17 pp and the elimination of the Volatility Adjustment in calculation of the Best Estimate of liabilities would result in an impact of -17 pp. The reduction of the Ultimate Forward rate (UFR) from the current level to a level of for instance 3% would decrease the solvency ratio by -3 pp.

Capital Adequacy[1]

1. Economic capital

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

1.1. Definition

The economic capital is defined as the potential deviation of Belfius' economic value from its expected economic value, and this within a given interval of confidence and time horizon. The confidence threshold (99.94%) chosen for scenarios involving losses in value corresponds to the Bank's targeted senior unsecured debt rating at a horizon of one year (A rating for 2022).

The economic capital quantification process is organised in three phases: identifying the risks (definition and cartography, reviewed on an annual basis, in collaboration with the various business lines), measuring the risks (mainly on the basis of statistical methods and/ or scenarios) and aggregating the risks based on an 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 Test framework for Internal Capital Adequacy Assessment Process (ICAAP) purposes. It is also involved in pricing as well as in the assessment of Belfius' profitability.

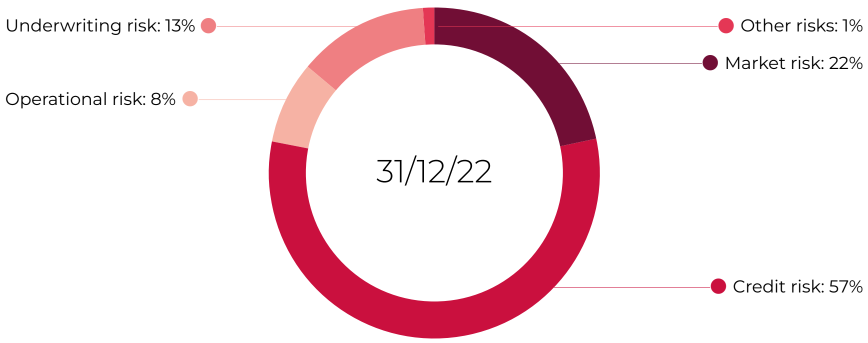
1.2. Economic capital adequacy

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

Belfius economic capital was EUR 5,745 million at the end of December 2022 (against EUR 5,709 million at the end of 2021).

(1) Unaudited.

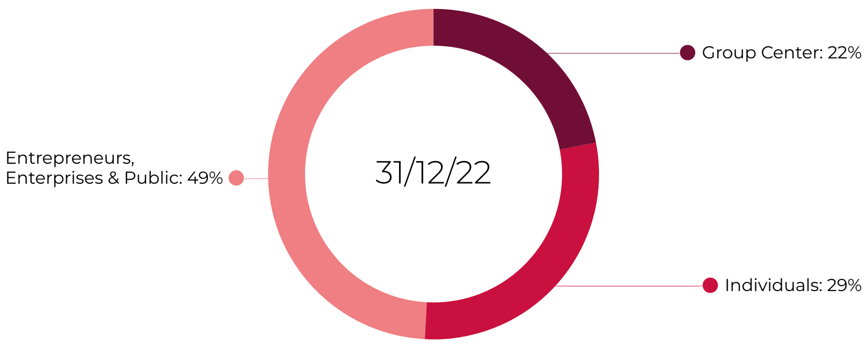
Breakdown of economic capital by type of risk



Credit risk represented approximately 57% of the economic capital and was the main contributor; market risk (inter alia including interest rate risk, foreign-exchange rate risk, spread risk and equity risk) was 22%, underwriting risk 13%, operational risk 8% and other risks (prepayment, funding,...) 1%.

By business line, the economic capital was allocated as follows: Individuals and Entrepreneurs, Enterprises & Public represented 29% and 49% respectively of Belfius' economic capital; the balance was made up of 22% allocated to the Group Center (mainly for the Belfius' general balance sheet management in terms of interest and funding risks, including the bonds investment portfolios and for the portfolios of derivatives and run-off credit guarantees).

Breakdown of economic capital by business line



Normative regulatory equity

The total normative regulatory equity is equal to 13.5% (Belfius' minimum operational CET 1 ratio) of the total consolidated Risk Weighted Assets and amounted to EUR 8,747 million end 2022 compared to EUR 8,788 million at the end of 2021. The normative regulatory equity of each business line is also equal to 13.5% of the Risk Weighted Assets of the business line.

(In millions of EUR)	31/12/21	30/12/22
TOTAL NORMATIVE REGULATORY EQUITY	8,788	8,747
of which allocated to		
Individuals	1,885	1,514
Entrepreneurs, Enterprises & Public	4,923	5,488
Group Center	1,980	1,745

Risk management

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

Introduction

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

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

1. Macroeconomic environment in 2022

Following a strong expansion at the start of 2022, economic activity in Belgium and the euro area was weighed down in the second half of 2022 by the Russian invasion in Ukraine, causing significant uncertainty and triggering a crisis in European energy markets. The war had substantial effects on the euro area economy through higher energy prices, persistent supply chain disruptions and rising input costs. Global demand was also held back by weak growth in China's economy due to strict Covid restrictions. Year-on-year GDP growth in the euro area decelerated from +5.5% in Q1 2022 to a pace of +2.3% in Q3 2022. For the whole of 2022, GDP is expected to grow by +3.4%, following a +5.2% growth rate in 2021.

The Belgian economy was resilient in the first nine months of 2022, but activity is expected to weaken in Q4 2022 on the back of high inflation and low consumer and business confidence. Belgian GDP growth is estimated to come in at +2.8% in 2022, following +6.1% growth in 2021. Looking at the GDP components, growth in 2022 was underpinned by consumer spending, which held up well in the first nine months despite increasing uncertainty and rising inflation. Business investment fell in the second and third quarter as companies were faced with high energy costs and falling orders. Following a brief rise in unemployment in the second and third quarters, unemployment fell in Belgium to 5.5% in November, while the euro area unemployment rate continued to decline to 6.5%.

1.1. Inflation

2022 was a challenging year in terms of inflation. Increased volatility and a sharp rise in energy and other commodity prices led to a surge in energy and food inflation. In the euro area, harmonised headline inflation rose from 5.1% in January to a peak of 10.6% in October. The Belgian economy was already experiencing high inflation at the end of 2021. In 2022, harmonised inflation increased further from 8.5% in January to 13.1% in October 2022. As higher input prices of energy and commodities worked their way through value chains, inflation pressures have become more broad-based In Belgium and the eurozone, leading to higher wage demands and rising core inflation.

1.2. Monetary Policy

In response to rising inflation, the ECB raised its key policy rates in July, September, October and December 2022 by a total of +250 bps. Further policy rate increases are needed in 2023 to ensure inflation pressures and expectations are durably reduced.

1.3. Fiscal Policy

Many European countries have introduced support to shield the economy from surging energy and food prices in 2022. Spending to protect vulnerable households and businesses is adding to pressures on public finances already strained by the debt accumulated during the pandemic and long-term spending needs. In addition, the war in Ukraine has triggered a rise in military spending in several countries as well as investments to secure energy supply.

Further unwinding of Covid-19 measures and strong GDP growth in the first half of the year led to an improvement in the Belgian government budget balance compared to 2021. For 2022, the projected budget deficit is 4.3% of GDP. However, in 2023, the deficit is projected to widen again to 5.3% of GDP.

2. Ratings

Between 1 January 2022 and 21 March 2023, rating agencies took the following decisions:

- on 13 July 2022, Moody's confirmed Belfius Bank's long-term rating at A1 with Stable outlook;
- on 27 July 2022, Fitch affirmed Belfius Bank's long-term rating at A- with Stable outlook;
- on 29 July 2022, S&P published a new Full Analysis report on Belfius, confirming its long-term A rating with stable outlook;
- on 12 December 2022, Moody's confirmed Belfius Bank's long-term rating at A1 with Stable outlook.

Ratings of Belfius Bank as at 21 March 2023

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

(1) Intrinsic creditworthness

Governance

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

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

The conglomerate dimension of Belfius' Risk Governance includes:

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

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

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

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

- Further alignment of major Risk policies in a conglomerate approach;
- The creation of a risk function in all material subsidiaries;
- An AML-risk assessment at conglomerate level has been performed in 2022.

1. Risk Governance Structure

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

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

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

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

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

- the **Credit Risk Committee (CRC)** centralizes all credit risk-related topics (origination, monitoring, impairment) into one committee with the presence of the Management Board members who are directly involved (CRO, Head of PBR & WEP);

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

1.2. Risk Committees on tactical/operational level

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

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

2. Risk appetite

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

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

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

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

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

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

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

The Risk Appetite Framework (RAF) was updated and approved by the Board of Directors in December 2022.

3. Stress tests

Stress tests are part of the ICAAP and are performed annually. The main objective of the stress tests is to determine the Bank's ability to withstand adverse scenario's and to highlight the main vulnerabilities of solvency, profitability and liquidity positions of Belfius. Each year, stress test scenarios are reviewed and are designed in a way to make sure they remain pertinent and that they reflect the current and potentially upcoming threats.

In 2022, the Bank has developed a set of alternative and severe macroeconomic scenarios designed to anticipate different possible macroeconomic evolution for the next 5 years taking into account the specific context of the war in Ukraine (a.o. stagflation, higher interest rates resulting in inverted yield curve, crash of the stock markets, rising credit spreads and uncertainty and higher IR environment affecting customer behaviour..), and to simulate how Belfius might be affected under these circumstances. Moreover, three power outage scenario's (triggering liquidity outflows) have been developed by the Non-Financial Risk team in order to account for the new threats to business continuity that became highly probable in the currently unstable political environment.

These different stress test scenario's and their combinations (such as stagflation scenario occurring together with the power outage) measure the potential deviations from the "base case" Financial Plan and from the Risk Appetite targets set by the management in terms of solvency, liquidity and profitability.

Overall, Belfius showed good resilience to financial and liquidity stress under these stress test scenario's, staying well above the operational target of 13.5% CET 1 ratio, decrease of the loans production limiting capital charge increase and solvency impact for Belfius. These stress test results have been submitted to the Management Board as well as to the Board of Directors of Belfius. Based on those results, the mitigating actions and recommendations have been proposed.

No EBA EU-wide stress test took place in 2022 (as they're conducted every two years, the current one successfully launched on 31 January 2023), however the ECB has carried out a climate risk stress test of significant institutions. This first Climate Stress Test exercise had the objectives of

- assessing the banks' climate risk stress testing capabilities and data availability;
- stock-take and benchmark the sensitivity of banks' income to transition risk and their exposure to carbon intensive industries;
- run bottom up projections in order to evaluate the banks' vulnerabilities to climate related and environmental events.

The stress test exercise was concluded by the detailed report published by ECB.

This pioneering exercise unveiling many challenges led to globally satisfactory results for Belfius, relative to the peers.

4. Recovery plan

An update of Belfius Recovery Plan has been submitted to the ECB during the second half of 2022. This plan provides a set of recovery measures that would be taken to restore the Bank's long-term viability in the event of a significant deterioration of the macro- economic environment.

In 2022, the focus was put on developing of three extreme reverse stress scenarios (additional liquidity stress scenario was added compared to last year) resulting in the Bank reaching its near default point in a short timeframe: a system-wide scenario (severe recession accompanied by high inflation and unemployment, crash of stock exchange and high funding spreads); idiosyncratic scenario (Belfius primarily hit through its UK and US exposures) and liquidity stress scenario (ransomware attack on servers leading to the bank run). The recovery plan demonstrates that Belfius benefits from sufficient recovery options. In extreme scenarios, the Bank has enough measures at its disposal to restore solvency and LCR liquidity ratios within one year.

5. Resolution

Belfius cooperates with the Single Resolution Board to prepare resolution plans, in particular by providing them with all information conform the requirements. Workshops with the SRB and their communications (working priority letters) confirmed that Belfius has made significant progress in 2022, in terms of quality, completeness and timely deliveries and that no major impediments will remain by the end of 2023.

Belfius successfully organised a resolution dry-run in December 2022. The purpose was to test the governance, and communication as well as the IT capacity to produce the bail-in datapoints, as bail-in is the preferred resolution strategy.

Credit risk

1. Methodology

For the management of its credit risks, Belfius uses an Advanced Internal Rating Based (AIRB) approach. This means that Belfius makes use of internal models for defining the key risk parameters Probability of Default (PD), Loss Given Default (LGD). The new LGD model has been implemented for RWA but not for IFRS 9 and Credit Conversion Factor (CCF - the conversion of an available credit line in an expected amount draw down) for off-balance sheet commitments. Regarding the CCF parameter, Belfius makes a distinction between retail and non-retail counterparties: an advanced model is applied for retail counterparties, while non-retail counterparties use the regulatory values.

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

In that context a special attention is given to:

- enhancing the data quality framework for modelling;
- the implementation of a comprehensive Margin of Conservatism (MoC) framework;
- the review of low default portfolios' models, given that a limited number of observed defaults may jeopardize the model calibration.

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

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

At the end of 2022, the LGD model for the mortgage portfolio was approved by ECB and directly used for RWA calculation. Moreover, several models have been submitted for supervisory approval at ECB level, e.g. the retail PD and LGD models on private individuals, professionals and small corporates.

2. Credit limits and credit committee

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

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

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

Belfius paid in 2022 a particular attention to the follow-up of concentration risks, given the strong growth of its loan portfolios in a challenging economic context. In addition to this, specific credit risk dashboards have been set up for individuals and companies in order to ensure a close and effective credit risk monitoring.

Credit granting

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

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

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

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

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

- credit analysts examine the credit request autonomously and define the customer's internal rating;
- a credit committee or staff member(s) with decision-taking powers then takes a decision on the basis of various factors such as solvency, the customer relationship, the customer's prospects, the credit application and the collateral;
- in the analysis process, credit applications are carefully examined and only accepted if the perspective of continuity and the borrower's repayment capacity are demonstrated;
- to support the credit decision process a RoNRE (Return on Normative Regulatory Equity) is used in most cases to assess the expected profitability of the credit transaction or even of the full customer relationship.

Credit risk limit determination and monitoring

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

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

Belfius distinguishes between active and passive exceedings of its exposure limits:

- an active exceeding is caused by a new transaction:
  - all decision competences of credit committees or individual persons are valid as far as the exposure limit is not exceeded;
  - this implies that in case of an active breach of the exposure limit, the file must be escalated to the Management Board of Belfius Bank, or even in some exceptional cases to its Board of Directors;
- a passive exceeding is not caused by a new transaction but by the deterioration of the customer's credit rating:
  - it is in the first place the responsibility of the credit analyst to check if a rating downgrade induces a limit exceeding;
  - in such a case, the file has to be submitted to Belfius' Central Credit Committee, which can temporarily accept the exceeding and, if necessary, impose a reduction scheme that would ensure the return to compliance with the limit.

Finally, the afore-mentioned counterparty limits are completed with a full set of portfolio guidelines:

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

Counterpart and portfolio monitoring

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

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

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

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

3. Fundamentals of credit risk in 2022

While at the start of 2022 the economy has still been impacted by the second-round Covid-19 effects, over the course of the year, the pandemic evolved in a positive way with fewer (registered) contaminations, hospital admissions and intensive care interventions, pushing the residual hygienic and economic risks to the background. Covid-related payment deferral schemes have all matured without a significant credit risk impact on the Belfius' portfolios. Indeed more than 95% of the loans show a regular repayment scheme. With the full relaxation of Covid measures in China however, vigilance is still warranted for the occurrence of new Covid-19 variants, and a potential return to a certain level of protective measures in the future.

After several years of geopolitical tension between Ukraine and Russia, the conflict evolved into a Russian invasion and a large-scale war on the Ukrainian territory. In the first half of 2022, this evolution has created a massive uncertainty in the worldwide political and economic environment, with immediate effects on financial markets, interest, exchange rates and price increases. Economic activity was further hampered by different economic sanctions. Especially for the European market, the impact on commodities, food and energy prices was very significant.

These events caused a slowdown of the post-Covid economic recovery through disruptions of the supply chains causing shortages and production delays, scarcity of resources, raw materials and labour capacity and further putting pressure on the activity level in several industries. Increasing prices of intermediate products and materials, and booming energy prices have led to a peaking inflation, that translated into wage inflation in Belgium though the automatic indexation mechanisms. In this context, the competitive positioning of Belgian companies could suffer, certainly in the short run.

With energy prices peaking as never before in the autumn (reinforcing inflationary pressure), the Belgian financial sector decided to take mitigating measures for households with a new (conditional) payment deferral scheme for vulnerable mortgage clients. The government decided on a basic Energy package providing financial support in Q4 to bear the increased energy prices (extended for Q1 2023). By safeguarding households of financial difficulties, these initiatives are putting an additional and increasing pressure on public spending deficits (evolving to around 6% of Belgian GDP), in absence of sufficient structural measures in the past.

The evolution of the non-performing loans portfolio still looks reassuring, but some early warning Indicators (especially payment arrears and utilization level of credit lines) tend to increase towards pre-Covid levels and require further monitoring.

3.1. Cost of Risk in 2022

3.1.1. IFRS 9 impairment methodology at Belfius

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

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

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

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

In 2022, these adjustments remained in place. The adjustments integrated the Covid-19 risks and were extended to the emerging risks related to the increased inflation, rising energy prices and the war in Ukraine:

- expected credit loss calculations are still based on a long-term average (initially 2009 - 2022) for all the relevant macroeconomic factors, with a backward and a forward-looking approach. In 2022, the previsions for 2023 -2024 were added in this through-the-cycle 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. Yet, the scenarios have been adapted to the macroeconomic environment;
- 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.

Given that ECL estimations 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 calculation which have not been taken into account by the mechanical computation on an individual level or a (sub)portfolio level. These layers have been reinforced to account for the main risk pockets in the Belfius' portfolio.

3.1.2. Drivers of the cost of risk in 2022

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

Cost of Risk 2020: -453M

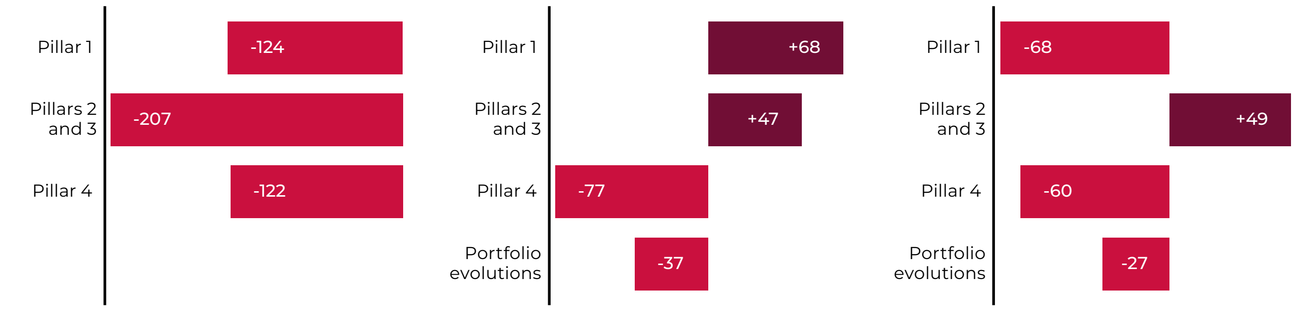
In EUR million

Cost of Risk 2021: +1M

In EUR million

Cost of Risk 2022: EUR -106M

In EUR million



- the provisions for stage 1 and 2 are calculated in a mechanical mode, based on a view on the macroeconomic conditions (past and future) (pillar 1);
- if Belfius considers that certain risk pockets, defined in terms of sectors or groups of companies, are not sufficiently covered by the mechanical provisions, certain expert overlays are added (pillar 2);
- if, additionally, expert analyses pointing to counterparts with a potentially increased credit risk, that were not detected by the mechanical approach and not yet classified as 'unlikely to pay', the provisions constituted could be insufficient. For these cases, an individual management adjustment on the expected credit loss in stage 2 is added (pillar 3);
- for counterparts in a default status (stage 3), the normal impairment process is run and specific provisions are calculated and booked (pillar 4). Provision levels are based on an individual assessment of exposure and collateral.

The 2022 Cost of Risk amounts to EUR -106 million and is composed of EUR -68 million allowances due to the update of the macroeconomic factors, EUR +49 million reversals following the reassessment of the Overlay for vulnerable exposures, EUR -60 million specific provisions for loans in default and EUR -27 million allowances for portfolio evolutions.

The release of EUR 49 million on the Overlay for Vulnerable Exposures was essentially done in 1H 2022 for an amount of EUR 63 million. This reversal was composed of an allowance of EUR 32 million for new impacted sectors and risk pockets, and a reversal of EUR 95 million on Covid-19 related exposures. In 2H 2022, an additional allowance of EUR 14 million was registered.

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

Pillar 1: macroeconomic factors used in 2022

- The macroeconomic factors were updated in line with Belfius Research expectations. While in the first half of 2022, the view on economic development was rather positive, the macroeconomic perspectives were adjusted downwards in the second year half. The outcome of the Russian Ukraine conflict remains highly unpredictable, both in terms of timing and of consequences. Global economy is suffering from this uncertainty, as it is the case for Belgium;
- Belfius' neutral scenario includes a Belgian GDP growth of +2.8% for 2022, followed by only a +0.1% growth rate in 2023. Under this neutral scenario, tension on the energy markets is expected to continue: energy prices are expected to remain high throughout the projection period, high inflation keeps impacting consumption levels, uncertainty and high costs have negative impact on business investment, reduced competitiveness and global slowdown weighs on exports;
- Inflation is expected to remain very high in 2022 (10.4%) due to high energy and food prices and second-round effects. Energy prices can gradually decline in 2023, while core inflation remains high;
- The unemployment rate for 2022 in the neutral scenario has been revised upwards from 7.9% towards 9.3%, and is expected to slightly decrease but remain at a high level in the upcoming years. As in 2020 and 2021, the 2022 unemployment figure includes the exceptional temporary unemployment that is expected to be, to a certain extent, converted into a structural unemployment.

Macro economic Scenarios IFRS 9

	As of end 2021		As of 2Q 2022		As of end 2022		
	2021	2022	2022	2023	2022	2023	2024
GDP (% Y-O-Y)[1]							
Belgium	5.9	3.2	2.2	1.6	2.8	0.1	1.6
Eurozone	4.8	4.4	2.8	2.0	3.0	0.0	1.5
United States	5.8	4.0	3.7	2.5	1.6	1.0	1.2
CPI (% Y-O-Y)							
Belgium	2.2	2.0	8.0	2.3	10.4	6.1	3.0
UNEMPLOYMENT (%)[2]							
Belgium	7.9	6.6	7.9	7.9	9.3	8.8	8.3
Eurozone	9.1	8.5	8.9	8.8	9.9	8.5	7.1

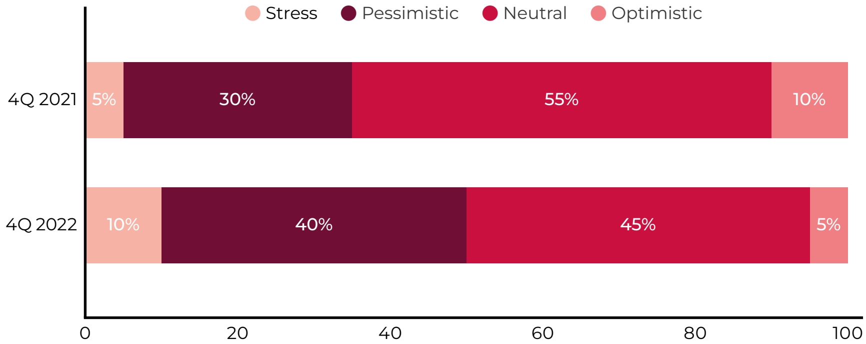
(1) GDP figures might differ from those presented in the section dedicated to the macro-economic environment as IFRS 9 expected credit losses are performed during the quarter.
(2) Unemployment figures include the exceptional temporary unemployment.

GDP BE (% YoY)

	As of end 2021		As of 2Q 2022		As of end 2022		
	2021	2022	2022	2023	2022	2023	2024
SCENARIOS							
Optimistic	6.5	4.0	3.0	1.8	3.4	0.7	2.2
Neutral	5.9	3.2	2.2	1.6	2.8	0.1	1.6
Pessimistic	4.2	1.3	1.2	1.2	1.7	(1.6)	0.5
Stress	2.0	1.4	(0.1)	(2.7)	1.2	(1.6)	(0.1)

- The neutral case is completed with an optimistic, a pessimistic and a stress scenario. The table above illustrates the Belgian GDP Growth assumptions, as of end 2022, under the four scenarios.
- The scenario weights were changed by shifting the weight to the negative-oriented scenario's: pessimistic at 40% (versus 30% by end 2021), stress at 10% (versus 5% in by end 2021), neutral at 45% (versus 55% by end 2021) and optimistic at 5% (versus 10% by end 2021).
- Consequently, a significant part of the 2022 provisioning is materialized through the **Pillar 1 (Macroeconomic Factors)** of the Overlay. These macroeconomic factors and scenarios lead to a cost of risk impact of EUR -68 million, counter-balancing the positive contribution in 2021.

Scenario weights (in %)



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

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

	What if 85% optimistic[(1)]	Weighted average scenario 4Q22	What if 85% pessimistic[(1)]	What if 85% stress[(1)]
Impairment stock stage 1&2 (In millions of EUR)	795	932	987	1,057
% change vs WA scenario	-15%	0%	6%	13%
		Optimistic 5% Neutral 45% Pessimistic 40% Stress 10%		

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

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

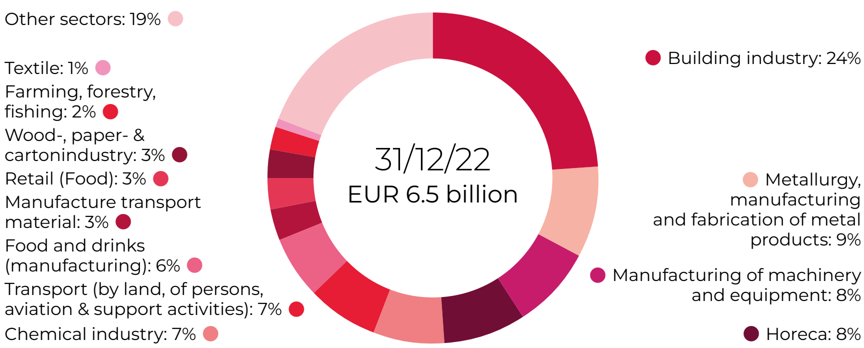
The Pillar 1 mechanical calculations are completed with expert Overlays. These Overlays are designed to result, overall, in best estimate total coverage of ECL in some specifically identified risk pockets of vulnerable exposures (defined in terms of sectors, groups of companies or individual exposures) when the credit risk is estimated (potentially) insufficiently covered by the mechanical provisions.

Concretely, one or more IFRS 9 parameters have been stressed when computing the ECL. For mortgages a stressed LGD value is applied , while for companies vulnerable to Covid or recession 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.

With respect to the **Pillars 2 and 3**, that cover for **risk pockets of Vulnerable Exposures**, Belfius thoroughly reviewed and rebalanced these Overlays in 2022 by integrating the emerging risks related to energy and inflation and the Russia/Ukraine conflict, while reducing the importance of the Covid-19 impacts:

- the exposures on customers not presenting further increased risks due to Covid-19 have been removed from the Overlay;
- the exposures representing a residual impact linked to the Covid-19 pandemic and that are additionally hit by the new crisis effects are maintained;
- the exposures to customers that show a potential vulnerability to the new-crisis effects are added to Overlay:
  - for the segment of Individuals (Mortgages/Consumer loans), the scope and its underlying drivers have shifted from an income-loss focus towards a cost and inflation focus (as a high ratio energy/net available income & low savings buffer);
  - for the segment of Entrepreneurs & Enterprises, demand shocks driven by Covid were gradually replaced by cost and supply shocks in the identification of the economic sectors that show a more than average vulnerability to recession effects. During the year, it became also clear that small businesses, in particular horeca, bakeries, retail trade, small construction, and manufacturing-related companies, are suffering heavily from the energy and wage shock. The Overlay was reassessed accordingly;
- for Overlays linked to individual names identified as having a potential low resilience, a line-by-line review was performed. This analysis allowed to remove files associated with positive evolutions such as recovery of financial results, strengthened shareholder support to the company or obtaining additional collateral which reduces risks;
- Belfius' exposure towards these vulnerable sectors or counterparts is limited to 3.3% of the total portfolio and can be split as follows:

E&E overlay for vulnerable exposures by sector

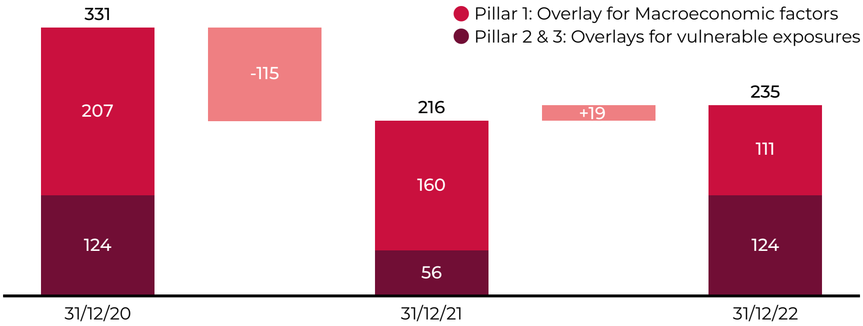


These adjustments of **Pillars 2 and 3** led to a provision release of EUR 49 million in 2022.

As a consequence, the **Overlay** increased towards a level of **EUR 235 million**, composed of:

- EUR 124 million for macroeconomic factors (vs EUR 56 million by end 2021);
- EUR 111 million for vulnerable exposures (vs. EUR 160 million by end 2021).

Overlay
(In EUR million)



Following the adjustments in 2022, the Overlay, that is constituted by the pillars 1, 2 and 3, has been increased by EUR 19 million.

Pillar 4
Pillar 4 contains impairments for counterparts in default (stage 3). Belfius continues to apply its standard impairment process for non-performing exposures. Pillar 4 represents a 2022 cost of risk of EUR -60 million, which is largely below the natural level of the Belfius portfolio.

Combined with the standard portfolio effects (growing loan portfolio, portfolio shifts in and out…) for an amount of EUR -27 million, the 4 pillar approach leads to a cost of risk of EUR -106 million in 2022, reflecting the economic and societal recovery from the Covid-19 era, but also, keeping in mind the uncertainties related to the macroeconomic perspectives.

3.2. Evolution of the portfolio by segment

3.2.1. Individuals

The overall mortgage lending activity in 2022 remained quite strong, slightly exceeding that of the previous year. However, the changing macroeconomic conditions have impacted the production of the second half year, with smaller number of mortgages being granted from July onwards due to reduced demand. The main factors behind this decrease are higher energy costs, inflation and higher interest rates. Overall, these evolutions resulted in an increase of Belfius' mortgage portfolio at the end of 2022 to a FEAD of EUR 41.9 billion compared to EUR 39 billion at the end of 2021.

Belfius continued to implement the 2019 NBB measures on new mortgage loans. This resulted in a further decrease in new production with an LTV>90% (from 15% last year to 13% in 2022). An increase in the share of new mortgages with DSTI>50%, especially in the second half of the year is observed, most likely due to rising interest rates, as well as a larger share of loans with longer maturities.

Throughout 2022, Belfius has closely monitored its mortgage portfolio for signs of deterioration due to energy costs. Analysis of transactional data (energy cost to available income) is combined with the monitoring of savings buffers, to track the share of the most vulnerable clients. The data captures the increase in energy costs, particularly in the first half of 2022, leading to more vulnerable clients (around 5% of outstanding credit). However, from June onward this impact has been significantly tempered by government interventions (e.g. reduced rates for lower income households, temporary VAT reduction on electricity bills, 'Energy package'). As of October 2022, mortgage clients for whom these energy related measures were not sufficient could apply for a deferral of principal repayment scheme (Febelfin initiative). At the end of 2022, the amount of loans for which this deferral was requested remained below EUR 100 million. This has led to an increase in the mortgage forborne exposure in the last quarter of this year. The overall impact remains limited with a year-on-year increase of forborne mortgage loans by EUR 10 million to EUR 419 million at year end.

All in all, due to governmental policies aimed at countering higher energy prices and the partial indexation of wages, the impact of energy and inflation on Belfius' mortgage portfolio has so far been limited. The PD levels of this portfolio have remained stable at around 0.50% (0.51% in 2021). The NPL ratio further declined to 0.29%, compared to 0.32% in 2021.

Similar to mortgages, consumer credits production has also been lower in the second half of this year. The monitoring of these loans has focused on traditional early warning indicators such use of credit lines & credit cards and the appearance of short-term arrears. Some of these indicators do exhibit an upward trend, but remain at acceptable levels and are being closely watched. Data also show a stable inflow of Non-Performing-Loans (NPL) and a somewhat higher average PD compared to a year ago but still below the pre-Covid-19 levels.

In the new segmentation, part of Professional Loans (Private and Wealth related), formerly segmented in E&E, has been transferred to Individuals. This part of the portfolio amounts to EUR 2.8 billion by end 2022.

3.2.2. Entrepreneurs & Enterprises (E&E)

A spectacular rise in gas, electricity and food prices fuelled in 2022 consumer price inflation in Belgium and the eurozone. On top of that, supply problems remained tense through most of the year and food prices did climb steeply. In addition, due to the high inflation, automatic wage indexation mechanisms strongly increased nominal wage costs. According to the NBB, Belgian companies were only partial successful in passing on their increased costs in selling prices, which in turn negatively affected their margins. This effect is particularly present for smaller companies.

Notwithstanding all these elements, the inflow of new defaults remained at a relatively low level in 2022. The NPL ratio decreased from 2.19% in 2021 to 2.07% at the end of 2022. Although the number of bankruptcies in the Belgian market and in Belfius' portfolio increased in comparison with 2020 and 2021 - years that have benefitted from public and private support measures - the level remained below the pre-Covid-19 levels. Exports continued to increase over 2022, and Belgian companies were at least partially successful in transmitting rising costs into higher export prices. However, this was accompanied by slightly declining volumes, which may be a first indication of a declining competitiveness.

Belfius' E&E portfolio amounted at the end of 2022 to FEAD of EUR 59.3 billion (EUR 52.4 billion at the end of 2021) and has, so far, shown few signs of deteriorating credit quality (average PD of 1.58%, versus 1.65% at the end of 2021). This implies that the financial impact of inflationary pressures and increasing energy prices did not materialize yet thanks to the combination of Belfius' pro-active risk management and the generally good resilience of Belgian enterprises and entrepreneurs.

Belfius expects nevertheless some future deterioration of credit quality, starting with the small enterprises which tend to have a weaker cash buffer to counter economic shocks. The geopolitical situation remains extremely fragile: the further developments in the war in Ukraine are highly uncertain and can have a substantial impact on the outlook for the euro area in particular. The vulnerability of enterprises and entrepreneurs to indirect effects like rising costs for raw materials, salaries and energy, and the commodity scarcity will remain an area of attention in the upcoming months.

For that reason Belfius continues its efforts to proactively detect highly impacted counterparts and to assess the potential impacts. We continue the close monitoring of companies with a higher-than-average ratio energy cost/turnover, a higher leverage in combination with the appearance of early warnings. In a bottom-up approach, a specific focus on energy and labor cost evolution will be put by the credit analysts in case of credit requests and periodic reviews, with a special attention for the customer's ability to absorb price increases.

3.2.3. Public sector clients

Belfius' loan portfolio to the public and social sector amounted at the end of 2022 to FEAD of EUR 36.8 billion and contributed this way to a diversification of Belfius' global loan portfolio. Overall, the public and social sector kept showing high credit standards and maintained its historical low risk portfolio (average PD at 0.16%), although it had to deal with a growing number of challenges.

Indeed, high inflation figures caused wage costs to rise sharply, energy bills weighted more heavily and the prices of building materials significantly increased. There have also been a number of other additional costs, such as the burden of receiving a wave of refugees in the context of the Ukraine crisis. Overall, financial stability risks clearly rose as (local) authorities often had insufficient room to support the economy as they did in the past, given high public debt and the growing need to design a credible path towards consolidation and to rebuild fiscal buffers, as e.g. ageing costs are coming fast.

In this context, it is certainly worth mentioning that the financial situation of the Belgian Regions and Communities had already deteriorated sharply in recent years. The increasing inflation and interest rates, as well as the further slowing down of economic growth will put further pressure on their deficit level and indebtedness. The latter could become challenging in the case of an economic or financial shock. This growing vulnerability has led rating agencies as well as Belfius to lower the rating of some of these entities and/or to attach a negative outlook to their current ratings. Belfius' has embedded these perspectives about debt and deficit levels into its sound risk management principles and closely manages and monitors this credit portfolio, especially in view of the upcoming elections in 2024.

The Belgian municipalities will have felt the financial turmoil above all in 2022. According to a simulation performed by Belfius Strategic Research, their ordinary balance is likely to go into red for a global amount of EUR 640 million. This deterioration is the result of a "scissors effect" between on the one hand higher growth pace of their expenditure and on the other hand lower revenue growth. Although inflation favourably influences a municipality's tax revenue, the latter will follow with a certain delay (1 à 2 years) depending on the indexation mechanism in force.

The Belgian hospitals, after 2 particularly intense years due to the Covid-crisis, were once again tested in 2022. Their energy bills rose sharply, as did their wage costs due to the automatic wage indexations. The heavily increased construction costs and rising interest rates also made it harder to make much needed infrastructure investments. In addition, the sector is still struggling with staff shortage, forcing some hospitals to even close departments. As a result, the sector on average exhibits a precarious financial balance, and faces at the same time major challenges which will inevitably have an impact on their operation, organization and financing. Except social developments such as the ageing of population, the hospital sector will have to implement the numerous reforms launched by the government such as the development of hospital networks and the reform of hospital financing. In addition, significant investments are also needed to achieve their digital transformation, to enable better information flows and to increase cybersecurity. Finally, hospitals cannot escape the stricter standards for energy sufficiency and sustainability with regard to their real estate patrimonium. The hospital sector was able to keep the head above water in the past few years thanks to the important financial support offered by the government in the context of the sanitary crisis. However, the room for new concessions and support from the government will be rather limited in upcoming years.

3.3. Insurance

The management of the credit risk of Belfius Insurance is the responsibility of Belfius Insurance risk management team, albeit in collaboration with the credit risk teams of Belfius Bank and aligned with the risk management guidelines that are applicable for the whole Belfius group. As such, this implies that credit limits are defined on a consolidated basis and that transfers of limits between the Bank and Insurance are permitted, on the condition that both parties agree. The CROs of Belfius Bank and Belfius Insurance coordinate the requests among each other.

3.4. Financial markets

The mission of Financial Markets, aligned with the mission of Belfius Bank, is to serve its clients and the Belgian economy with essential financial services. Next to this general objective, an innovative Financial Markets also contributes to the liquidity profile of the Bank through the management of Short-Term and Long-Term wholesale funding and through the management of the ALM Liquidity investment portfolio. Financial Markets also manages the orderly run-off of the Yield and Credit derivatives portfolios (inherited from the past).

In 2022, following the end of the Covid crisis and Russia's sudden invasion in Ukraine, a series of economic parameters have materially changed. These included the sharp rise in energy prices, which led to very high levels of inflation, and the subsequent rise in interest rates as well as an increased household poverty. In this difficult context, the credit risks in the different Belfius portfolios managed within Financial Markets performed relatively well. Nevertheless, some risks remain.

The most important credit risk events are as follows:

- **Brexit**: the transition period, after the 2020 agreement between the UK and the EU, has passed without any significant consequences for financial markets. The UK CCP's (i.e. LCH) have received an extension of the temporary recognition until June 2025 reducing the immediate risks associated to this temporary recognition;
- **UK Healthcare**: in 2022, the sector continues to be under pressure due to the consequences of the health crisis and tensions between the involved parties;
- **UK Utilities**: the current tariff agreements continue to put pressure on the credit metrics of some water and gas companies. The sustained high inflationary conditions in the UK are adding to this pressure. In addition, ESG is highlighting some long-term risks especially in the energy sector;
- **Our credit derivatives portfolio**, including a financial guarantees portfolio, has seen its average rating increase from BBB+ to A- following maturing of positions. The average ratings of the ALM Liquidity and Yield portfolios have remained stable both at A-.;

- **Risk concentration**: the main concentrations remain UK inflation-linked corporate utility bonds and Italian sovereign bonds, which remain of satisfactory credit quality and continue to be closely monitored. The significant improvement of the UK real rate in 2022 has materially reduced our concentration on the UK utility and healthcare sectors. Additionally for our UK utility positions, we have extended several temporary guarantees so that 75% of these positions now benefit from a lifetime guarantee from a well rated credit insurer;
- **De-risking**: we received a permanent trading derogation from the NBB for our last remaining credit derivatives in trading. These derivatives are in run-off and we are actively seeking to unwind these positions. This has been our main de-risking focus in 2022 and will continue to be so in 2023. Credit risks in relation to Financial Markets activities are monitored by the Credit Risk Limit Framework which is part of the Risk Appetite Framework. Counterparty and country limits are monitored by FM Risk Management in order to limit risk concentrations.

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

4.1. Forbearance

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

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

Specific criteria are established for each business segment. These provide for a practical interpretation of the concepts of “financial difficulties” and “concession”.

When granting a concession, the Bank is always led by a number of mainly business-related and economic factors. The fact that concessions are made, is one of the Watchlist indicators at Belfius and leads to a transfer of the exposures from stage 1 to stage 2 under IFRS 9.

Faced with the Covid-19 pandemic and its potential consequences on the financial situation of borrowers, Belfius has reviewed its forbearance policy in 2020-2021 in line with the EBA guidance: there is no automatic change in the forbearance classification for borrowers only based on the fact of a new loan granted under the state guarantee scheme or EBA compliant requested moratoria. Clients which were granted legislative, non-legislative and other moratoria during the Covid-19 pandemic continued to be assessed, taking into consideration the existing forbearance criteria and longer-term capacity to repay. In this context, the most vulnerable clients associated with high PD’s and, with potentially longer-term use of moratoria (beyond the 9 months cap) are recognized as forborne.

Contracts which have reached their probation period of 2 years are assessed to determine if they are eligible for deflagging and should no longer be considered as forbearance measures.

Forbearance outflow linked to Covid started in 22Q2 and is expected to increase over the upcoming years.

At the end of 2022, an amount of EUR 1,826 million of loans at Belfius complied with the forbearance definition, of which EUR 97 million related to Belfius Insurance compared to, respectively, EUR 1,990 million and EUR 92 million at the end of 2021. Customers in the Corporate (EUR 548 million) and Business segment (EUR 666 million) represent the highest volumes with a forbearance status.

4.2. Watchlist

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

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

4.3. Default

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

A default status is assigned to debtors which meet one or both of the following criteria:

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

Belfius Default guideline provides an in-depth description of indicators used to categorize an exposure in default.

The Default Committee within the Risk department is competent to define the default status.

Based on regulatory evolutions, Belfius has implemented the EBA updated definition of default as of mid-March 2020. Its internal guidelines were updated accordingly. The aim of the EBA guideline is to harmonize the definition of default across the EU prudential framework.

Main impacts are the materiality 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.

4.4. Impairments

At the end of 2022, the total impairment stock (stages 1-2-3) amounted to EUR 2,167 million compared to EUR 2,127 million at the end of 2021. This increase of EUR +40 million is mainly explained by the stage 1 and 2 evolutions which are affected by the update of the macroeconomic factors, slightly offset by the reassessment of the Overlay for vulnerable exposures.

5. Exposures to Credit Risk

Full Exposure At Default (FEAD) is determined as follows:

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

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

Breakdown of credit risk by counterparty

	31/12/21	30/12/22	Of which	
(FEAD, in EUR million)			Bank	Insurer
Central governments	42,442	37,236	32,504	4,732
of which government bonds	9,146	8,082	3,746	4,336
of which EU Central Bank	31,628	27,283	27,283	0
Public sector entities	42,237	41,084	39,538	1,547
Corporate	47,941	50,921	48,834	2,087
Project Finance	2,956	2,341	2,341	0
Retail	58,228	61,703	57,614	4,089
Financial Institutions	13,703	11,856	10,235	1,621
Other(1)	6,334	3,937	3,049	888
TOTAL	213,840	209,078	194,115	14,963

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

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

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

As at 31 December 2022, the total credit risk exposure within Belfius amounted to EUR 209 billion, a decline of EUR -4.8 billion or -2.2% compared to the end of 2021.

This decline is attributable to both banking activity (by EUR -3.1 billion) as well as to Belfius Insurance (by EUR -1.6 billion).

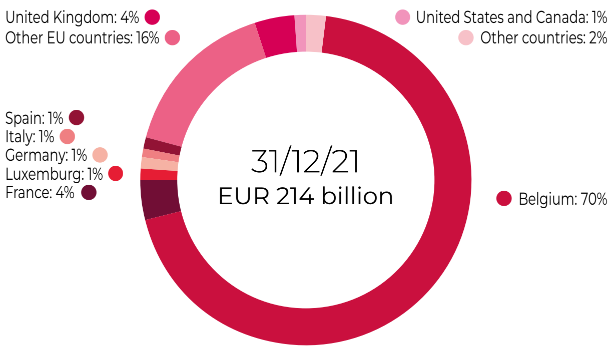
The decline by EUR -5.2 billion observed on the segment central governments is mostly due to the reduction of liquidity reserves deposited at the NBB. On the government bonds side, the exposure has declined for Belfius Insurance by EUR -1.1 billion and remained rather stable for the Bank at EUR 3.7 billion. Nearly half (45%) of the government bonds portfolio is invested in Belgian government bonds at the Group level. While at bank level the Belgian government bonds represents 43% of the total government bond portfolio, the relative proportion at Belfius Insurance stood at 47%.

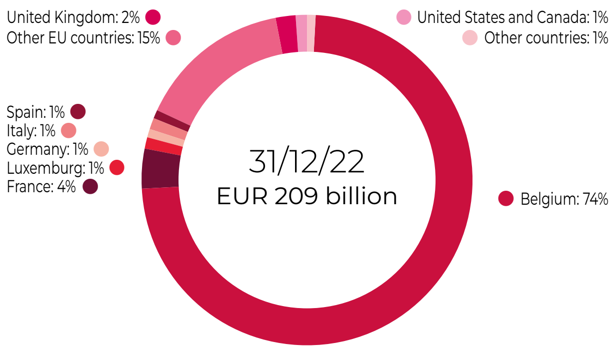
The credit risk exposure on individuals, self-employed and SMEs (29.5% of the total) and corporates (24% of the total) constitute the two main categories. The exposure on those categories increased by EUR +3 billion and EUR +3.5 billion respectively, reflecting Belfius' strategy to support the Belgian economy.

The credit risk exposure on public sector entities and institutions that are guaranteed by these public sector entities declined further in 2022 by EUR -1.1 billion.

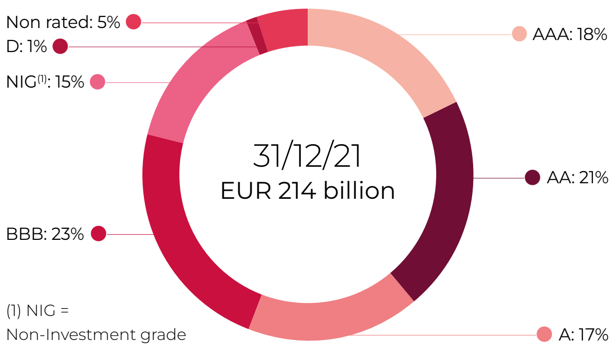
Belfius' positions are mainly concentrated in the European Union: 95% or EUR 184.0 billion at bank level and 97% or EUR 14.5 billion for Belfius Insurance. The total credit risk exposure in Belgium is 74% , 4% in France and 2% in the United Kingdom, 1.2% in the United States and Canada, 1% in Luxemburg, 0.8% in Spain and Germany and 0.6% in Italy.

Breakdown of credit risk by geographical region

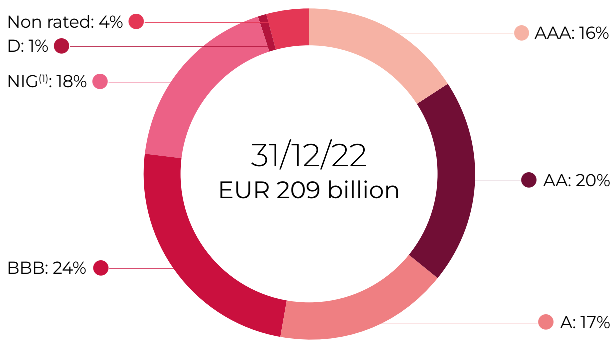




Breakdown of credit risk by rating



(1) NIG = Non-Investment grade



The credit risk exposure to counterparties in the United Kingdom amounted to EUR 5 billion, a decrease of EUR -3.3 billion from last year. About 70% of this credit risk exposure concerns bonds, of which close to two-thirds are inflation-linked, issued by utilities and infrastructure companies in the United Kingdom that operate in regulated sectors such as water, gas and electricity distribution. These bonds are of good credit quality, and moreover most of the outstanding bonds are covered with a credit protection issued by a credit insurer with a sound rating that is independent from the bond issuer. The remainder concerns the bond portfolio of Belfius Insurance, a short-term credit portfolio for treasury management of Belfius Bank and receivables on clearing houses. The credit risks of these portfolios are also of good credit quality.

At the end of December 2022, 77% of the total credit risk exposure had an investment grade (IG) internal credit rating.

6. Asset quality

At the end of 2022, the amount of impaired loans on a consolidated basis amounted to EUR 2,026 million, an increase of +0.7% compared to year-end 2021. During the same period, the gross outstanding loans to customers increased by +7.6% and amounted to EUR 111,146 million at the end of 2022. As a consequence, the asset quality ratio improved to 1.82% at the end of 2022. The coverage ratio remains stable at 60%.

Asset Quality(1)

(in millions of EUR, except where indicated)	31/12/21	30/12/22
Gross outstanding loans and advances to customers (measured at amortised cost)	103,306	111,146
Impaired loans and advances to customers (measured at amortised cost)	2,012	2,026
Stage 1 impairments on loans and advances to customers	128	170
Stage 2 impairments on loans and advances to customers	422	425
Stage 3 impairments on loans and advances to customers	1,215	1,208
Asset quality ratio(2)	1.95%	1.82%
Coverage ratio(3)	60.4%	59.6%

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

Market risk

1. Overview

1.1. Market risk definition

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

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

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

1.2. Risk types

The sources of market risk are changes in the levels of:

- interest rates;
- credit spreads;
- inflation;
- foreign-exchange rates;
- equity prices;
- commodity prices;

and their related risk factors like volatility or correlation for example.

Interest rate risk may be understood as the variation of the value of assets or liabilities following changes in interest rates quoted on the markets. It is most pronounced in debt instruments, derivatives that have debt instruments as their underlying reference asset and other derivatives whose values are linked to market interest rates.

Credit spread risk is linked to the credit spread curve that can change for a counterparty even if the credit quality (rating) remains unchanged. This impacts the XVAs and mainly the Credit Value Adjustment (CVA) which applies only on derivatives. Credit spreads also affects the bond asset price, but these are mostly value at amortized cost and exposure in trading portfolios at fair value is limited.

Foreign-exchange risk is the potential risk that movements in exchange rates may adversely affect the value of a financial instrument or portfolio. Despite exchange rates being a distinct market risk factor, the valuation of foreign-exchange instruments generally requires knowledge of the behaviour of both spot exchange rates and interest rates.

Equity price risk is the potential risk for adverse changes in the value of an institution's equity-related holdings. Price risks associated with equities are often classified into two categories: general (or non-diversifiable) equity risk and specific (or diversifiable) equity risk.

2. Structural & ALM risk

2.1. Policy on asset and liability management

Managing structural exposure to market risks (including interest rate risk, equity risk, real estate risk and foreign exchange risk) is also known as Asset & Liability Management (ALM). The structural exposure at Belfius results from the imbalance between its assets and liabilities in terms of volumes, durations and interest rate sensitivity.

Belfius' Board of Directors has the ultimate responsibility for setting the strategic risk tolerance, including the risk tolerance for market risks in non-financial markets activities. The Management Board of Belfius Bank and Belfius Insurance have the ultimate responsibility for managing the interest rate risks of Belfius within the above set risk tolerance and within the regulatory framework.

The real operational responsibility of the effective asset and liability management (ALM) is delegated to the Asset & Liability Committee (ALCo). The ALCo manages interest rate risk, foreign exchange risk, and liquidity risk of the Bank's respectively insurer's balance sheet within a framework of normative limits and reports to the Management Board and Board of Directors. Important files at a strategic level are submitted for final decision to the Management Board and Board of Directors, that have the final authority before any practical implementation.

The ALCo of the Bank is responsible for guiding and monitoring balance sheet and off-balance sheet commitments and, in doing so, places an emphasis on:

- the creation of a stable income flow;
- the preservation of economic value;
- the assurance of robust and sustainable funding.

The ALCo meets regularly, chaired by the Chief Financial Officer (CFO), with meetings attended by the Chief Risk Officer (CRO) and members of the Management Board responsible for commercial business lines (or their representatives).

The ALCo of Belfius Insurance plays the same role for the insurance company pursuing the same objectives but with a focus on the economic value and solvency according to the Solvency II regulation. The risk indicators are calculated based on a harmonised risk method for Belfius, supplemented by factors specific to Belfius Insurance relating to their risk management.

2.2. Interest rate risk

2.2.1. Interest rate risk of the banking activities

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

The management of non-maturing 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 defense.

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 interest rate changes on the economic value of the Bank. Interest rate sensitivity of economic value measures the net change in the ALM balance sheet's economic value if interest rates move by 10 bps across the entire curve. The long-term sensitivity of the ALM perimeter was EUR -59 million per 10 bps as at 31 December 2022 (compared to EUR -55 million per 10 bps as at 31 December 2021), excluding interest positions of Belfius Insurance and of the pension funds of Belfius Bank.

Earnings at Risk indicators capture the shorter-term effect of the interest rate changes on the earnings of the Bank. Therefore, indirectly through profitability, interest rate changes can also have a shorter-term solvency effect. A +50 bps increase of interest rates has an estimated positive impact on net interest income (before tax) of EUR +32 million of the next book year and an estimated cumulative effect of EUR +87 million over a three year period, whereas a -50 bps decrease would lead to an estimated impact of EUR +8 million of the next book year and an estimated cumulative effect of EUR +2 million over a three year period.

In addition to directional interest rate risk, curvature risk, due to steepening or flattening of the interest rate curve, is also followed up within a normative framework by the ALCo. The same goes for basis spread risk between Euribor and Eonia or €STR (Euro short-term rate) and cross-currency spread risk.

The strong increase in interest rates over the course of 2022 has a positive impact on the Bank's standard transformation model. On the one hand, the interest received on commercial loans has considerably increased and the interest paid to depositors remained close to zero for current and savings accounts and showed a moderate increase in other funding products. On the other hand, refinancing and prepaying mortgages has become less interesting for the customers, causing prepayment penalties to drop compared to 2021. Furthermore, this increase in rates has strongly improved the collateral cost for derivative contracts used to hedge the Bank's exposure to interest rate risk. The ALCo will remain attentive to volatile interest rate environment with the primary objective to respect the Risk Appetite Framework (RAF). ALM conventional models are regularly reviewed at the light of macro-economic environment and prevailing interest rates.

During 2022, the sharp rise of interest rates, which left the negative territory, has modified the expected interest rate sensitivities of non-maturing deposits, which were mainly considered until 2021 as fixed rate liabilities (floored tariff). The review of conventional models for non-maturing deposits has shifted the ALM strategical focus which is now, compared to last year, less tilted to a lower interest rates regime.

2.2.2. Interest rate risk for insurance activities

The aim is to manage and limit the volatility in the income statement that can be caused by interest rate fluctuations and to safeguard the economic value of the shareholders' capital. Therefore, Belfius Insurance, as a matter of policy, does not hold any exposure with a high interest rate risk.

The duration that reflects the interest rate sensitivity of the balance sheet, is considered to be the leading measuring instrument for interest rate risk. The partial and global sensitivities of the interest rate risk per time bucket are more precise indicators that are monitored by the ALCo.

The limits for the interest rate risk are approved by the management board and the Board of Directors. They are translated to the Risk Appetite Policy for global risk indicators and to the Investment Framework for more operational risk indicators and monitored by the ALCo.

Belfius Insurance maintained its ALM strategy which aims to keep the duration between assets and liabilities effectively balanced.

Taking into account the sharp rise of interest rates as from beginning of the year 2022, Belfius Insurance has been forced to revise its current Life pricing substantially offering its customers attractive investment insurance products in Branch 21 and Branch 26. Alternatively there is still opportunity for its customers to foresee a certain degree of security in their investment in Branch 23 through the Branch 44 concept.

2.2.3. Aggregate interest rate risk for the Belfius Group

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

(In thousands of EUR)	31/12/21	30/12/22
BELFIUS BANK		
Sensitivity (+10 bps)	(54,950)	(58,734)
Earnings at risk (+50 bps)	31,335	31,980
BELFIUS INSURANCE		
Sensitivity (+10 bps)	8,332	382
Earnings at risk (+50 bps)	4,354	4,392

2.3. Credit spread risk

The credit spread risk is dealt with in the "Credit risk" section.

The sovereign and credit portfolio is managed by the investment departments under supervision of the respective ALCo's of Belfius Bank and Belfius Insurance. Its management is carried out according to a risk framework monitored by the risk department. The framework provides risk guidance for the investments. It sets risk appetite and operational limits for ensuring the credit quality of the credit portfolio within the well-defined limits and a sound diversification (e.g. among industry sectors or countries). Sensitivity analysis and stress testing are regularly performed.

At Belfius Insurance, the credit spread risk has been fully integrated in the Risk Management. Indeed, moving towards Solvency II, the credit spread risk became more than before a key driver of the solvency position of the insurance company both for the net asset value's sensitivity and for the capital requirement.

2.4. Equity risk

Equity risk is a key contributor to the net asset value's sensitivity and the capital requirement of the insurance company. The equity portfolio is managed by a dedicated Investment team under supervision of the ALCo. The investments are again framed by risk guidance and operational limits according to the risk appetite of Belfius Insurance.

Market risk management tools include stress test measurements that provide an indication of the potential market value loss under different scenarios and the solvency ratio's resilience.

The table below shows the price sensitivity of Belfius' equities portfolio to a downward shock of 30%.

(In thousands of EUR)	31/12/21	31/12/22
BELFIUS INSURANCE		
Market value - quoted shares & assimilated	407,602	277,322
Market value - quoted real estate	255,182	97,448
Shock 30% (negative)	(198,835)	(112,431)
VaR (99%, 10 days)	57,916	47,999

2.5. Real estate risk

Property investments are made of deals offering long-term stable returns mostly on the Belgian market. As such, these property investments must be viewed as a way of optimizing the risk/return of the investment portfolio and are allocated to the long-term life insurance business.

The table below shows the price sensitivity of Belfius Insurance real estate risk to a downward shock of 15%.

(In thousands of EUR)	31/12/21	31/12/22
BELFIUS INSURANCE		
Market value - not quoted real estate	763,202	720,198
Shock 15% (negative)	(114,480)	(108,030)

2.6. Foreign exchange risk

Although Belfius Bank uses the EUR as its reporting currency, part of its assets, liabilities, income and expenses are also generated in other currencies. The elements of the profit and loss accounts which are generated in foreign currency are systematically and on an ongoing basis converted in EUR, resulting in only limited net FX positions.

The foreign exchange rate risk is not significant at Belfius Insurance, as less than 1% of the portfolio's total market value is denominated in foreign currencies. The possibilities of holding exposures in foreign currencies are moreover deliberately limited by the Investment Framework.

2.7. Pension funds

Specific reports on the pension plans managed by the pension fund are submitted to the investment committee of those plans as a result of the delegation given by the ALCo. The investment committee analyses the impacts of the plans' position on interest rate, inflation and equity risk.

3. Trading market risk

Financial Markets activities encompass client-oriented activities and hedge activities at Belfius Bank. No Financial Markets activities are undertaken at Belfius Insurance. If there is a need for FM-products, they will go to Belfius Bank or other financial institutions.

3.1. Market risk governance

With the purpose of effectively managing the market risks Belfius Bank is facing, FM Risk Management has identified the following cornerstones as key pillars for the risk management of its Financial Market (FM) activities:

- an efficient organisation fostering an accurate identification, analysis and reporting of the different risks Belfius Bank is bearing, as well as a continued training of people in order to remain up to date with the latest evolutions in theories, regulatory issues, metrics or market changes;
- a robust limit framework with differentiated limits by activity or risk factor that is to be respected by all parties involved in market activities. On top of the VaR limits or P&L triggers, several other metrics have been identified as key controlling tools in the risk management process:
  - limits on notional amounts;
  - limits on maturities;
  - limits on type of products;
  - limits on sensitivities (known as "Greeks": delta, etc.);
  - back testing;
  - stress tests;
- finally, this framework is regularly submitted for revision to the FM Committee in order to be commensurate to the risk appetite defined by the Board of Directors of Belfius Bank.

3.2. Market risk measures

The Value-at-Risk (VaR) concept is used as the principal metric for proper management of the market risk Belfius Bank is facing. The VaR measures the maximum loss in Net Present Value (NPV) the Bank might be facing in normal and/or historical market conditions over a period of 10 days with a confidence interval of 99%. The following risks are monitored at Belfius using a VaR computation:

- the interest rate, inflation and foreign exchange (forex) rate risk: this risk category is monitored via a historical VaR based on an internal model approved by the National Bank of Belgium and ECB. The historical simulation approach consists of managing the portfolio through a time series of historical asset yields. These revaluations generate a distribution of portfolio values (yield histogram) on the basis of which a VaR (% percentile) may be calculated.
  The main advantages of this type of VaR are its simplicity and the fact that it does not assume a normal but a historical distribution of asset yields (distributions may be non-normal and the behaviour of the observations may be non-linear);
- the general and specific equity risks are measured on the basis of a historical VaR with full valuation based on 1 year of history;
- the spread risk is measured via a historical approach, applying 1 year of observed variations on the sensitivities;
- the commodity risk is measured via a simplified VaR approach were calibrated shocks are multiplied with the sensitivities.

The overall FM VaR limit was adapted in Q4, from EUR 23.3 million to EUR 26.3 million, to reflect the inclusion, due to a change in accounting rules, in the trading book of an activity previously considered as part of banking book. The risk appetite itself has not changed.

3.3. Market risk exposure

The overall average VaR of Financial Markets activities increased from EUR 11.1 million in 2021 to EUR 13.6 million in 2022.

The VaR increased in the first quarter of 2022 and early Q2 and even briefly breached the limit due to a combination of temporary increased equity positions and increased IR volatility.. This triggered a reduction of positions and a refinement of the VaR methodology. At the end of Q3 and early Q4, the VaR deficiencies were exacerbated by increased rates and volatility in the financial markets. A model change in early November reduced the noise of the IR&FX VaR model and brought it back to more decent levels. This change happened in line with the internal model VaR as both are linked. Approval for the model change which was asked in early 2021 was received in Q4 2022.

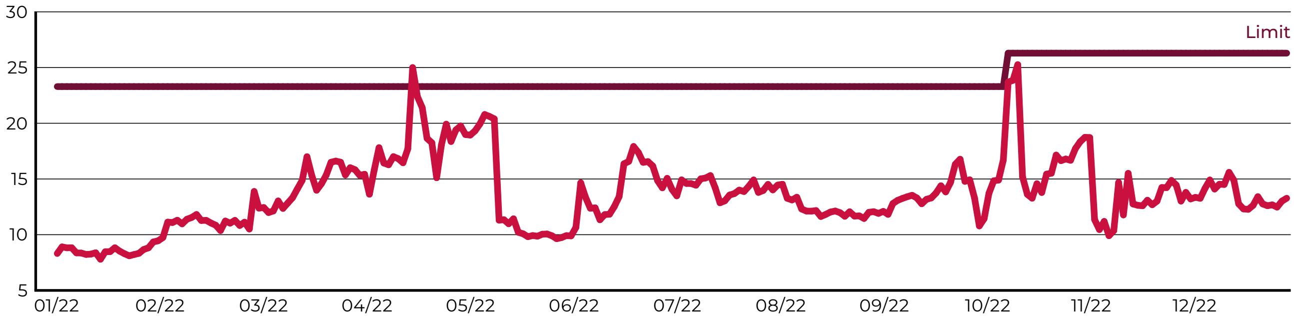
Value-at-risk by activity

VaR[1] (99% 10 days) (In millions of EUR)	31/12/21				30/12/22			
	IR[2] & FX[3]	Equity	Spread	Other risks[4]	IR[2] & FX[3]	Equity	Spread	Other risks[4]
By activity								
Average	5.4	4.7	0.6	0.3	7.5	4.6	1.1	0.4
End of Year	3.9	2.6	0.2	0.5	6.3	5.8	0.8	0.4
Maximum	14.4	9.7	1.5	0.6	17.5	12.0	2.3	0.8
Minimum	2.4	2.4	0.1	0.3	3.7	2.2	0.2	0.4
Global								
Average	11.1				13.6			
End of Year	7.2				13.3			
Maximum	25.4				25.3			
Minimum	5.9				7.8			
Limit	23.3				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.

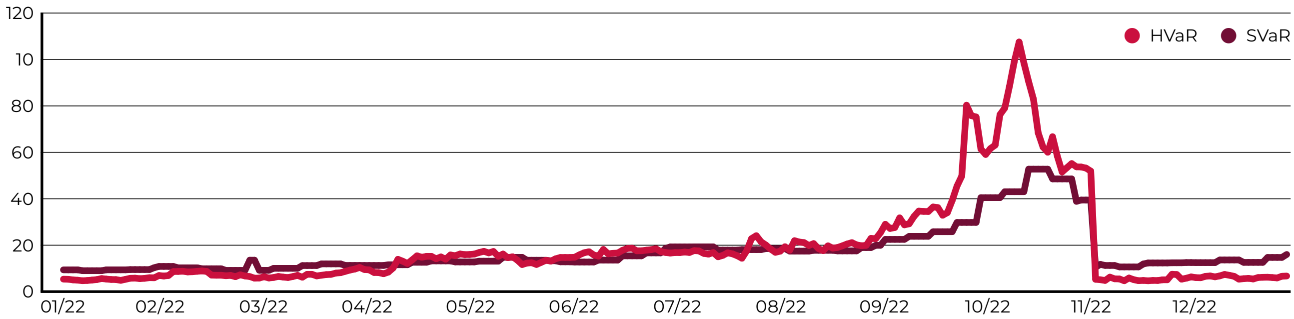
Evolution of global VaR in 2022

In millions of EUR



Evolution HVaR and SVaR (internal model) in 2022

In millions of EUR



3.4. Stress testing

Although the VaR is a very useful risk management tool for controlling day-to-day loss-risk exposures, it does not fully withstand the test of abnormal market movements, and it does not always give a total accurate picture of market exposure. Stress tests reveal sometimes better such information by gauging Belfius market positions vulnerability to exceptional events and hence by providing additional information about market risks alongside the information embedded in the VaR. These risks include those associated with extreme price movements and those associated with scenarios not reflected in recent history or implied by the parameters used to compute the VaR. Consequently, Belfius Bank uses stress tests in addition to the VaR approach.

The stress test framework has been reviewed (update of the scenarios) and the scope has been enlarged to include stress tests on Fair Value Hedge positions, XVA and Credit Derivatives.

Three types of scenarios are considered: calibrated scenarios (shocks on each risk factor, calibrated as quantiles of their historical distribution), specific scenarios (specific shocks on some risk factors) and historical scenarios (scenarios based on previous crises, for which the Covid stress of 2020 has been added).

The results of these stress tests are reported on a monthly basis in the FM Risk Monitoring Report and to the FMRR.

3.5. Regulatory internal model and back testing

The aim of back testing is to test the accuracy and the mathematical soundness of the internal market risk measurement methodologies by comparing the calculated market risk figures with the volatility of the actual results. Back testing is a prerequisite for Belfius Bank since we use internal models to calculate the regulatory capital requirement for some market risks.

The result of the back test is the number of actual market losses greater than their corresponding VaR figures (i.e. “the number of exceedings”). According to this number, the regulators will also decide on the multiplier to be applied for determining the regulatory capital requirement for market risks.

Currently, two types of back testing are processed at Belfius Bank:

- hypothetical back testing compares the hypothetical results of the portfolio’s end-of-day value and, assuming unchanged positions, its value at the end of the subsequent day. This result is therefore without any provisions adjustments and other non-involved risk factors. The holding period is one day. During 2022, there were 2 negative exceptions to the hypothetical back testing;
- real back testing compares the portfolio’s end-of-day value and its actual value at the end of the subsequent day excluding fees, commissions, and net interest income. In 2022, there were 3 exceptions to the real back testing.

Liquidity risk

1. Liquidity risk at Belfius Bank

1.1. Liquidity management framework

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

Asset and Liability Management (ALM), a division situated within the scope of the Chief Financial Officer (CFO), is the front-line manager for the liquidity requirements of Belfius Bank. It identifies, analyses and reports on current and future liquidity positions and risks and defines and coordinates funding plans and actions under the operational responsibility of the 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 Asset and Liability Forum (ALF), in the presence of the Risk department, the Treasury department of the Financial Markets and representatives of the commercial business lines. The Asset and Liability Forum is in the first place a discussion forum on all topics with a link to the ALCo in preparation to the ALCo memos. This forum has been mandated by the ALCo to translate the strategic funding plans into tactical and operational funding strategies aligned to the financing needs stemming from Belfius' balance sheet and within the regulatory constraints (LCR, NSFR, encumbrance, MREL and so on).

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

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

Second-line controls for monitoring the liquidity risk are performed by the Risk department, which ensures that the reports published are accurate, challenges the retained hypotheses and models, 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 and similar customers and the way these funds are allocated to customers through all type of loans;
- the volatility of the collateral that is to be deposited at counterparties as part of the CSA framework for derivatives and repo transactions (so called cash & securities collateral);

- the value of the liquid reserves by virtue of which Belfius Bank can collect funding on the repo market and/or from the ECB;
- the capacity to obtain interbank and institutional funding.

This year Belfius maintained its strong liquidity position mainly through a strong increase in commercial deposits, the participation in the TLTRO III and a considerable decrease in net collateral need.

1.3. Liquidity Risk Management

Strategies, scope and processes of liquidity risk management

The Liquidity report covers Belfius Bank on a consolidated level, i.e. the Bank with its subsidiaries and branches, incl. companies for securitization, excluding Belfius Insurance.

The strategy of the liquidity risk management is described in the Liquidity Risk Management Guidelines and in the Risk Appetite Framework (RAF). The RAF constitutes the highest level of risk limits and principles that express the risk tolerance of the Bank.

Monitoring is done through internal and regulatory liquidity Key Risk Indicators (KRI), with respective internal limits set up in the RAF. The liquidity KRI are reported on a regular basis and any exceeding of the limit is reported to the ALF and to ALCo, which has power of decision. Respect of those KRI is also tested under stress scenarios.

In addition, a series of Early Warnings indicators are monitored daily to identify as soon as possible liquidity tension on the markets.

In addition to the regulatory indicators, liquidity risk management focuses on:

- **Internal liquidity ratio**: a daily ratio that measures if Belfius Bank can survive a severe crisis for a minimum period of 3 months without recovery options (excluding repos on liquidity buffer and a limited amount of ECB funding);
- **Funding Gap**: a daily follow up of the maximum funding gap limits by currency and by maturity bucket;
- **Funding Plan and stress testing**: development of a strategic Funding Plan with the projection of the funding sources and requirements over the next 5 years giving a projection of the liquidity reserves, LCR ratio, NSFR ratio, MREL requirements and Asset Encumbrance ratio. A severe stress scenario, combining Belfius specific and market specific events is applied on this Funding Plan: all RAF limits on liquidity KRI have to be respected;
- **Collateral management**: daily monitoring of collateral position and collateral needs of the Bank and their respective impact on liquidity;
- **Intraday liquidity risk**: in order to meet payment and settlement obligations on a timely basis under both normal and stressed conditions Belfius must have a sufficient buffer for operational and stressed outflows. The intraday liquidity is managed by the Treasury desk and controls are performed by Operations and Risk Management with a reporting of these tests to the ALF;
- **Contingency Funding Plan (CFP)**: through a daily dashboard Belfius Bank created an adequate early warning system to detect market specific or Belfius specific liquidity events. A set of recovery measures is defined and regularly tested in the market with realistic amounts of funding, time to market and pricing. The CFP is consistent with the crisis management organization of Belfius Bank and has a clear decision process about responsibilities and organization of an ad-hoc ALCo to decide to activate the recovery measures;
- **Recovery Plan (RP)**: in the RP a number of stress scenarios are defined that could bring the Bank near to failure. Recovery measures that can be launched to avoid this failure are tested in various scenarios;
- **Liquidity Adequacy Statement (LAS)**: the ILAAP (internal liquidity adequacy assessment process) results in the LAS where the Management Board confirms in a statement that Belfius has enough liquidity to fund its activities and to sustain severe stresses and that liquidity risk is in line with the defined RAF and compliant with ILAAP requirements.

Belfius Bank developed the Liquidity Risk Management Guidelines and the RAF limits in order to remain sufficiently liquid in stress situations, without resorting to recovery actions which would generate significant costs or which would interfere with the core banking business of Belfius Bank.

1.4. Consolidation of the liquidity profile

During 2022, Belfius consolidated its diversified liquidity profile by:

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

Belfius Bank participated in the ECB TLTRO III funding programme for an amount of EUR 15.7 billion with the purpose to finance investment needs of SMEs, social sector and retail clients (mortgage loans excluded). In November and December, when the more advantageous conditions from the TLTRO stopped, Belfius Bank partially repaid the TLTRO III participation for an amount of EUR 9.65 billion, which led to a residual funding through TLTRO III of EUR 6 billion that will gradually expire in the next fifteen months.

Belfius Bank closed the year 2022 with a 12-month average LCR of 173%. The LCR of the Bank saw a strong increase after the participation in the TLTRO and the decrease, compared to the 12-month average LCR of December 2021, is mainly due to the partial repayment of the TLTRO III.

The Net Stable Funding Ratio (NSFR), based on the binding CRR2 rules and calculated according to EBA templates, stood stable at 135% at year-end 2022.

1.5. Liquidity reserves

At the end of 2022, Belfius Bank had available liquidity reserves of EUR 46.2 billion, of which EUR 34.0 billion HQLA (= High Quality Liquid Assets according to LCR regulation). These available reserves consisted of EUR 27.0 billion in cash overnight deposited at NBB/ECB, EUR 8.7 billion in CCP-eligible bonds (Central Counterparty-eligible), EUR 2.1 billion in other liquid bonds (of which EUR 1.3 billion are ECB eligible) and EUR 8.4 billion in bank loans (ECB eligible). The ratio HQLA/Total Non Maturing Commercial deposits stands at 33% at the end of 2022, and cash overnight deposited at NBB/ECB represents approximately 79% of the HQLA buffer.

These available liquidity reserves represent 5 times the Bank's institutional funding outstanding at the end of 2022 and having a remaining maturity of less than one year.

1.6. Funding diversification at Belfius Bank

Belfius Bank, as a universal bank, has a stable volume of commercial funding that comes from its Individuals (IND) and Entrepreneurs, Enterprises and Public (E&E&P) customers. Seeing the further increase of commercial funding, this source of funding represents an increasing part of total funding of Belfius Bank. IND and E&E&P funding equals EUR 120.0 billion of which EUR 87 billion is from IND. The increase of EUR +6.1 billion commercial funding compared to 2021 is used to finance the commercial loans.

The loan-to-deposit ratio, which indicates the proportion between assets and liabilities of the commercial balance sheet, slightly increased and stood at 87% at the end of 2022 as the growth in commercial loans was stronger than the funding increase. After the strong increase in interest rates and inflation in 2022, the growth in commercial funding stabilized and a first, though moderate, shift to other commercial funding products such as term deposits from non-maturing-deposits was observed.

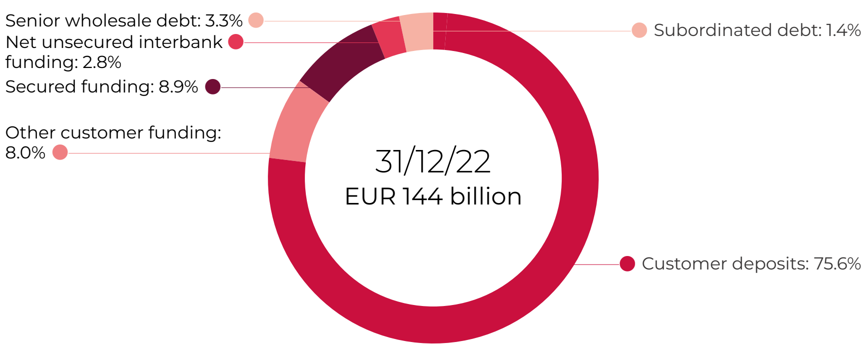
Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 6.5 billion from covered bonds (EUR 5.3 billion backed by mortgage loans and EUR 1.2 billion by public sector loans) and EUR 6.0 billion in TLTRO funding from the ECB as at 31 December 2022.

Note that during 2022 Belfius Bank issued EUR 0.5 billion mortgage Covered Bonds.

The remainder of the Bank's funding requirements comes from institutional short-term deposits (Treasury) mainly obtained through placement of Certificates of Deposit and Commercial Paper (CP).

Next to that, Belfius Bank also has a historical bond portfolio, including an ALM portfolio for liquidity management purposes, with highly liquid assets.

Belfius' main funding sources



As a result of derivative contracts to cover the interest rate risk of its activities, Belfius Bank has an outstanding position in derivatives for which collateral must be posted and is being received (cash and securities collateral). Against the background of historical low interest rates, in net terms, Belfius Bank posts more collateral than it receives. With the strong increase in interest rates, however, the net cash collateral position has strongly improved from EUR 10.7 billion end of December 2021 to EUR 6.1 billion end of December 2022.

1.7. Encumbered assets

Encumbered assets represent the on- and off-balance sheet assets that are pledged or used as collateral for Belfius' liabilities. Belfius has encumbered a part of its loan portfolio for issuing covered bonds and residential mortgage-backed securities (RMBS). Furthermore, assets are encumbered for repurchase agreements and collateral swaps. Belfius also continues to participate in TLTRO, for which assets are pledged as collateral. Finally, a part of Belfius' encumbrance results from collateral posted to secure derivatives transactions.

Belfius is active on the covered bond market since the set-up of the first covered bond programme in 2012.

The Bank also collects funding through repo markets for a limited amount and other collateralised deposits. A small part of the credit claims is pledged directly as collateral for intraday liquidity.

Since 2017 in the context of the management of its liquidity buffer, Belfius is also active in securities lending transactions under agreed Global Master Securities Lending Agreements (GMSLA).

The balance of encumbered assets is mainly linked to collateral pledged (gross of collateral received) for the derivatives exposures under the form of cash or securities and in 2022 to the collateral posted for the TLTRO funding. A significant part of collateral pledged is financed through collateral received from other counterparties with whom the Bank concluded derivatives in the opposite direction. The exceptional drawing on the TLTRO III, allowing Belfius to generate additional P&L and capital in order to sustain the Belgian economy, has led to a higher-than-normal Asset Encumbrance Ratio. However, in 2022, Belfius Bank repaid partially the TLTRO III for an amount of EUR 9.65 billion and net cash collateral position improved with EUR 4.6 billion.

Regarding the "Other assets" (unencumbered) on balance sheet, they are mainly composed of assets not available for encumbrance such as derivatives value, fair value revaluation of portfolio hedge and tax assets.

At year end 2022 (point-in-time), the sources of asset encumbrance (matching liabilities) mainly consisted of:

- own covered bonds issued (EUR 6.5 billion);
- TLTRO (EUR 6.0 billion);
- derivatives exposures (EUR 6.1 billion);
- securities lending transactions (EUR 0.7 billion).

For the full disclosure under EBA guidelines, we refer to the Risk Report of Belfius Bank.

2.Liquidity risk at Belfius Insurance

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

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

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

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

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

The assets are valuated in market value. The "Undetermined" category includes the Branch 23 products and shares.

The liability side includes repo transactions and Branch 23 products within the "Undetermined" category.

	2021	
(In millions of EUR)	Assets	Liabilities
< 1 year	1,735	1,247
1 < 5 year	2,469	3,557
5 year and +	11,429	7,028
Undetermined	6,147	5,794
TOTAL	21,780	17,625

	2022	
(In millions of EUR)	Assets	Liabilities
< 1 year	1,095	1,006
1 < 5 year	1,984	2,998
5 year and +	9,189	7,123
Undetermined	5,829	4,979
TOTAL	18,097	16,105

Non-financial risk – operational risk

1. Non-Financial Risk Management Framework

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

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

The framework is based on the following pillars:

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

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

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

2. Transversal risk processes

2.1. NFR domain - Change risk management

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

2.1.1. New Product Approval Process

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

In 2022, the process has been further enhanced with a more risk-based and proportional approach and with special attention to the due implementation of binding conditions.

2.1.2. Project Risk Management

The capacity to deliver projects with high quality standards within the foreseen timeframe is a key success factor. In that context, a new Project Risk Management (PRM) framework 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. This framework has been fully applied for all strategic programs and their sub-projects on the Q4 situation, and the outcomes have been integrated into the Strategic Project Reporting to the Board of Directors.

2.2. NFR domain – Integrated risk management

2.2.1. Incident Management

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

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

For the period 2020-2022, Belfius Bank's average annual potential net losses stemming from operational incidents amounted to EUR 2.5 million. 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.

In 2022, the risk profile is quite stable in terms of identified major (inherent) risks and remains acceptable regarding level of both quality of controls and residual risk profile.

2.2.3. Fraud risk management

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. More traditional Phishing techniques and cyber fraud cases need continuous investments to protect clients against potential impacts from these fraud schemes.

Moreover, an anti fraud expert panel is regularly organized to enhance the transversal circulation of information and to ensure that the Anti-Fraud Steering Committee (A-FSC) receives the information necessary for defining & monitoring the anti-fraud risk management.

2.2.4. 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.

2.2.5. Outsourcing risk

Belfius is aware that outsourcing and 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 and 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 consists in ensuring a well governed and coordinated outsourcing strategy in line with Belfius strategy, risk appetite and regulatory requirements. In 2022, the framework has been deeply reviewed.

In 2022, the framework has been thoroughly revised, including a new target operating model and an extended coverage for all third parties (vendors, suppliers, partners, etc.), which will further ensure their life-cycle (risk) management from engagement to termination, based on a new risk-based approach.

2.2.6. Permanent control

It is difficult to envisage risk management without taking special attention to the internal systems control. In order to provide additional ongoing assurance on the adequacy & effectiveness of the Belfius' control environment, the permanent control function has been further deployed in the business lines. The permanent control teams were initiated in 2021. The framework of the activity - in the context of the 3 LoD model - is further being enhanced.

In addition to the organisational deployment of the permanent control function, a campaign has been launched to test the main controls within the Bank and evaluate them on appropriateness, effectiveness and efficiency.

2.3. NFR domain – Risk culture & governance

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

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

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

The RAF covers o.a. 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 an improving level of maturity.

In order to further strengthen the conglomerate dimension, in 2022, the RAF roll-out in the subsidiaries has been updated, These RAF's are based on the RAF at group level, reflecting and monitoring the own (financial and non-financial) vulnerabilities and risks of each subsidiary.

2.4. NFR domain – Operational resilience

2.4.1. Business continuity & crisis management

Belfius is committed to its clients, counter-parties, 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, several exercises have been performed in order to test our ability to react. Moreover, several table top exercises have been organized to test our capacity to react to tail risks:

- reverse BCP in case of telework failure, for which all departments were able to restart or continue their critical activities in due time;
- Resolution planning according to SRB expectations; and
- Ransomware attack with Technology to fine tune crisis management and decision trees.

Consequently, the Business Continuity Management of Belfius proves to be a very mature process guaranteeing the institution's future resilience.

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

Belfius has a very low appetite for physical security and workplace safety risks and strives to provide a safe environment for its staff, clients, guests, and assets by ensuring that its physical security measures and procedures meet high standards. 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. Information security management

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

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

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

In a context where external environment is more and more threatening, a sophisticated Information Security Management System (ISMS) has been concretized in 2022, which provides a comprehensive framework of controls that manage information security and risks systematically and across the organization. More concretely, hundreds of ISMS controls have been defined around 6 main domains (Compliance, Technology, Assets, Organization & Governance, People, Authentication & Access & Physical protection) and their respective maturity level assessed. Some of them have been prioritized for implementation or improvement to further increase Belfius' maturity in terms of control and security.

2.6. Data privacy management

Respect for privacy and customer satisfaction

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

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.

This also included and includes the review of the privacy notice, the implementation of an adapted cookie policy and the implementation of the ruling of the European Court of Justice on eventual international transfers or international access of personal data.

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

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

Insurance risk

1. Definition

Belfius Insurance, as a part of the Belfius Group, takes up risk through the insurance contracts that it underwrites. The risks within the underwriting risk category are associated with both the exposure cove-red by the specific line of insurance (Life or Non-Life) and the specific processes associated with insurance business (claims processing, premium collection, pricing, selection, etc.).

The risks that apply to all lines of the insurance business can be globally categorised as follows:

Life underwriting risk: is the risk arising from the life insurance obligations, in relation to the perils covered and the processes used in the conduct of business. It is split up into seven sub segments:

- mortality risk, which is the risk that mortality increases. It applies to all undertakings for which the pay-outs expected to be made increase when there is a rise in mortality;
- longevity risk is the opposite of the mortality risk. It applies to policies for which a fall in mortality would result in an increase in the expected pay-outs (e.g. pension policies). Improvements in medical treatments that prolong life without restoring the ability to work could cause these risks to materialize at a greater frequency than currently observed;
- morbidity or disability risk relates to the risk of loss or disadvantageous movement in expected benefits caused by changes in the level, nature, trend or volatility of the degree of disability;
- lapse risk for Life is described as the risk of loss or increase in pay-out caused by a difference between the effective exercise rate of the contractual options by the policyholder and the expected exercise rate. The term "options" should be viewed in the broad sense of the word: this sub-module contains options in relation to redemption, cancellation or premium reduction, as well as the expansion of the guarantees. For some policies, exercise may be at the benefit of the insurance company, while for others it may result in a loss. As a result, this sub-module features two scenarios: one in which the options are exercised more frequently than expected and another where they are exercised less frequently;
- expense risk corresponds with the risk that the expenses are higher than expected or that they subdue to higher inflation than expected;
- revision risk only applies for the annuities the amounts of which may be valued negatively for the insurer as the result of a change in the statutory environment or in the policyholder's health situation;
- catastrophe risk is restricted to policies where an immediate and dramatic rise in mortality would result in an increase in benefits.

Non-Life underwriting risk: is the specific insurance risk arising from Non-Life insurance contracts. This uncertainty about the results of the insurer's underwriting could be split in three sub-segments:

- premium risk is the risk where the amount of premiums received is not sufficient to pay claims that occur during the coverage period to which the premiums relate;
- reserve risk is the risk of loss or unfavourable change in the value of the insurance undertakings arising from changes in the frequency and severity of the insured events, as well as in the date and amount of the claims to be paid;

- catastrophe risk is the risk arising from unpredictable events including, but not limited to, windstorms, coastal inundation, floods, severe winter weather, and other weather-related events, pandemics, large-scale fires, industrial explosions, earthquakes and other man-made disasters such as civil unrest and terrorist attacks, that is not covered by the premiums or reserves.

Product design risk: is the risk of loss resulting from features, options or guarantees that were unanticipated in the design and pricing of the insurance product.

2. Managing the insurance risk

The Risk & Underwriting Committee gives recommendations about strategy in the area of underwriting and reserving for the insurance companies within Belfius Insurance and the resulting policy, in particular with regard to the following points:

- types and characteristics of the insurance business that Belfius Insurance is willing to manage;
- selection criteria for the risks that match the risk appetite;
- the way in which the actual underwriting is monitored;
- the managing between, on the one hand, the insurance premiums collected and, on the other, the claims to be paid out when costs are borne;
- identification of the risks arising from the undertakings of Belfius Insurance, including the implicit options and the capital that is guaranteed by the insurance products;
- making provisions for claims.

The overall strategy is developed by each relevant entity and is follow-up by the local persons in charge.

Reinsurance is one of the methods used to limit the insurance risk. The main objective of reinsurance is to reduce volatility in capital requirements and profits, and to diminish the un-certainty associated with the risk in the insurer's valuation.

The drivers of reinsurance are:

- capacity: reinsurance gives insurers greater flexibility in terms of scope, type of risk and business volume that they can safely accept. This enables insurers to embark on new business or to expand their activities for a short period;
- stability: structured reinsurance programmes enable insurers to stabilize their operating income;
- protection: reinsurance provides protection against cumulative financial losses caused by a succession of events (such as poor weather) or against significant financial losses arising from a single event;
- funding: reinsurance can be an alternative to a capital increase;
- expertise: reinsurers assist insurers in their area of expertise. The qualified staff of reinsurance companies offer their services, for instance in establishing a new business.

3. Sensitivities

Belfius Insurance evaluates the effect of sensitivities on available financial resources. The technical reserves are expressed in fair value.

Given the low interest rates, the value of the technical reserves is higher than the redemption value, which results in a negative impact on capital in the event of a reduction in the lapse rate.

The review of cost assumption has a negative impact on the available financial resources and their sensitivity.

An increase of the mortality rates also has a negative impact on available financial resources.

As for life activities, in non-life business, higher costs assumptions lead to a lower result. An increase of claims leads also to a lower result[1].

(1) Please note that the figures in the tables here below are unaudited.

Underwriting risk Life: scenario that corresponds to[1]

	Impact on available financial resources before taxes[2]	
(In millions of EUR)	31/12/21	31/12/22
An increase of 15% in mortality	(46.6)	(35.8)
An increase of 10% in costs + 1% inflation	(216.9)	(217.3)
A decrease of 10% in the lapse rate	(17.6)	3.5

(1) Scope: Belfius Insurance SA (= Belins solo), Branch 23 included.
(2) Unaudited figures.

Underwriting risk Non-Life: scenario that corresponds to[1]

	Impact on result before taxes[2]	
(In millions of EUR)	31/12/21	31/12/22
An increase of 10% in administrative costs	(9.4)	(10.5)
An increase of 5% in claims	(22.5)	(23.0)

(1) Scope: Belfius Insurance SA and Corona SA (= Belins conso).
(2) Unaudited figures.

4. Development of claims

The claims triangle is the usual method for expressing the settlement of non-life claims stretched out over a number of years. Inter alia it enables actuaries to assess the appropriateness of the non-life technical provisions. Between the event and the date of closing a claim, the insurer assesses the amount as total cost of the claim. During this period, the insurer establishes a reserve that equals to the estimated amount of future payments for the claim.

Given the reserve is an estimate, there is a risk that the amount effectively paid is different (higher or lower). To assess that risk, it is necessary to study the variation of two amounts:

- the total of payments made prior to that date;
- the reserve established on that date for future payments.

The sum of these two components is called the total incurred claims cost.

The table below shows the evolution for Belfius Insurance SA and Corona SA since 2011 of the sum at the end of each year, of the total incurred claims cost per year of occurrence.

Claims development (excluding reinsurance and internal costs)

(In thousands of EUR)	Year of occurrence										
Year of settlement	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Estimation at the end of the year of occurrence	366,403	365,798	415,445	389,632	427,822	417,069	441,459	452,780	394,673	597,457	496,612
1 year later	350,517	324,524	392,976	361,479	402,910	396,145	431,019	438,787	379,779	541,923	0
2 years later	334,313	312,883	381,044	353,512	385,904	377,854	430,883	432,209	367,750	0	0
3 years later	329,882	306,454	374,836	351,551	379,367	377,418	428,287	423,836	0	0	0
4 years later	328,046	303,051	371,983	345,737	374,251	391,779	421,346	0	0	0	0
5 years later	323,899	301,179	369,929	346,817	378,007	381,219	0	0	0	0	0
6 years later	319,633	297,842	370,320	347,091	371,046	0	0	0	0	0	0
7 years later	317,895	295,826	369,063	339,664	0	0	0	0	0	0	0
8 years later	313,659	296,886	361,487	0	0	0	0	0	0	0	0
9 years later	315,012	289,755	0	0	0	0	0	0	0	0	0
10 years later	311,817	0	0	0	0	0	0	0	0	0	0

(In thousands of EUR)											
Actual estimation	311,817	289,755	361,487	339,664	371,046	381,219	421,346	423,836	367,750	541,923	496,612
Cumulative payments	(281,491)	(263,789)	(326,005)	(291,216)	(312,748)	(303,247)	(332,745)	(334,496)	(277,650)	(362,769)	(230,325)
Actual provisions	30,327	25,966	35,482	48,448	58,298	77,972	88,602	89,341	90,100	179,153	266,287

(In thousands of EUR)	
Provisions (after 2012)	989,976
Provisions (before 2012)	194,181
Internal costs	49,028
Accepted deals	17,834
TOTAL[1]	**1,251,020**

(1) Claims reserves 31 December 2022 - note 6.5.2.

Corporate governance

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

1. Management Board

1.1. Composition

On 31 December 2022, the Management Board of Belfius Bank consisted of 5 members, namely: Mr. Marc Raisière, Chairman, Mrs. Marianne Collin and Messrs Dirk Gyselinck, Olivier Onclin and Johan Vankelecom.

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

The renewal of the mandate of Mrs. Marianne Collin and Messrs Olivier Onclin and Johan Vankelecom, as directors and members of the Management Board, for a term of four years - i.e. ending immediately after the Ordinary General Meeting of Shareholders in 2027 - will be submitted to the Ordinary General Meeting of Shareholders in 2023.

It will be proposed to the same General Meeting to appoint Mr. Bram Somers, as director and member of the Management Board, for a term of four years - i.e. ending immediately after the Ordinary General Meeting of Shareholders in 2027.

Next to that the Board of Directors meeting held on dated 28 April 2022 decided to grant discharge to the members of the Management Board for the performance of their mandate for the 2021 financial year. The members of the Management Board did not take part in the deliberations and decisions of the Board of Directors in relation to their discharge or vote on them as they have a conflict of interests.

1.2. Remit

The Management Board is responsible for the effective management of the Bank, directing and coordinating the activities of the various business lines and support departments within the framework of the objectives and general policy set by the Board of Directors. These powers do not include determining the Bank's overall policy, nor actions reserved for the Board of Directors by the provisions in the Companies and Associations Code or by the Banking Law.

The Management Board ensures that the Bank's business activities are in line with the strategy, risk management and general policy set by the Board of Directors. It passes on relevant information to the Board of Directors to enable it to take informed decisions. It formulates proposals and advice to the Board of Directors with a view to defining or improving the Bank's general policy and strategy.

The members of the Management Board form a collegial body. They are required to carry out their duties in complete objectivity and independence.

Under the supervision of the Board of Directors, the Management Board takes the necessary measures to ensure that the Bank has a robust and suitable organisational structure suited to the Bank's organisation, in order to guarantee the effective and prudent management of the Bank in accordance with the Banking Law.

In principle, the Management Board meets once per week.

2. Board of Directors

2.1. Composition

At the Ordinary General Meeting of Shareholders in 2022, the Board of Directors consisted of 16 members, 5 of whom are members of the Management Board (cf. table on the next page). The Board of Directors consists of professionals from a variety of industries, including the financial sector and has the expertise and experience required in relation to the Bank's various operating businesses.

During 2022, the director's mandate of Mrs. Carine Doutrelepont was renewed for a term of one year, to end immediately after the Ordinary General Meeting of Shareholders in 2023.

The director's mandates of Baroness Lutgart Van den Berghe and Mr. Rudi Vander Vennet were renewed for a term of two years, to end immediately after the Ordinary General Meeting of Shareholders in 2024.

The director's mandate of Mr. Paul Bodart was renewed for a term of three years, to end immediately after the Ordinary General Meeting of Shareholders in 2025.

The director's mandates of Mrs. Isabel Neumann and Mr. Dirk Gyselinck, were also renewed for a term of four years, to end immediately after the Ordinary General Meeting of Shareholders in 2026.

Mrs. Carine Doutrelepont, Mrs. Isabel Neumann, Baroness Lutgart Van den Berghe, Messrs Dirk Gyselinck and Rudi Vander Vennet, did not take part in the deliberations nor in the decision-making of the Board of Directors in relation to the renewal of their mandate as they had a conflict of interests.

Proposals will be put to the Ordinary General Meeting of Shareholders to be held on 26 April 2023:

- to discharge the directors from their liability for the performance of their mandate for the 2022 financial year;
- to renew 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;
- to appoint 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;
- to appoint 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;
- to renew 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.

2.2. Remit

The Board of Directors defines on proposal or recommendation of the Management Board and inter alia supervises:

- the institution's strategy and objectives, including ESG;
- the risk policy, including the risk tolerance level;
- the organisation of the institution for the provision of investment services, the exercise of investment activities, the provision of ancillary services, the marketing of structured deposits and the provision of advice to clients on such products, including the organisational arrangements, as well as the skills, knowledge and expertise required of the staff, the resources, procedures and mechanisms with or by which the institution provides those services and exercises those activities;
- the integrity policy.

In the context of this responsibility, the Board of Directors is actively involved with the general policy, in particular regarding the supervision of the risk policy, organisation and financial stability of the Bank and its governance, including the definition of the credit institution's objectives and values.

Also, as Belfius Bank is head of the Belfius Financial Conglomerate, Belfius Bank's Board of Directors is responsible for the general policy, risk appetite and strategy of the Belfius Group and the compliance of the subsidiaries herewith.

The Board of Directors also approves the Bank's Governance Memorandum.

In 2022, the Board of Directors met seventeen times.

2.3. Conflicts of interest

In accordance with the procedure provided for under the Companies and Associations Code, the Board of Directors applied the procedure regarding conflicts of interest in the context of granting loans falling within the scope of Article 72 of the Banking Law.

BOARD OF DIRECTORS OF BELFIUS BANK (31/12/22)	MAIN FUNCTION	Non-executive director	Member of the Management Board	Independent director	Audit Committee	Nomination Committee	Remuneration Committee	Risk Committee	Mediation Committee	Technology Committee
CHRIS SUNT	Chairman of the Board of Directors of Belfius Bank SA	★		■		■	■		★	
MARC RAISIÈRE	Chairman of the Management Board of Belfius Bank SA		★							
MARIANNE COLLIN	Member of the Management Board of Belfius Bank SA Chief Risk Officer, responsible for Risk Management & Compliance		■							
DIRK GYSELINCK	Member of the Management Board of Belfius Bank SA Responsible for Wealth, Entreprises & Public		■							
OLIVIER ONCLIN	Member of the Management Board of Belfius SA Responsible for Private, Business & Retail Banking		■							
JOHAN VANKELECOM	Member of the Management Board of Belfius Bank SA Chief Financial Officer, Responsible for Accounting, ALM, Legal & Tax, Research, Strategic Planning and Performance Management (SPPM)		■							
PAUL BODART	Director of companies and non-profit organisations	■		■	■					★
BRUNO BRUSSELMANS	Chief Information Officer at Luminus – EDF Group	■		■						■
MARTINE DE ROUCK	Consultant	■		■	■			■	■	
CARINE DOUTRELEPONT	Lawyer and full Professor at the Université Libre de Bruxelles	■							■	■
PETER HINSSEN	Entrepreneur, keynote speaker and author	■		■						■
GEORGES HÜBNER	Full Professor at the HEC Liège, Liège University	■		■	★			■		
ISABEL NEUMANN	Chief Investment Officer at Shurgard Self Storage Non-executive Director at King's college London University	■		■						■ (1)
DIANE ROSEN-ZYGAS	Chief Human Resources Officer and Chief Financial Officer at Group S	■		■	■	■	■			
LUTGART VAN DEN BERGHE	Emeritus extraordinary professor at the University of Ghent and emeritus part-time professor at the Vlerick Business School	■				★	★			
RUDI VANDER VENNET	Full Professor in Financial Economics and Banking at the University of Ghent	■						★		

★ Chairman/Chairwoman

(1) until 15 July 2022.

Relationship between the Board of Directors and the Management Board

Management of the credit institution's activities remains under the sole authority of the Management Board. Such management takes place without any outside intervention and is carried out within the framework of the general policy laid down by the Board of Directors.

Advisory committees established by the Board of Directors

The Board of Directors established various advisory committees to assist it in its task, i.e. a Nomination Committee, a Remuneration Committee, an Audit Committee and a Risk Committee. These committees are exclusively composed of non-executive directors. In line with the EBA guidelines the majority of the members of the advisory committees are independent directors. Members of these advisory committees are member of a maximum of three such advisory committees.

A Mediation Committee and a Technology Committee have also been established within the governance of the Belfius Group.

1. Nomination Committee

CHAIRWOMAN	**Lutgart Van den Berghe**
MEMBERS	**Diane Rosen-Zygas**
	Chris Sunt Chairman of the Board of Directors of Belfius Bank

The Nomination Committee plays an advisory role and prepares decisions of the Board of Directors of Belfius Bank in relation to appointments, HR, succession plans, and so on. It also ensures the application of provisions concerning corporate governance. With the objective of efficiency and consistency regarding group policy, this committee also prepares decisions of the Board of Directors of Belfius Insurance, Corona and Belfius Investment Partners in this regard.

1.1. Composition

1.1.1. General aspects

As at 31 December 2022, the Nomination Committee for Belfius Bank consists of the following members: Baroness Lutgart Van den Berghe, Chairwoman, Mr. Chris Sunt and Mrs. Diane Rosen-Zygas.

Baroness Lutgart Van den Berghe, who is also an independent director of Belfius Insurance, as well represents Belfius Insurance at the Nomination Committee for matters concerning Belfius Insurance.

1.1.2. Independence and expertise

All the members of the Nomination Committee are non-executive directors.

Baroness Lutgart Van den Berghe, Doctor in Economics, is an emeritus extraordinary professor at the University of Ghent and emeritus part time professor at the Vlerick Business School. She is also member of the Koninklijke Vlaamse Academie van België voor Wetenschappen en Kunsten.

Mrs. Diane Rosen-Zygas, a commercial engineer, has a broad experience in the financial sector. She also has particular experience in human resources. In particular, she has worked as Head of Management Development, Recruitment, Compensation and Benefits at a financial institution as well as Chief Human Resources Officer at Group S, secrétariat social agréé ASBL.

Mr. Chris Sunt holds a masters of law degree. He was a member of the Brussels' Bar from 1980 until 2020, when he became "ere-advocaat/avocat honoraire". In his 40 years as a practicing lawyer specialised in corporate and banking law and in financial services regulation. He is the Chairman of the Board of Directors of Belfius Bank.

The majority of the members of the Nomination Committee of Belfius Bank are independent directors and have professional experience in the financial sector.

Different members have professional experience as executive directors and all the members have professional experience as non-executive directors in various sectors of activity. Consequently, the members of the Nomination Committee have the required skills, based on their education and diverse professional experience, to give a competent and independent judgement on the composition and operation of the Bank's management bodies, in particular on the individual and collective skills of their members and their integrity, reputation, independence of spirit and availability.

1.2. Remit

The Nomination Committee:

- identifies and recommends, for the approval of the General Meeting of Shareholders or of the Board of Directors, as the case may be, candidates suited to fill vacancies on the Board of Directors, evaluates the balance of knowledge, skills, diversity and experience within the Board of Directors, prepares a description of the roles and capabilities for a particular appointment and assesses the time commitment expected.
  The Nomination Committee also decides on a target for the representation of the underrepresented gender within the Board of Directors and prepares a policy on how to increase the number of underrepresented gender in order to meet that target;
- periodically, and at least annually, assesses the structure, size, composition and performance of the Board of Directors and makes recommendations to it with regard to any changes;
- periodically, assesses the knowledge, skills, experience, degree of involvement and in particular the attendance of members of the Board of Directors and advisory committees, both individually and collectively, and reports to the Board of Directors accordingly;
- periodically reviews the policies of the Board of Directors for selection and appointment of members of the Management Board, in order to make recommendations to the Board of Directors;
- prepares proposals for the appointment or mandate renewal, as the case may be, of directors, members of the Management Board, the Chairman of the Board of Directors and the Chairman of the Management Board;
- assesses the aptitude of a director or a candidate director to meet the criteria set forth for being considered as an independent director;
- examines questions relating to problems with the succession of directors and members of the Management Board;
- establishes a general and specific profile for directors and members of the Management Board;
- ensures the application of provisions with regard to corporate governance;
- prepares proposals for amendments to the internal rules of the Board of Directors and the Management Board;
- assesses the governance memorandum and if necessary proposes amendments;
- at least annually discusses and analyses the quantitative statement and qualitative analysis of communications regarding stress, burn-out and inappropriate behaviour at work and actions taken to remedy situations.

In performing its duties, the Nomination Committee ensures that decision-taking within the Board of Directors is not dominated by one person or a small group of persons, in a way which might be prejudicial to the interests of the Bank as a whole.

The Nomination Committee may use any type of resources that it considers to be appropriate for the performance of its tasks, including external advice, and receives appropriate funding to that end.

In 2022, the Nomination Committee met twelve times.

1.3. Recruitment policy

1.3.1. Requirements associated with the position of director/member of the Management Board

Each director/member of the Management Board must, on his or her appointment and for the entire term of his or her mandate, have the expertise and professional integrity required to perform his or her tasks. Within this framework, a position profile has been established by the Bank. Moreover, the Bank periodically makes an assessment of the aptitude of directors, members of the Management Board and members of the advisory committees.

In accordance with the applicable regulation, every director must, without being prompted to do so, notify the Bank about elements that may have an impact on his or her required expertise, professional integrity and availability to exercise his or her function as a director.

1.3.2. Procedure for appointment/renewal of mandate

1.3.2.1. Directors

Directors are appointed by the General Meeting of Shareholders (or by the Board of Directors if a director is co-opted) on a proposal from the Board of Directors, after obtaining the opinion of the Nomination Committee. The appointment or renewal of the mandate of a director must be approved in advance by the regulator (ECB and NBB).

The Nomination Committee prepares proposals for appointments, co-opting or renewal of the mandates of directors.

On the renewal of a director's mandate, the Nomination Committee, based on an internal evaluation performed by the entire Board of Directors under the direction of an external provider, will make an assessment of his or her participation within the Board of Directors and ensure that there are no new elements that could negatively impact the aptitude of the director to perform a new mandate. The Nomination Committee will also make sure, based on a competence matrix, that the Board of Directors has sufficient competencies to be able to determine the strategy and to deal with future challenges. The Committee then provides advice to the Board of Directors.

On a first appointment or mandate renewal, the Chairman of the Board of Directors and the Nomination Committee will ensure that the Board of Directors and the General Meeting of Shareholders have sufficient information with regard to the candidate director to be able to assess whether the latter has the expertise and professional integrity required to perform these tasks.

Board of Directors	**Number of members**	16
	Ratio men/women	62.5%/37.5%
	Independent directors	8
	Main degree qualifications (several people may have more than one degree)	Economics/Business Administration/Finance/Law/ Engineering/Mathematics/Actuarial Sciences
Management Board	**Number of members**	5
	Ratio men/women	80%/20%
	Main degree qualifications (several people may have more than one degree)	Engineering (commercial, civil)/Economics/ Business Administration/Finance/Mathematics/ Actuarial Sciences

1.3.2.2. Members of the Management Board

The Chairman and members of the Management Board are appointed by the Board of Directors from among the directors who have acquired professional experience in the banking and financial sector, on proposal of the Management Board, after obtaining the opinion of the Nomination Committee and the approval of the regulator (ECB and NBB). As for the Chairman of the Management Board, his or her appointment will be decided by the Board of Directors on proposal of the Management Board, after consultation with the Chairman of the Board of Directors and positive opinion of the Nomination Committee.

1.4. Diversity policy

A diverse Board of Directors includes differences in background, language, gender, age and professional skills relevant for Belfius. These differences are to be considered in determining the optimum composition of the Board of Directors (competence matrix) and when possible, should be balanced appropriately.

The Nomination Committee reviews and assesses the composition of the Board of Directors on behalf of the Board of Directors and recommends the appointment of new directors. In reviewing the Board of Directors' composition, the Nomination Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above.

In identifying suitable candidates for appointment to the Board of Directors, the Nomination Committee will consider candidates on their merit against objective criteria and with due regard for the benefits of diversity on the Board of Directors.

The Nomination Committee also conducts the annual review of the Board of Directors' effectiveness and performs a regular evaluation of the individual directors. As part of these evaluations of the effectiveness of the Board of Directors, advisory committees and individual directors, the Nomination Committee will consider the balance of skills, experience, independence and knowledge of Belfius Bank on the Board of Directors and the diversity of the Board of Directors.

Furthermore, on 25 August 2015, the Nomination Committee set a target to be achieved with regard to gender representation on the Board of Directors and established a policy aimed at increasing the number of members of the currently underrepresented gender in order to achieve that target.

In accordance with the provisions of Article 7:86 of the Companies and Associations Code, the Nomination Committee has set a target of achieving and maintaining a minimum of one-third representation of the other sex on the Board of Directors (Management Board included). For the application hereof, the required minimum number of members of the underrepresented sex will be rounded off to the nearest whole number.

Should the number of directors of the underrepresented gender be less than one third, the next Ordinary General Meeting of Shareholders will compose a Board of Directors that will meet this requirement.

The Nomination Committee annually discusses the evolution towards the objective for achieving diversity on the Board of Directors and make recommendations to the Board of Directors for adoption.

As at 31 December 2022, the Board of Directors was composed in line with the principles stated above.

CHAIRWOMAN	Lutgart Van den Berghe
MEMBERS	Diane Rosen-Zygas
	Chris Sunt Chairman of the Board of Directors of Belfius Bank

2. Remuneration Committee

The Remuneration Committee has an advisory role and prepares decisions of the Board of Directors of Belfius Bank regarding remuneration. With the objective of efficiency and consistency regarding group policy, this committee also prepares decisions of the Board of Directors of Belfius Insurance, Corona and Belfius Investment Partners in this regard.

2.1. Composition

2.1.1. General aspects

As at 31 December 2022, the Remuneration Committee for Belfius Bank consists of the following members: Baroness Lutgart Van den Berghe, Chairwoman, Mr. Chris Sunt and Mrs Diane Rosen-Zygas.

Baroness Lutgart Van den Berghe, who is also an independent director of Belfius Insurance, as well represents Belfius Insurance at the Remuneration Committee for matters concerning Belfius Insurance.

2.1.2. Independence and expertise

All the members of the Remuneration Committee are non-executive directors.

Baroness Lutgart Van den Berghe, Doctor in Economics, is an emeritus extraordinary professor at the University of Ghent and emeritus part time professor at the Vlerick Business School. She is also member of the Koninklijke Vlaamse Academie van België voor Wetenschappen en Kunsten.

Mrs. Diane Rosen-Zygas, a commercial engineer, has a broad experience in the financial sector. She also has particular experience in human resources. In particular, she has worked as Head of Management Development, Recruitment, Compensation and Benefits at a financial institution as well as Chief Human Resources Officer at Group S, secrétariat social agréé ASBL.

Mr. Chris Sunt holds a masters of law degree. He was a member of the Brussels' Bar from 1980 until 2020, when he became "ere-advocaat/avocat honoraire". In his 40 years as a practicing lawyer he specialised in corporate and banking law and in financial services regulation. He is the Chairman of the Board of Directors of Belfius Bank.

The majority of the members of the Remuneration Committee of Belfius Bank are independent directors and all the members have professional experience in the financial sector.

One of the members also sat on the Nomination and Remuneration Committee of a listed company.

Consequently, the members of the Remuneration Committee have the required skills, on the basis of their education and professional experience, to give a competent and independent judgement on remuneration policies and practices and on the incentives created for managing risks, capital and liquidity of the Bank.

2.1.3. Collaboration and interaction with other advisory committees of the Board of Directors

In order to perform its tasks correctly (cf. also infra), in 2022 the Remuneration Committee interacted regularly with the Risk Committee and the Audit Committee.

The Risk Committee ensures that the Belfius Group's risk management, capital requirements and liquidity position, as well as the probability and the spread in time of profit is correctly taken into consideration in decisions relating to remuneration policy.

Within Belfius Bank, this is reflected by the formulation of an opinion on a global "Risk Gateway" (cf. § 2.3.1.3) and by the establishment and assessment of Key Risk Indicators on an annual basis. Their preparation is undertaken by the Risks divisions, in collaboration with the Human Resources division.

The Audit Committee contributes to the establishment of objectives for the Auditor General and the Audit and Risk committee for the objectives for the Compliance Officer.

The audit department at Belfius Bank will provide an independent and regular analysis of the remuneration policy and its practical implementation. The latest follow-up study was realised in 2022.

2.2. Remit

The Remuneration Committee prepares the decisions of the Board of Directors by inter alia:

- developing the remuneration policy, as well as making practical remuneration proposals for the Chairman, the non-executive members of the Board of Directors and the members of the advisory committees of the Board of Directors. The Board of Directors submits these remuneration proposals to the General Meeting of Shareholders for approval;
- developing the remuneration policy, as well as making practical proposals for the remuneration of the Chairman of the Management Board and, on his proposal, for the remuneration of the members of the Management Board. The Board of Directors then determines the remuneration of the Chairman and the members of the Management Board;
- providing advice on the proposals made by the Chairman of the Management Board of Belfius Bank in relation to the severance remuneration for members of the Belfius Bank Management Board. On the proposal of the Remuneration Committee, the Board of Directors of Belfius Bank determines the severance remuneration of the Chairman and members of the Belfius Bank Management Board;
- advising the Board of Directors in relation to the remuneration policy for staff members whose activity has a material impact on the risk profile of Belfius Bank (known as "Identified Staff") and in relation to the compliance of the allocation of remuneration to Identified Staff with regard to the remuneration policy put in place for them;
- preparing the remuneration report approved by the Board of Directors and published in the annual report;
- periodically checking to ensure that the remuneration programmes are achieving their objective and are in line with applicable conditions;
- annually assessing the performance and objectives of the members of the Management Board;
- providing an opinion of the elaboration of a global "Risk Gateway", in consultation with the Risk Committee, containing various levers applied at various points in the performance management cycle, with an impact on determination of the variable remuneration.

The Remuneration Committee exercises direct supervision over the determination of objectives and remuneration of the individuals responsible for the independent control functions (Chief Risk Officer, General Auditor and Compliance Officer).

In 2022, the Remuneration Committee met twelve times.

2.3. Remuneration

2.3.1. Introduction

2.3.1.1. Decision-taking powers

The Board of Directors decides on the remuneration of the members of the Management Board at Belfius Bank based on the advice of the Remuneration Committee and the Chairman of the Management Board.

The Management Board sets the remuneration of the senior managers who may have a material impact on the risk profile of Belfius Bank, subject to the nature or level of the positions in question and/or their remuneration, within the framework of the remuneration policy. The Remuneration Committee gives advice regarding this policy.

2.3.1.2. Remuneration policy

The remuneration policy of Belfius Bank and its subsidiaries was developed by Human Resources and the Legal Department and submitted for advice to the Remuneration Committee. The Risk Committee is also involved in developing the remuneration policy. The remuneration policy is approved by the Board of Directors.

The remuneration policy includes on the one hand general principles applicable to all Belfius Bank staff members. On the other hand, taking the principle of proportionality agreed in advance with the NBB into account, it includes specific provisions exclusively applicable to the members of the Management Board and to staff members whose activity has a material impact on the risk profile of Belfius Bank (i.e. "Identified Staff"), given the nature or level of the positions themselves and/or their remuneration.

When annually updating the list of Identified Staff, Belfius Bank takes account of the Belgian and European legislation. The Remuneration Committee and the Risk Committee are also informed of the result of such update.

2.3.1.3. Strategy guidelines approved by the Board of Directors in accordance with regulations

Fixed remuneration forms an appreciable part of total remuneration, taking into account the experience, the competences, education and qualifications of staff members, their duties, responsibility and the level of their position.

Limiting the portion of remuneration related to performance and results achieved, is intended to discourage excessive risk taking. The proportion between fixed and variable remuneration is 30% for members of the Management Board and less for senior management, when targets are reached. Exceptional performance can never result in that percentage being more than 50%.

The envelope for performance-related remuneration (performances in 2022) was determined in relation to the evolution of the net income of Belfius Group. When deciding the envelope for performance-related remuneration, one of the main drivers will always be a sound capital basis.

The policy also includes a risk gateway, which is a mechanism (ex-ante) involving the total budget for the variable remuneration of senior management being reduced in the case of a material deterioration of solvency ratios (Solvency II ratio, CET 1 ratio) or liquidity ratio (LCR) under the levels fixed in the risk framework.

The performance-related remuneration is paid individually depending on the available envelope, collective results and the achievement of individual objectives.

Key Risk Indicators (KRI) have been included in the objectives of members of the Management Board and staff members whose activity has a material impact on the risk profile of Belfius Bank. The aim is to take proper account of the different types of (current and future) risks at each point in the assessment cycle: an insufficient score on one or more of such risk indicators has a negative impact on the variable remuneration.

The establishment, monitoring and assessment of these risk indicators are coordinated by the Chief Risk Officer (CRO) and submitted to the Risk Committee and the Remuneration Committee. Where appropriate, the CRO will confer with the General Auditor and the Compliance Officer and will also consult regularly with the Human Resources division.

Belfius Bank may also reduce performance-related remuneration, or even take it to zero, in the event of poor (collective or individual) performances, taking account of the level of seniority of the staff member and/or the legal basis on which that performance-related remuneration is founded.

At the end of 2015, a policy in relation to deferred variable remuneration ("deferral") was established for staff members whose activity has a material impact on the risk profile of Belfius Bank. This proposal was formulated by the Human Resources division, in collaboration with the Capital & Liquidity Management, Legal and Risk divisions. This policy has been applied each year since 2015.

In practical terms, for staff members whose activities have a material impact on the risk profile of Belfius Bank, to the extent that their performance-related remuneration exceeds EUR 50,000, 50% of the remuneration will be deferred over a period of 5 years (60% if the performance-related remuneration is higher than EUR 200,000) for members of the Management Board and their direct reports and 40% of the remuneration will be deferred over a period of 4 years (60% if the performance-related remuneration is higher than EUR 200,000) for the others. 50% of the total variable remuneration will be paid by way of a financial instrument which reflects the financial health of the business. The terms of this policy are integrated in the Belfius Group's remuneration policy.

The risk gateway (cf. above) will also be applied at the end of the first quarter of each year to determine whether the deferred variable remuneration payable in that year can also effectively be paid.

If appropriate, variable remuneration may be subject to an ex-post risk adjustment via a malus or clawback clause.

2.3.2. Remuneration of members of the Management Board

2.3.2.1. Fixed and performance-related remuneration

The remuneration of the members of the Bank's Management Board consists of a fixed part and a performance-related part.

The fixed and performance-related remuneration of members of the Management Board constitutes a whole from which are deducted any attendance fees or directors' fees paid to a member of the Management Board by a third-party company (for which the member performs a mandate on behalf of Belfius Bank).

The remuneration and the individual targets of the members of Management Board members are decided on by the Board of Directors. The members of the Management Board (except the chairman of the Management Board) do not take part in the deliberation, nor in the decision-making. The Chairman of the Management Board does not take part in the deliberation, nor in the decision-making with regard to his personal situation.

2.3.2.2. Remuneration for 2022

Remuneration of the Chairman of the Management Board

Fixed remuneration

The fixed remuneration of the Chairman of the Management Board amounts to EUR 775,000.

The granted premium for his group insurance, for other insurance policies (mainly insurance against death and disability) and the other benefits (mainly reimbursement of expenses and company car costs) amounted to EUR 270,961.

Performance-related remuneration

The Board of Directors decided to grant to the Chairman of the Management Board a performance-related (2022) remuneration of EUR 309,225. The acquisition of this amount is spread over 7 years, provided certain conditions are met. Half of the total (deferred) performance-related remuneration is awarded in cash and the other half in a financial instrument.

A first payment of EUR 61,845 of this variable remuneration for services in 2022 is scheduled to be made at the beginning of 2023.

The balance of the performance-related remuneration will be spread over the coming 6 years.

On the basis of the performance-related remuneration of 2017, 2018, 2019, 2020, 2021 and 2022, provided certain conditions are met in the coming 6 years, the Chairman of the Management Board may receive a deferred performance-related remuneration as follows: EUR 208,577 in 2024; EUR 140,483 in 2025; EUR 111,477 in 2026; EUR 83,700 in 2027; EUR 53,378 in 2028 and EUR 18,551 in 2029.

It is worth reiterating that every payment of (deferred) performance-related remuneration depends on the annual assessment of the financial instrument and may be subject to an ex-post risk adjustment via a malus or clawback clause (cf. 2.3.1.3. supra).

In 2022 an amount of EUR 221,335 was paid to the Chairman of the Management Board as performance-related remuneration linked to the performance in 2015, 2016, 2017, 2018, 2019, 2020 and 2021.

Consequently, an amount of EUR 996,335 was paid to the Chairman of the Management Board (fixed salary and variable remuneration) in 2022.

Taking into account the amounts granted for the group insurance and other insurances and benefits for the Chairman of the Management Board, the total amount related to the financial year 2022 is EUR 1,267,296 (fixed salary, variable salary, group insurance, other insurance and benefits).

Remuneration of the other members of the Management Board

Fixed remuneration

The fixed remuneration of the members of the Management Board (divided among 4 persons) amounts to EUR 1,870,000.

The (aggregated) granted premium for their group insurance, for other insurance policies (mainly insurance against death and disability) and the other benefits (mainly reimbursement of expenses and company car costs) amounted to EUR 634,971 (divided among the 4 members).

Performance-related remuneration

The Board of Directors decided to grant to the members of the Management Board (4 persons) a performance-related remuneration for 2022 totalling EUR 726,939. Half of the respective total (deferred) performance-related remuneration for each member of the Management Board is awarded in cash and the other half in a financial instrument. The acquisition of this amount is spread over 7 years, provided certain conditions are met.

A first payment of EUR 181,735 of this variable remuneration for services in 2022 is scheduled to be made at the beginning of 2023. The balance will be spread over the coming 6 years.

On the basis of the performance-related remuneration of, 2017, 2018, 2019, 2020, 2021 and 2022, provided certain conditions are met in the coming 6 years, the members of the Management Board may receive a deferred performance-related remuneration EUR 460,618 in 2024; EUR 274,178 in 2025; EUR 223,997 in 2026; EUR 167,188 in 2027; EUR 105,250 in 2028; and EUR 36,345 in 2029.

It is worth reiterating that every payment of (deferred) performance-related remuneration depends on the annual assessment of the financial instrument and may be subject to an ex-post risk adjustment via a malus or clawback clause (cf. 2.3.1.3. supra).

In 2022 an amount of EUR 527,951 was paid to the four members of the members of the Management Board as performance-related remuneration linked to the performance in 2015, 2016, 2017, 2018, 2019, 2020 and 2021.

Consequently, an amount of EUR 2.397.951 was paid to the four members of members of the Management Board (fixed salary and variable remuneration) in 2022.

Taking into account the amounts granted for the group insurance and other insurances and benefits for the four members of the Management Board, the total amount related to the financial year 2022 is EUR 3,032,922 (fixed salary, variable salary, group insurance, other insurance and benefits).

Option plans

Belfius Bank has no option plan. During 2022, no option was granted to members of the Management Board or exercised by the latter.

In accordance with Article 450 of Regulation No. 575/2013, Belfius Bank declares that a remuneration of more than EUR 1 million was granted to one staff member of Belfius Bank in 2022.

In 2022, no exceptional bonus was granted within the context of a recruitment and no severance remuneration was paid to members of the Management Board.

Conflict of interests

Excerpt from the minutes of the Board of Directors of Belfius Bank of 24 February 2022

The members of the Management Board did not take part in the deliberations nor in the decision-making as they had a conflict of interest.

Decision of the Board of Directors

The Board of Directors unanimously approved the adjustment of the structure and remuneration of the members of the Management Board.

The function premium for the members of the Management Board will be cancelled and integrated into the fixed remuneration.

The amount of the fixed remuneration of the members of the Management Board (excluding insurances and benefits in kind), with the exception of the Chairman of the Management Board, amounts to, per member of the Management Board, with retroactive effect to 1 January 2022, (...) for a first mandate, and (...) for subsequent mandates.

(...)

The fixed remuneration of the Chairman of the Management Board (excluding insurances and benefits in kind) amounts to EUR 775,000, with retroactive effect to 1 January 2022.

(...)

Based on the positive advice of the remuneration committee, the board of directors unanimously approved the evaluation of the members of the Management Board and its translation into a performance-related remuneration amounting to (…)

(…)

Based on the positive advice of the remuneration committee, the board of directors unanimously approved the evaluation of the Chairman of the Management Board and its translation into a performance-related remuneration amounting to (…)

Excerpt from the minutes of the Board of Directors of Belfius Bank of 20 October 2022
The members of the Management Board left the meeting and did not participate in the deliberations nor in the decision-making regarding this item on the agenda, as they had a financial conflict of interest.

The Board of Directors had to decide on the partial annual indexation of the remuneration of the members of the Management Board up to EUR 70,000.

Since:

- Belfius positions itself as a 'meaningful and inspiring' bank;
- indexation is an important social system to protect purchasing power;
- inflation has risen sharply in Belgium since the beginning of 2022;
- in their capacity as self-employed individuals, the remuneration of the members of the Management Board is currently not indexed;
- the remuneration committee has given a positive opinion on the proposal for partial indexation of the remuneration of the members of the Management Board;

the Board of Directors unanimously agreed that a partial indexation of the remuneration of the members of the Management Board is justified.

The Board of Directors therefore unanimously agreed to the application of partial indexation to the remuneration of the members of the Management Board. This indexation will be applied once a year on 1 January of each year to the first EUR 70,000 (amount indexed annually) of the remuneration of the members of the Management Board.

This indexation will be applied for the first time on 1 January 2023. The extract from the minutes of the Board of Directors will be sent to the statutory auditor.

2.3.3. Remuneration of staff members whose activity has a material impact on the risk profile of Belfius Bank (excluding the members of the Management Board and the members of the Board of Directors)

Fixed remuneration
The fixed remuneration paid in 2022 to the members of staff concerned (223 staff members at the end of 2022) was EUR 41,647,177.

Performance-related remuneration for the year 2022
A total amount of EUR 8,026,104 was granted in 2023 to the members of staff concerned as performance-related remuneration for the year 2022.

This amount was granted for

- EUR 6,054,696 in warrants[1] and for EUR 609,061 in cash;
- EUR 1,362,347 spread over 7 years, provided certain conditions are met and awarded half in cash/warrants and half in financial instruments.

Remuneration by business area
In line with the directives from the European Banking Authority (EBA), the overall quantitative data relative to remuneration per business area is stated in the table above.

Option plans
Belfius Bank has no option plan. During 2022, no option was granted to staff members whose activity has a material impact on the risk profile of Belfius Bank or exercised by the latter.

Severance remuneration
In 2022, severance remuneration was paid to 2 staff members whose activity has a material impact on the risk profile of Belfius Bank.

The total amount of this payment was EUR 506,736.14.

Sign-on remuneration
For the year 2022, ten individuals (referred to in point 2.3.3.) were exceptionally awarded a signing-on bonus.

(1) A capitalisation share (class C) of the Belfius Equities Europe Conviction, a subfund within the Belfius Equities sicav registered under Belgian law.

	Corporate functions	Independent Control Functions	Private, Business & Retail	Wealth, Enterprises & Public[1]	Total
Fixed remuneration	13,185,725	6,979,999	6,981,961	14,499,492	41,647,177
Performance related remuneration	2,645,815	1,003,252	1,364,354	3,012,682	8,026,104

(1) Financial Markets included.

Number of meetings and remuneration for each non executive director in 2022[1]

	Mediation Committee (0 meetings)	Board of Directors (17 meetings)[2]	Risk Committee (10 meetings)[1]	Audit Committee (16 meetings)	Nomination Committee (12 meetings)	Remuneration Committee (12 meetings)[1]	Technology Committee (5 meetings)	Total Remuneration (In EUR)
Doutrelepont Carine		16					4	58,500
Hübner Georges		17	10	16[4]				121,500
Van Den Berghe Lutgart		16			12[4]	12[4]		130,500
Sunt Chris		17[4]			12	12		258,300
Bodart Paul		16		15			5[4]	96,300
Vander Vennet Rudi		16	10[4]					90,900
Rosen-Zygas Diane		15		15	12	12		116,100
De Rouck Martine		17	10	16				92,700
Neumann Dit Orlicz-Jar Isabel[3]		17					2	56,700
Brusselmans Bruno		17					5	62,100
Hinssen Peter		17					5	62,100
								1,145,700

(1) Some meetings were not remunerated. Joint meetings of two committees were indeed only once remunerated, for example.
(2) The meeting of 23 december 2021 was remunerated in 2022.
(3) Member of the Technology committee until 15/07/2022.
(4) Chairmen.

2.3.4. Remuneration of members of the Board of Directors (non-executive directors)

The total remuneration paid to members of the Board of Directors of Belfius Bank, except the members of the Management Board (non-executive directors) for 2022 was EUR 1,145,700 for 72 meetings (compared with EUR 1,081,592 in 2021 for 71 meetings). This amount includes the remuneration for their mandate as directors (a fixed amount, which is identical for all members of the Board of Directors, except for the Chairman), as well as their fees for attending the Board meetings and the various advisory committees (a fixed amount for each meeting attended, varying for the members of the meeting, on the one hand, and for the Chairman, on the other).

The non-executive directors do not receive a performance-related remuneration or options.

The Chairman and the members of the Management Board do not receive any indemnity for attending the meetings of the Board of Directors or of the advisory committees.

3. Audit Committee

CHAIRMAN	Georges Hübner
MEMBERS	Paul Bodart
	Martine De Rouck
	Diane Rosen-Zygas

3.1. Composition

3.1.1. General aspects

As at 31 December 2022, the Audit Committee for Belfius Bank consists of the following members: Messrs Georges Hübner, Chairman, Paul Bodart, Mrs. Martine De Rouck and Mrs. Diane Rosen-Zygas.

3.1.2. Independence and expertise

The Audit Committee must have at least one independent director with the individual expertise required in accountancy and/or audit. The majority of the members of the Audit Committee must be independent directors. The Chairman of the Committee is appointed by its members. Furthermore, the members of the Audit Committee must have collective expertise in the fields of banking as well as accountancy and audit.

The Audit Committee of Belfius Bank consists of four non-executive directors, all four are independent directors, namely Mr. Georges Hübner, Mr. Paul Bodart, Mrs. Martine De Rouck and Mrs. Diane Rosen-Zygas.

Mr. Georges Hübner, who holds a degree in Business Administration and a PhD in Management, is Full Professor in Finance at the HEC Liège, University of Liège and former Associate Professor at the University of Maastricht. Inter alia he was a member of the college of experts appointed by the Parliament following the financial crisis. He has professional experience in accountancy and audit acquired in his activities in education, expertise and Chairmanship of qualifying examination boards for the Certified Auditors Institute (IRE/IBR).

Mr. Paul Bodart, holding the degree Civil Engineer in Applied Mathematics and holding the degree of Master of Business Administration, was Professor at the Solvay Business School until the beginning of 2020. He has professional experience in accounting and audit acquired in particular in the tasks he performed as a member of the Audit Committee of the Russian Stock Exchange (Moscow Exchange - MOEX) and in the tasks he performed as a member of the Audit Committee of the National Settlement Depository, Russia's central depository, as Chairman of the Audit Committee and a member of the Risk Committee of Dexia and of Dexia Crédit Local and as a member of the Audit Committee of Euroclear Bank. Moreover, he has considerable experience in the banking and finance sectors, in particular the executive functions (more specifically, he was CEO of the Belgian banking subsidiary of the Bank of New York Mellon Group, responsible for group operations in the euro zone).

Ms. Martine De Rouck has a degree in Mathematical Sciences and Actuarial Sciences. She has experience in the banking and financial sectors, in particular through her various functions, including with BNP Paribas Fortis Bank SA, from 1978 to 2016.

Mrs. Diane Rosen-Zygas holds a degree of Commercial Engineer, has professional experience in the financial sector and specifically in banking, in construction and in real estate sectors. She is currently Chief Financial Officer at Group S, secrétariat social agréé ASBL.

Consequently, the Audit Committee has at least one independent director with the individual expertise required in accountancy and/or audit as well as the required collective expertise in the field of banking, accountancy and auditing. A majority of the members of the Audit Committee are independent directors.

3.2. Tasks and remit

The Audit Committee assists the Board of Directors in its task of carrying out prudential controls and exercising general supervision in a broad sense.

3.2.1. Financial reporting

The Audit Committee examined the integrity of the financial information provided by the company, in particular by evaluating the accounting standards used, including the criteria governing the scope of the consolidation. The Audit Committee's supervision also extends to the follow-up of regular financial information before its submission to the Bank's Board of Directors.

The Audit Committee monitors the process of establishing financial information and makes recommendations or proposals to guarantee its integrity.

3.2.2. Internal audit and risk management

At least once a year the Audit Committee examines the efficiency of the internal audit and risk management systems set up by the Management Board to ensure that the main risks (including the risks linked to compliance with current laws and regulations) are properly identified and managed. To that end the Management Board submits a report to the Audit Committee regarding the assessment of internal control.

During 2022, the Audit Committee examined the activities of the Compliance department, the activities of Audit and Control, the activities of the Legal & Tax department, as well as the monitoring activities of the risks (e.g. credit, market, liquidity and operational risks and the risks with regard to the ICT-security).

3.2.3. Functioning of internal audit

The Audit Committee assesses the operational efficiency and independence of the Internal Audit division. The Audit Committee also verifies the extent to which the management responds to the findings of the Audit department and its recommendations. In 2022, the Audit Committee examined and approved the annual business report for 2021, the audit plan 2023, and the half-year business report (H1) for 2022, as well as the half-yearly follow-up reports on the recommendations. The latest version of the Internal Audit Charter was validated in 2022 by the Audit Committee.

3.2.4. Statutory audit

The Audit Committee provides the Board of Directors with information on the results of the legal audit of the statutory and consolidated financial statements as well as explanations as to the manner in which the legal audit of the statutory and consolidated financial statements contributed to the integrity of the financial information and as to the role played by the Audit Committee in that process.

The Audit Committee also monitors the legal audit of the statutory and consolidated financial statements, and this includes monitoring questions asked and recommendations made by the auditor.

In 2022, the Audit Committee reported to the Board of Directors on the statutory and consolidated financial statements of Belfius Bank as at 31 December 2021, 31 March 2022, 30 June 2022 and 30 September 2022. After considering the comments received from the management of the Bank and the external auditors, the Audit Committee delivered a favourable opinion to the Board of Directors on the financial statements.

3.2.5. External audit function and monitoring of auditor's independence

The Audit Committee satisfies itself that the external auditor(s) carries (carry) out his (their) audits properly.

The Audit Committee monitors the independence of the external auditor(s) and his (their) auditing programme.

The Audit Committee makes a recommendation to the Board of Directors with regard to the appointment or renewal of the mandate of the auditor.

3.3. Functioning

The Audit Committee may demand to see any useful information or supporting evidence and may carry out any inspection it feels is necessary. To that end it calls on the services of the Internal Audit department of Belfius Bank.

In 2022, the Audit Committee met sixteen times.

The Audit Committee of Belfius Bank operates independently from the Audit Committee implemented at Belfius Insurance. The Audit Committee of Belfius Bank held nine joint meetings with the Audit Committee of Belfius Insurance, in particular when the insurance company's annual financial statements for 2021 and the half-yearly financial statements as at 30 June 2022 were presented.

The Audit Committee of Belfius Bank held five meetings jointly with the Risk Committee, inter alia to examine, the effective management report on the assessment of the internal control report 2021, the report on the risks linked to the use of valuation models, the follow-up of the implementation of the IT- security strategy, as well as the quarterly risk monitoring report.

3.4. Internal Audit

The Internal Audit Charter states the fundamental principles which govern the Internal Audit function at Belfius by describing its mandate, its objectives, its role, its responsibilities, and its overall modes of operation and guarantees its independence. The Audit Charter was approved by the Board of Directors in 2022 and is reviewed at least every three years.

Belfius Bank has an internal audit function that meets the international standards on methodology and reporting.

The internal audit function is an independent and objective activity that provides the organisation with reasonable assurance regarding the extent to which its operations are controlled. As part of its work, the internal audit function provides recommendations for improvements and in doing so creates added value. The head of internal audit reports to the Chairman of the Audit Committee.

This means that the internal audit function helps the organisation to achieve its objectives. It does this by assessing the risk management, internal audit processes and governance processes in a systematic and disciplined manner and by making proposals designed to increase efficiency. This is done mainly by carrying out audit assignments and following up on audit recommendations.

The head of internal audit at Belfius Bank is responsible for internal audit at a Group level (Auditor-General). To this end, the head of internal audit at Belfius Insurance has a functional link to the Auditor-General. In this way, the independence of the head of internal audit at Belfius Insurance vis-à-vis his/her governing bodies is combined with the use of uniform audit practices of high quality (audit planning, audit methodology, following up on audit recommendations, and so on) within the Belfius Group.

CHAIRMAN	Rudi Vander Vennet
MEMBERS	Martine De Rouck
	Georges Hübner

4. Risk Committee

4.1. Composition

4.1.1. General aspects

As at 31 December 2022, the Risk Committee for Belfius Bank consists of the following members: Mr. Rudi Vander Vennet, Chairman, Mrs. Martine De Rouck and Mr. Georges Hübner.

4.1.2. Independence and remit

The Risk Committee of Belfius Bank consists of two independent directors, namely Mrs. Martine De Rouck and Mr. Georges Hübner.

The members of the Risk Committee must individually have the knowledge, skills, experience and aptitudes necessary to enable them to understand the Bank's risk strategy and appetite level.

Mr. Rudi Vander Vennet holds a degree in economics, an advanced master's degree in finance and a PhD in economics and is currently full professor of economics and banking at Ghent University and also teaches banking and insurance at Solvay Business School (ULB). He has experience as a board member at various financial institutions.

Mrs. Martine De Rouck has a degree in Mathematical Sciences and Actuarial Sciences. She has experience in the banking and financial sectors, in particular through her various functions, including with BNP Paribas Fortis Bank SA from 1978 to 2016.

Mr. Georges Hübner, who holds a degree in Business Administration and a PhD in Management, is Full Professor in Finance at the HEC Liège, University of Liège and former Associate Professor at the University of Maastricht. Inter alia he was a member of the college of experts appointed by Parliament following the financial crisis.

The members of the Risk Committee have the individual expertise and professional experience required to define strategy regarding risk and the level of risk appetite of an institution. They have acquired the specialisation necessary in particular as directors with other institutions and/or in their university training. Consequently, the Risk Committee has the required individual knowledge and expertise.

4.2. Remit

The Risk Committee has advisory powers and responsibilities with regard to the Board of Directors in the following areas:

- appetite and strategy regarding the Bank's current and future risks (including ESG risks), more particularly the effectiveness of the risk management function and the governance structure to support them;
- monitoring implementation of risk appetite and strategy by the Management Board;
- allocating the risk appetite to various categories of risks and defining the extent and limits of risk in order to manage and restrict major risks;
- considering the risks run by the Bank with its customer tariffs;
- assessing activities which expose the Bank to real risks;
- supervising requirements in terms of capital and liquidity, the capital base and the Bank's liquidity situation;
- guaranteeing that risks are proportional to the Bank's capital;
- formulating an opinion with regard to major transactions and new proposals for strategy activities that have a significant impact on the Bank's risk appetite;
- obtaining information and analysing management reports as to the extent and nature of the risks facing the Bank and the conglomerate (e.g. Conglomerate Monitoring);
- monitoring the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Recovery Plan;

- overseeing the alignment between all material financial products and services offered to clients and the business model and risk strategy of the institution;
- reviewing a number of possible scenarios, including stressed scenarios, to assess how the institution's risk profile would react to external and internal events;
- assessing the recommendations of internal and external auditors and follows up on the appropriate implementation of measures taken.

To promote sound remuneration policy and practices, without prejudice to the tasks of the Nomination Committee and the Remuneration Committee, the Risk Committee examines whether incentives in the remuneration system take proper account of the institution's risk management, equity requirements and liquidity position, as well as the probability and distribution of profit over time. The Risk Committee and the Audit Committee periodically exchange information in particular concerning the quarterly risk report, the senior management report on the assessment of internal control and the risk analyses performed by the Legal, Compliance and Audit Departments. The aim of this exchange of information is to enable the two committees to perform their tasks properly and can take the form of a joint meeting.

4.3. Functioning

The Risk Committee meets at least once per quarter. It also meets on an ad-hoc basis in relation to specific matters.

In 2022, the Risk Committee met ten times of which five joint meetings with the Audit Committee and one joint meeting with the Risk & Underwriting Committee of Belfius Insurance.

The Risk Committee operates independently of the Risk & Underwriting Committee of Belfius Insurance. On the request of the Chairman of the Bank's committee, a joint Risk Committee of Belfius Bank and Belfius Insurance may be held.

5. Mediation Committee

In 2014 the Board of Directors decided to establish a Mediation Committee within the Belfius group.

CHAIRMAN	**Chris Sunt** Chairman of the Board of Directors of Belfius Bank
MEMBERS	**Martine De Rouck** Independent Director Belfius Bank
	Carine Doutrelepont Independent Director Belfius Insurance
	Cécile Coune Independent Director Belfius Insurance
	Jean-Michel Kupper Independent Director Belfius Insurance

5.1. Composition

The Mediation Committee is composed of five members:

- the Chairman of the Board of Directors of Belfius Bank, who acts as Chairman;
- two independent directors of Belfius Bank;
- two independent directors of Belfius Insurance.

As at 31 December 2022, the Mediation Committee consisted of the following members:

- Mr. Chris Sunt, Chairman of the Board of Directors of Belfius Bank
- Mrs. Carine Doutrelepont and Mrs. Martine De Rouck, independent directors of Belfius Bank
- Mrs. Cécile Coune and Mr. Jean-Michel Kupper, independent directors of Belfius Insurance.

In 2022, no meeting of the Mediation Committee was held.

5.2. Remit

The Mediation Committee is responsible for issuing opinions relating to conflicts of interest concerning material intra-group transactions between entities of Belfius Group. Such opinions are sent to the Board of Directors of the companies concerned, which will then take a final decision on the planned transaction or operation.

CHAIRMAN	**Paul Bodart**
MEMBERS	**Bruno Brusselmans** Director Belfius Bank
	Carine Doutrelepont Director Belfius Bank
	Peter Hinssen Director Belfius Bank
	Isabel Neumann(1) Director Belfius Bank
	Jean-Michel Kupper Director Belfius Insurance
	Stijn Bijnens(2) Consultant

(1) Until 15 July 2022.
(2) Until 1 July 2022.

6. Technology Committee

In March 2021, the Board of Directors decided to set up a Technology Committee within the Belfius Group.

6.1. Composition

As at 31 December 2022, the Technology Committee was composed of: Mr Paul Bodart (non-executive director of Belfius Bank), Chairman, Ms Carine Doutrelepont (non-executive director of Belfius Bank), Mr Bruno Brusselmans (non-executive director of Belfius Bank), Mr Peter Hinssen (non-executive director of Belfius Bank) and Mr Jean-Michel Kupper (non-executive director of Belfius Insurance).

Mrs. Isabel Neumann ceased to be a member of the Technology Committee as of 15 July 2022. Mr. Stijn Bijnens no longer serves as external advisor to the Technology Committee since 1 July 2022.

The Technology Committee met five times in 2022.

6.2. Remit

The Technology Committee, which is responsible for Belfius Bank and its subsidiaries, advises the Board of Directors on its technology strategy, important technology investment decisions. Technology includes inter alia IT, digital and artificial intelligence.

The Technology Committee is responsible for:

- advising the Board of Directors on, and preparing the decisions of the Board of Directors with respect to technology strategy and material technology investment choices;
- monitoring, evaluating and advising the Board of Directors on existing and future technology trends, regulation and competition / FinTech developments that may affect Belfius' strategic plans including the monitoring of overall industry trends and future trends concerning enterprise data management and the financial industry's use of data to maximize the customer experience value;
- assessing measures and advising the Board of Directors on Belfius' technological strategic milestones and transformational developments, such as customer experience, sales through digital channels and potential synergies with physical and other networks, potential partnerships;
- monitoring and reporting to the Board of Directors on progress made with respect to the implementation of the technology decisions taken by the Board of Directors, including but not limited to, technology performance and security. This includes inter alia. monitoring and challenging the status of the move for the cloud infrastructure (timing, pace, risk mitigation, hybrid models, talents), foundations and platforms;
- reviewing and discussing reports from management on technology related activities, strategies and metrics, including enterprise data project performance, and reporting to the Board of Directors on the same.

Responsibility for the oversight of risks associated with technology, including risk assessment and risk management, remains with the Risk Committee and Audit Committee.

CHAIRMAN	**Chris Sunt** Chairman of the Board of Directors of Belfius Bank
MEMBERS	**Marc Raisière** Chairman of the Management Board of Belfius Bank
	Mieke Debeerst Chief Customer Experience & Marketing Communications Officer
	Truike Vercruysse Head of Sustainability
	Bénédicte Bouton Head of Culture at Belfius and Curator of the Belfius Art Collection

7. Belfius Art Committee

A Belfius Art Committee has been established since 2015.

7.1. Composition

The Belfius Art Committee is composed of at least four members including the Chairman of the Board of Directors of Belfius Bank, one member of the Management Board of Belfius Bank, the head of ESG (Environmental, Social & Governance) and the curator of the Belfius Art Collection. Additional member(s) may be appointed by the Board of Directors of Belfius Bank.

As at 31 December 2022, the Belfius Art Committee was composed of:

- Mr. Chris Sunt, Chairman of the Board of Directors of Belfius Bank;
- Mr. Marc Raisière, CEO, Chairman of the Management Board of Belfius Bank;
- Mrs. Mieke Debeerst, Chief Customer Experience & Marketing Communications Officer;
- Mrs. Truike Vercruysse, Head of Sustainability;
- Mrs. Bénédicte Bouton, Head of Culture at Belfius and Curator of the Belfius Art Collection.

The Belfius Art Committee met nine times in 2022.

7.2. Remit

The Belfius Art Committee has been mandated by the Board of Directors of Belfius Bank to manage the Belfius Art Collection as defined in article 10 of the Articles of Association of Belfius Bank. Within the context of this mandate, the Belfius Art Committee takes decisions with respect to the management, the conservation, the preservation, the use, the development and the evolution of the Belfius Art Collection.

Internal audit and risk management systems regarding financial statements

Belfius Bank applies various internal audit and risk management systems to its financial statements. These audits are carried out at different levels.

The inventory is reconciled with the balances in ACEC/ACSE via the reconciliation tool ACNR on a daily basis. Unreconciled amounts are reported via the monitoring and matching tool INTELLIMATCH. At the end of each month, the balance sheet and off-balance sheet inventory in the general ledger GEXL is reconciled with the balances in ACEC/ACSE. Unreconciled amounts are reported via an online tool in GEXL. The related accounting Competence Center (back office) is responsible for analysing the nature of the differences and for initiating corrective actions.

The accounts (Belgian GAAP and IFRS) are closed on a monthly basis. A first level of control is performed by the Accounting Competence Centers that take full responsibility for the general ledger (balance, off balance and statement of income) and the inventory. With regard to Financial Markets activities, FM Risk Management is responsible for the validation of the statement of income and the gains and losses not included in the statement of income. The procedures and control activities are documented by each department involved.

Corporate Accounting Control performs a second level of control and ensures a functional steering of the closing process, the centralisation and final validation of all relevant accounting data and disclosures for reporting purposes. A risk-based approach is adopted to determine the nature and extent of the control activities. The controls mainly relate to a variance analysis of balances and ratios, sample-based testing, review of supporting documentation and reasonability controls. The results of the analytical review are documented in a highlight report, which is subject to management review. The procedures and control activities are documented by each department.

The first and second levels of control provide reasonable assurance on the completeness, accuracy and appropriate presentation of the accounting data, in accordance with the financial and prudential framework.

The main subsidiaries of Belfius Bank apply similar internal audit and risk management systems to its financial statements. From October 2017 onwards, the preparation of the financial statements of Belfius Insurance and its subsidiaries have been outsourced to Belfius Bank in order to further align and optimize the processes. The continuity can be guaranteed as also the resources and competences of Belfius Insurance involved in the preparation and internal audit of the financial statements were transferred to Belfius Bank.

External activities of directors – Article 62, §2 of the law of 25 April 2014 on the status and supervision of credit institutions and stockbroking firms

As of 31 December 2022, Belfius Bank's directors held 26 directorships in other companies with industrial, commercial or financial activities.

Under the Regulation by the National Bank of Belgium dated 6 December 2011 on the pursuit of external activities by the directors and executives of regulated companies, Belfius Bank is required to disclose any external appointment held by its directors and senior executives. Belfius Bank has chosen to publish such appointments in its annual report filed with the National Bank of Belgium.

Statutory auditor

The task of auditing the financial situation and financial statements of Belfius Bank has been entrusted to KPMG Reviseurs d'entreprises, BV/SRL, represented by Messrs Olivier Macq and Kenneth Vermeire.

KPMG Bedrijfsrevisoren BV/SRL decided to no longer appoint Kenneth Vermeire as permanent representative, with effect from 8 November 2022.

Consequently, Olivier Macq, auditor, will act as the sole permanent representative of KPMG Bedrijfsrevisoren BV/SRL, statutory auditor, for the financial year ending on 31 December 2022.

The mandate of the statutory auditor, KPMG Bedrijfsrevisoren BV/SRL, will end at the end of the Ordinary General Meeting of Shareholders of 2023. Upon the recommendation of the Audit Committee and on the proposal of the Board of Directors, it will be proposed to the Ordinary General Meeting of Shareholders of 2023 to renew the mandate of KPMG Bedrijfsrevisoren BV/SRL as statutory auditor, represented by Mr. Olivier Macq, for a period of three years. The statutory auditor's mandate will expire at the end of the Ordinary General Meeting of Shareholders of 2026.

The table below provides an overview of the fees paid to the current Statutory Auditor for services provided to Belfius Bank, to Belgian companies associated with Belfius Bank and to its foreign subsidiaries during the 2022 financial year.

KPMG	Services provided in 2022				
(In EUR)	Audit of financial statements	Other certification	Tax advice	Other services	Total
KPMG BEDRIJFSREVISOREN/ REVISEURS D'ENTREPRISES	**1,583,930**	**87,660**	**0**	**362,950**	**2,034,540**
Belfius Bank	833,000	23,100		120,750	976,850
Subsidiaries (bank perimeter)	179,000	51,960			230,960
Belfius Insurance and subsidiaries	571,930	12,600		242,200	826,730
OTHER KPMG ENTITIES	**97,000**	**0**	**0**	**461,400**	**558,400**
Belfius Bank				461,400	461,400
Subsidiaries (bank perimeter)	84,000				84,000
Belfius Insurance and subsidiaries	13,000				13,000
TOTAL	1,680,930	87,660	0	824,350	2,592,940

Compliance

1. Role

The function of Compliance is to ensure the integrity of Belfius Bank's activities and the management of Compliance risks. The Compliance department ensures that Belfius Bank, its subsidiaries, staff members, suppliers and intermediaries comply with the legislation as well as internal rules and norms applicable to Belfius.

The emphasis is principally placed on the rules relating to the protection of customers' interests, also known as rules of good conduct, such as MiFID for investment services and the prevention of conflicts of interests.

On the one hand, Compliance advises and informs management and the commercial and operational divisions of Belfius Bank of the correct and appropriate application of the law and regulations, both within the context of establishing corporate strategy, the development of new activities, distribution channels and processes, and within the framework of specific files or transactions. To that end, it actively monitors the evolution of Belgian and international legislation, in close collaboration with the Legal department.

On the other hand, Compliance organises the independent supervision and control of the correct implementation of established procedures and instructions. As such, it oversees the effectiveness of policy and proposes corrective measures if they are necessary.

2. Organisation

Compliance is organised around a central Compliance department based on 3 pillars: Business Advisors (advisory function), the Compliance Risk Monitoring team (control function) and the Anti-Money Laundering unit. These three teams are supported by a specific unit which frames projects at an IT and an organisational level.

The central Compliance department may also call on the services of a large network of Compliance Correspondents within Belfius Bank's various divisions, as well as a networks of Compliance Managers with the salaried and independent branch networks. These last two networks play an important role, particularly in the introduction of Compliance policy and procedures as well as training and awareness in that regard.

A Compliance Officer accredited by the FSMA is at the head of the Compliance organisation. As from 1 January 2019 onwards, the Compliance Officer reports directly to the Chief Risk Officer, member of the Management Board, and, if necessary, may directly approach the Chairman of the Audit Committee, the Chairman of the Board of Directors and the Regulator.

As provided by the regulations, the department also has an Anti-Money Laundering Compliance Officer.

The Anti-Money Laundering Compliance Officer (AML CO) is head of the anti-money laundering team, which combats money laundering practices. Belfius puts material efforts in place so as not to be involved in laundering money from illegal activities, the organisation of tax fraud, financing terrorism or circumventing international embargos. To underline this commitment, the AML CO has established a general compliance framework with policies and broad preventive measures and controls. Proper knowledge of the customer and their identification, verification of the origin of financial flows on accounts and detection of dubious transactions are all vital elements in the prevention of such practices.

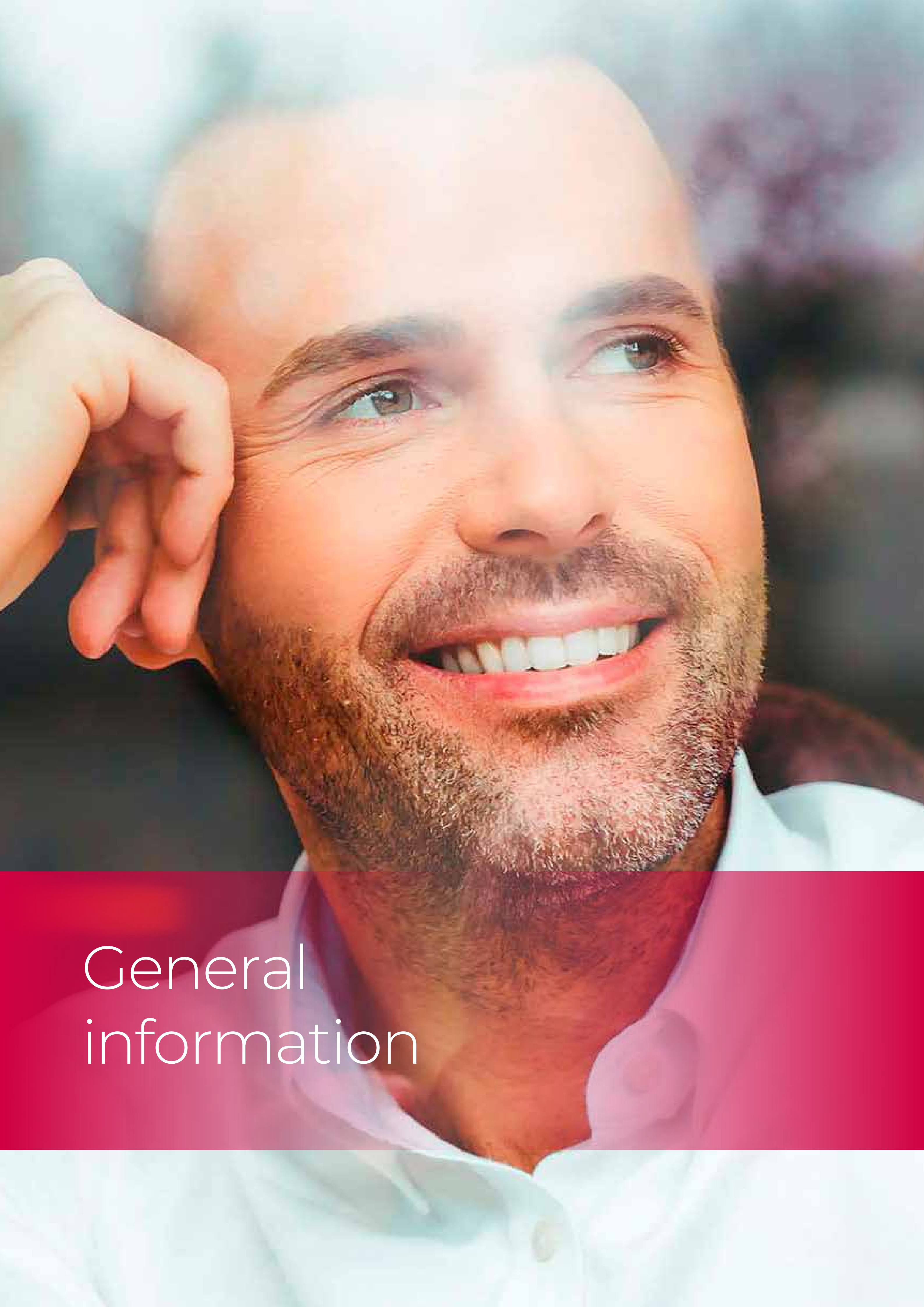
In the context of the General Data Protection Regulation (GDPR), which came into effect in May 2018, the former role of Privacy Officer at Compliance has become part of the new position of the Data Protection Officer (DPO) created as of May 2018 at the level of Operational Risk Management. A smooth transition has been organised.

The Compliance Officer of Belfius Bank ensures that a coherent and effective Compliance policy is applied within all the subsidiary companies of Belfius Group. Belfius Bank traces out the Group policy and defines the Compliance methodology to be used. Each regulated subsidiary company has a local Compliance Officer who is responsible for the application of the adapted policy within his/her company. These Compliance officers report functionally to the Compliance Officer of Belfius Bank. They are in charge of the Compliance activities at their entity level such as the identification and assessment of compliance risks, providing advice to business and management, monitoring and second line controls; defining and implementing Compliance action plans. On a periodical basis the local Compliance Officer informs the local Management Board, Board of Directors, as well as the Compliance Officer at Belfius Bank on the Compliance activities and risks.

3. Charter – Expanded powers

In order to guarantee the independence of the Compliance function, its mandate, remit, organisation and tasks are formally established in a specific Charter, approved by the Bank's Board of Directors. The Charter also grants Compliance unlimited access to all the information and all the staff members within the Bank, in relation to any analyses or controls it deems necessary.

The Compliance Charter is periodically evaluated and is expanded, where necessary, in accordance with the evolution of the regulations, the detection of new potential risks, and/or the adjustments of the risk appetite of Belfius Group. In recent years the scope of the Compliance function has thus been expanded inter alia to the advice and the observance in relation to advertising, the law on market practices and the legislation concerning consumer loans, mortgages and payment services. The Charter is applicable to all regulated subsidiary companies of Belfius Group.



General information

Share capital and allocation of profit of Belfius Bank

1. Share capital and evolution of the capital during the financial year 2022

The share capital of Belfius Bank is three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty- seven euros and forty-one cents (EUR 3,458,066,227.41) and is represented by 359,412,616 registered shares. The shareholding of Belfius Bank is as follows: 359,407,616 registered shares are held by the public limited company of public interest Federal Holding and Investment Company (FHIC), in its own name, but on behalf of the Belgian State, and 5,000 registered shares are held by the public limited company Certi-Fed. Certi-Fed is a fully-owned subsidiary of FHIC.

In accordance with the provisions of the law, the Extraordinary General Meeting of Shareholders of 19 March 2019 authorised the Board of Directors to increase the share capital of the Bank in one or more stages with a maximum of three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty-seven euros and forty-one cents (EUR 3,458,066,227.41). That authorisation is valid for five years from publication of the resolution of the ordinary general meeting of shareholders in the Appendices to the Belgian Official Gazette.

No change was made to the share capital of the Bank in 2022.

2. Allocation of profit

The company results for the financial year 2022 recorded a profit of EUR 884,285,214.21. After deduction of the tax-free reserves for an amount of EUR 994,542.85,the profit to be appropriated for the financial year amounts to EUR 885,279,757.06.

From this profit, an amount of EUR 500,862,766.06 will be allocated to reserves.

3. Annual dividend

The Board of Directors of 21 March 2023, has proposed to the General Assembly of 26 April 2023 an ordinary dividend of EUR 384.4 million in respect of the accounting year 2022.

Amendment of the articles of association

The articles of association of Belfius Bank were amended on 22 April 2020 (amendment of the articles of association to provide that the general assembly can differ from the rule that a non-executive director can only be re-appointed for a maximum of two mandates).

The main changes to the scope of Belfius Bank at a non-consolidated level

In 2022, Belfius continued to develop in various areas in order to strengthen its positioning and strategy – and to do so specifically by adapting the scope of Belfius Bank on a non-consolidated level:

- in the field of mobility-related services, Belfius Bank took a majority holding in CenEnergy, a promising Belgian scale-up that provides comprehensive and sustainable charging solutions. Through this strategic partnership, Belfius aims to continue its resolute commitment to sustainable mobility. And driven by its ESG ambitions to dramatically reduce CO_2 emissions in Belgium in particular and to equip its customers with a sustainable and complete charging infrastructure;
- in the management and provision of cash to its customers, Belfius Bank took part in the capital increase of Batopin. Batopin (Belgian ATM OPtimization INitiative) is a joint project by Belfius Bank, BNP Paribas Fortis, KBC and ING, which together aim to roll out a high-performance network of automated teller machines in Belgium. The initiative revolves around security and efficiency, as well as financial and social inclusion;
- in supporting the creation, growth and sustainability of companies in the Walloon region with the prospect of developing employment in the Walloon region, added value and sustainability, Belfius Bank contributed its stake in the Regional Investment Company of Wallonia (SRIW) to the company, Newco (FDO 2023). Newco was created by the Walloon region, after which SRIW, Sowalfin and Sogepa were merged with this new company by absorption.

Belfius also conducted various transactions in relation to real estate or financial holdings, including:

- the sale of its interests in Bedrijvencentrum Dendermonde and Bedrijvencentrum Zaventem (two business centres that make local logistics facilities available to small businesses);
- the sale of its interest in SRIW Environnement (a company operating in environmental management and renewable energy development);
- the liquidation of The Studio (a company operating in the development of fintech initiatives and investments in fintech startups) and Banking Funding Company (a company operating in the funding and handling of the financial flows of international payment cards);
- the liquidation of Penates (a company operating in securitisation to improve liquidity within Belfius Bank);
- the exit from the capital of Trividend (a company operating in investments in social and civic-minded entrepreneurs and businesses through subordinated loans and equity instruments).

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 recognizes 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. Housing Fund of the Brussels Capital Region

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

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

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

2. 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)

2.1. Procedure C.C. Deminor

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

(1) Please note that, where relevant, Article 92 of IAS37 may apply to this section.

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

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

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

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

2.2. Procedure C.F.I. ArcoClaim 2018

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

There is not yet a pleading calendar in this case. In this procedure VZW Arcoclaim has requested the initiation of a mediation procedure before the court.

In a more recent update, ArcoClaim has declared that 7,258 new Arco-shareholders have joined ArcoClaim, on top of 5,334 Arco-shareholders who joined before.

2.3. Procedure C.F.I. Deminor 2022

On 14 December 2022, 10 Arco-shareholders have launched a new 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 court that defending parties 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 grand total of 13,678 shareholders have joined this procedure.

The introductory hearing in this case is currently planned for the first half of 2023.

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

3. Funding Loss

For several years, Belfius Bank has been confronted with legal proceedings regarding funding loss indemnities charged by the Bank for the early repayment of professional credits. These funding loss indemnities are intended to compensate for the financial loss incurred by the Bank following this early repayment.

Due to the increase of interest rates, the number of requests for early repayments of professional credits and the losses incurred by the Bank following such early repayments have substantially decreased. The scope and amounts of potential funding loss indemnities have as such become immaterial. Consequently, the provision that partially covered the potential global financial impact of the risk related to funding loss indemnity disputes and settlements has been reversed, since

- the risk has become remote and no longer needs to be covered, and
- the portfolio of ongoing funding loss disputes has materially decreased.

However, when relevant, specific provisions are still booked or kept on the balance sheet, in order to cover existing litigation cases. Those provisions are continuously re-evaluated in line with the evolution of the specific situation.

4. Investigations into the 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, inter alia, Experta and Dexia Banque Internationale à Luxembourg (i.e. former entities of the Dexia Group).

To date, Belfius Bank has not received any further information since the forementioned police search.

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

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

Declaration of transparency

Transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

Pursuant to Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (referred to below as the "Transparency Directive") and to Directive 2007/14/ EC of 8 March 2007 laying down detailed rules for the implementation of certain provisions of the Transparency Directive, Belfius Bank has chosen Luxembourg as its Home Member State.

The Transparency Directive has been transposed into Luxembourg law by:

- the Luxembourg law of 11 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market;
- the Grand Ducal Regulation of 3 July 2008 on the official appointment of mechanisms for the central storage of regulated information within the meaning of the law of 11 January 2008; and
- the CSSF Circular No. 08/337 from the Financial Sector Supervisory Commission.

The aforementioned regulation lays down certain requirements regarding information and the publication of data.

Pursuant to article 3.(2) of the Luxembourg law relative to transparency requirements incumbent upon the issuers of securities, the Management Board at Belfius Bank states that:

- Belfius Bank has chosen Luxembourg as its Home Member State;
- to the best of its knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and the profit or loss of the issuer and of all the undertakings included in the consolidation;
- to the best of its knowledge, the management report includes a fair review of the development and performance of the business and the position of the issuer and all the undertakings included in the consolidation, together with a description of the principal risks and uncertainties that they face.

Country-by-country reporting

Based on Article 6bis of the Royal Decree dated 23 September 1992, regarding the consolidated financial statements of financial institutions, Belfius discloses the following information on a consolidated basis, split country by country, in which Belfius has an establishment (Branch and or subsidiary).

Country	Activity	31/12/21			
		Turnover[1] (In thousands of EUR)	Average FTE[2]	Net income before tax (In thousands of EUR)	Tax (expense) income (In thousands of EUR)
BELGIUM	BANK AND INSURANCE	2,694,768	6,199	1,234,200	(289,442)
MEMBER STATE					
Luxembourg	Other financial services and insurance activities	12,604	6	11,388	(2,790)
Ireland	Other financial services and insurance activities	(4,966)	7	(16,971)	1,191
France	Other financial services and insurance activities	870		(2,903)	943
TOTAL		2,703,276	6,212	1,225,714	(290,098)

Country	Activity	31/12/22			
		Turnover[1] (In thousands of EUR)	Average FTE[2]	Net income before tax (In thousands of EUR)	Tax (expense) income (In thousands of EUR)
BELGIUM	BANK AND INSURANCE	2,952,195	6,331	1,220,809	(280,087)
MEMBER STATE					
Luxembourg	Other financial services and insurance activities	4,567	6	2,648	917
Ireland	Other financial services and insurance activities	20,344	6	30,728	(749)
France	Other financial services and insurance activities	5,248		426	1,199
TOTAL		2,982,353	6,343	1,254,611	(278,719)

(1) Based on "Income" from the Consolidated statement of income in the Annual report.
(2) Disclosed in the Annual report in the note 7.10 "Staff expense".

Consolidated financial statements
as at 31 December 2022

Consolidated balance sheet

Assets

(in thousands of EUR)		Notes	31/12/21	31/12/22
I.	Cash and balances with central banks	5.2.	31,640,347	27,295,434
II.	Loans and advances due from credit institutions	5.3.	10,411,237	4,143,601
	A. Measured at amortised cost		10,411,237	4,143,601
	B. Measured at fair value through other comprehensive income		0	0
	C. Measured at fair value through profit or loss		0	0
III.	Loans and advances	5.4.	102,678,814	110,310,792
	A. Measured at amortised cost		101,540,978	109,343,655
	B. Measured at fair value through other comprehensive income		99,119	171,152
	C. Measured at fair value through profit or loss		1,038,717	795,986
IV.	Debt securities & equity instruments	5.5.	27,195,351	23,026,722
	A. Measured at amortised cost		20,839,937	17,494,927
	B. Measured at fair value through other comprehensive income		4,959,373	4,040,914
	C. Measured at fair value through profit or loss		1,396,041	1,490,882
V.	Unit linked products insurance activities		4,245,672	3,969,934
VI.	Derivatives	5.6.	8,909,039	5,893,105
VII.	Gain/loss on the hedged item in portfolio hedge of interest rate risk	5.6.	3,651,783	1,134,326
VIII.	Investments in equity method companies	5.7.	96,107	94,019
IX.	Tangible fixed assets	5.8.	1,614,068	1,672,048
X.	Intangible assets	5.9.	214,928	236,639
XI.	Goodwill	5.10.	103,966	103,966
XII.	Tax assets	5.11.	355,777	490,680
	A. Current tax assets		27,073	27,115
	B. Deferred tax assets		328,704	463,565
XIII.	Technical insurance provisions - part of the reinsurer	6.5.	130,890	138,964
XIV.	Other assets	5.12.	876,060	915,764
XV.	Non current assets (disposal group) held for sale and discontinued operations	5.13.	26,505	39,684
TOTAL ASSETS			192,150,543	179,465,679

The notes on pages 273 to 420, including the specific identified sections of the Management report in these notes and as indicated in the Management report, are an integral part of the consolidated annual financial statements.

Liabilities

(in thousands of EUR)		Notes	31/12/21	31/12/22
I.	Cash and balances from central banks	6.1.	15,418,072	5,904,113
II.	Credit institutions borrowings and deposits	6.2.	3,591,036	1,869,641
	A. Measured at amortised cost		3,591,036	1,869,641
	B. Measured at fair value through profit or loss		0	0
III.	Borrowings and deposits	6.3.	104,404,013	108,447,486
	A. Measured at amortised cost		104,355,267	108,427,536
	B. Measured at fair value through profit or loss		48,746	19,951
IV.	Debt securities issued and other financial liabilities	6.4.	23,145,353	25,928,567
	A. Measured at amortised cost		15,116,744	18,517,096
	B. Measured at fair value through profit or loss		8,028,609	7,411,471
V.	Unit linked products insurance activities		4,245,672	3,969,934
VI.	Derivatives	5.6.	14,018,729	8,248,509
VII.	Gain/loss on the hedged item in portfolio hedge of interest rate risk	5.6.	45,766	(1,606,023)
VIII.	Provisions for insurance activities	6.5.	12,191,017	11,495,400
IX.	Provisions and contingent liabilities	6.6.	529,173	497,660
X.	Subordinated debts	6.7.	1,642,749	1,547,204
	A. Measured at amortised cost		1,642,749	1,547,204
	B. Measured at fair value through profit or loss		0	0
XI.	Tax liabilities	5.11.	49,183	69,179
	A. Current tax liabilities		41,682	63,014
	B. Deferred tax liabilities		7,502	6,165
XII.	Other liabilities	6.8.	1,377,031	1,473,356
XIII.	Liabilities included in disposal group and discontinued operations		0	0
TOTAL LIABILITIES			180,657,795	167,845,027

Equity

(in thousands of EUR)		Notes	31/12/21	31/12/22
XIV.	Subscribed capital		3,458,066	3,458,066
XV.	Additional paid-in capital		209,232	209,232
XVI.	Treasury shares		0	0
XVII.	Reserves and retained earnings		5,957,910	6,524,910
XVIII.	Net income for the period		934,964	974,711
CORE SHAREHOLDERS' EQUITY			**10,560,172**	**11,166,919**
XIX.	Fair value changes of debt instruments measured at fair value through other comprehensive income		108,559	(222,352)
XX.	Fair value changes of equity instruments measured at fair value through other comprehensive income		179,153	136,944
XXI.	Fair value changes due to own credit risk on financial liabilities designated as at fair value through profit or loss to be presented in other comprehensive income		0	0
XXII.	Fair value changes of derivatives following cash flow hedging		(98,352)	(112,644)
XXIII.	Remeasurement pension plans		132,290	119,933
XXIV.	Discretionary participation features of insurance contracts	6.5.	81,096	0
XXV.	Other reserves		208	208
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME			**402,953**	**(77,910)**
TOTAL SHAREHOLDERS' EQUITY			10,963,126	11,089,008
XXVI.	Additional Tier-1 instruments included in equity		497,083	497,083
XXVII.	Non-controlling interests		32,539	34,561
TOTAL EQUITY			11,492,748	11,620,652
TOTAL LIABILITIES AND EQUITY			192,150,543	179,465,679

The notes on pages 273 to 420, including the specific identified sections of the Management report in these notes and as indicated in the Management report, are an integral part of the consolidated annual financial statements.

Consolidated statement of income

(in thousands of EUR)		Notes	31/12/21	31/12/22
I.	Interest income	7.1.	3,357,376	3,720,738
II.	Interest expense	7.1.	(1,356,009)	(1,640,450)
III.	Dividend income	7.2.	72,853	71,611
IV.	Net income from equity method companies	7.3.	2,449	3,993
V.	Net income from financial instruments at fair value through profit or loss	7.4.	24,973	24,822
VI.	Net income on investments and liabilities	7.5.	14,842	56,401
VII.	Fee and commission income	7.6.	942,249	982,858
VIII.	Fee and commission expenses	7.6.	(184,745)	(192,643)
IX.	Technical result from insurance activities	7.7.	72,916	150,111
	A. Gross earned premiums		1,506,818	1,896,220
	B. Other technical income and charges		(1,433,902)	(1,746,109)
X.	Other income	7.8.	240,869	373,847
XI.	Other expenses	7.9.	(484,499)	(568,935)
INCOME			**2,703,276**	**2,982,353**
XII.	Staff expenses	7.10.	(641,064)	(699,860)
XIII.	General and administrative expenses	7.11.	(482,642)	(572,446)
XIV.	Network costs		(220,587)	(216,599)
XV.	Depreciation and amortisation of fixed assets	7.12.	(132,833)	(131,100)
EXPENSES			**(1,477,125)**	**(1,620,005)**
NET INCOME BEFORE TAX AND IMPAIRMENTS			**1,226,151**	**1,362,349**
XVI.	Impairments on financial instruments and provisions for credit commitments	7.13.	1,361	(105,689)
XVII.	Impairments on tangible and intangible assets	7.14.	(1,797)	(2,049)
XVIII.	Impairments on goodwill	7.15.	0	0
NET INCOME BEFORE TAX			**1,225,714**	**1,254,611**
XIX.	Current tax (expense) income	7.16.	(234,998)	(266,896)
XX.	Deferred tax (expense) income	7.16.	(55,100)	(11,823)
TOTAL TAX (EXPENSE) INCOME			**(290,098)**	**(278,719)**
NET INCOME AFTER TAX			**935,617**	**975,892**
XXI.	Discontinued operations (net of tax)		0	0
NET INCOME			**935,617**	**975,892**
Attributable to non-controlling interests			653	1,181
Attributable to equity holders of the parent			934,964	974,711

The notes on pages 273 to 420, including the specific identified sections of the Management report in these notes and as indicated in the Management report, are an integral part of the consolidated annual financial statements.

Consolidated statement of comprehensive income

(in thousands of EUR)	31/12/21 Before-tax amount	31/12/21 Tax (expense) income	31/12/21 Net-of-tax amount	31/12/22 Before-tax amount	31/12/22 Tax (expense) income	31/12/22 Net-of-tax amount
RESULT RECOGNISED IN THE STATEMENT OF INCOME	1,225,714	(290,098)	935,617	1,254,611	(278,719)	975,892
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]	95,717	(1,487)	94,230	(33,639)	12,626	(21,013)
Remeasurement pension plans[2]	84,172	(21,043)	63,129	(16,476)	4,119	(12,357)
Other movements	0	0	0	0	0	0
TOTAL OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	179,889	(22,530)	157,359	(50,115)	16,745	(33,370)
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]	(140,607)	35,309	(105,298)	(442,083)	111,156	(330,927)
Gains (losses) on cash flow hedges[4]	(41,323)	11,733	(29,590)	(18,518)	4,226	(14,292)
Discretionary participation features of insurance contracts[5]	25,500	(1,956)	23,544	(97,826)	16,730	(81,096)
TOTAL OF OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	(156,431)	45,086	(111,345)	(558,427)	132,112	(426,315)
OTHER COMPREHENSIVE INCOME	23,458	22,556	46,015	(608,542)	148,857	(459,685)
TOTAL COMPREHENSIVE INCOME	1,249,173	(267,541)	981,631	646,069	(129,862)	516,207
Attributable to equity holders of the parent	1,244,891	(267,430)	977,461	648,152	(129,990)	518,162
Attributable to non-controlling interests[6]	4,282	(112)	4,170	(2,083)	128	(1,956)

(1) The fair value of equity instruments measured at fair value through other comprehensive income decreased by EUR 21 million due to deteriorating stock markets, compensated by the reversal of the shadow loss adjustment (no shadow loss adjustment per 31 December 2022 compared with EUR -116 million (after tax) per end 2021). The Liability Adequacy Test revealed that the technical reserves are higher than the best estimate due to the increase in interest rates, as a result, no shadow loss adjustment was necessary. A total of EUR 20 million (after tax) of realised gains on equity instruments was accounted for in 2022 (mainly at Belfius Insurance).
(2) The remeasurement loss recognised in OCI is due mainly to the negative return on plan assets, the higher than expected actual inflation rate, and the upward adjustment of the (long term) inflation hypothesis, partially offset by the positive impact of an increase of the discount rate.
(3) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 331 million, or -304.8%, to EUR -222 million (31 December 2021: EUR 109 million) and stems from higher interest rates and credit spreads compared with last year, partially offset by a reversal of EUR 137 million (after tax) of shadow loss adjustment (no shadow loss adjustment per 31 December 2022 compared with EUR -137 million (after tax) per end 2021). The Liability Adequacy Test revealed that the technical reserves are higher than the best estimate due to the increase in interest rates, as a result, no shadow loss adjustment was necessary.
(4) Gains (losses) on cash flow hedges decreased by EUR 14 million to EUR -113 million (31 December 2021: EUR -98 million), due mainly to the changes in basis spreads on derivative positions in GBP and USD.
(5) The discretionary participation feature of insurance contracts recognised via equity was fully reversed for EUR 81 million as per end 2022 due to the negative stock of unrealised capital gains.
(6) The non-controlling interests are mainly related to the minority stakes in Capline, Interfinance, EPC, Jaimy and Jane.

Gains and losses not recognised in the statement of income decreased by EUR 481 million, or -119%, to EUR -78 million (31 December 2021: EUR 403 million) mainly due to higher interest rates, widened credit spreads and deteriorated stock markets. The contribution of the Belfius Banking Group amounted to EUR 38 million (decrease of EUR 39 million) and the Belfius Insurance Group to EUR -115 million (decrease of EUR 442 million).

Net income before tax increased by EUR 28.9 million, or 2.4%, to EUR 1,255 million (31 December 2021: EUR 1,226 million).

Belfius Banking Group contributed EUR 986 million (31 December 2021: EUR 944 million) and Belfius Insurance Group contributed EUR 268 million (31 December 2021: EUR 282 million).

The 2022 result amounted to EUR 975 million, an increase of EUR 40 million (EUR 935 million in 2021) demonstrating Belfius' capacity to continue to transform strong commercial dynamics in resilient financials, despite heavy geopolitical, financial markets and inflationary headwinds. Supported by a strong commercial activity, the Belfius Banking group contributed for EUR 762 million (compared with EUR 716 million in 2021). The Belfius Insurance Group contributed for EUR 212 million (compared with EUR 219 million in 2021).

The notes on pages 273 to 420 are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

1. 2021

(in thousands of EUR)	Subscribed capital	Additional paid-in capital	Reserves and retained earnings[3]	Net income for the period	Core shareholders' equity	Total gains and losses not recognised in profit and loss - Group share	Additional Tier-1 instruments included in equity	Non-controlling interests	Total equity
AS AT 31 DECEMBER 2020	3,458,066	209,232	5,616,576	531,615	9,815,490	393,173	497,083	27,651	10,733,397
Movements of the period									
Result recognised in the statement of income	0	0	0	934,964	**934,964**	0	0	653	**935,617**
Other comprehensive income	0	0	0	0	**0**	41,238	0	4,776	**46,015**
TOTAL COMPREHENSIVE INCOME	**0**	**0**	**0**	**934,964**	**934,964**	**41,238**	0	**5,429**	**981,631**
Transfers to reserves	0	0	531,615	(531,615)	**0**	0	0	0	**0**
Dividends[1]	0	0	(77,000)	0	**(77,000)**	0	0	(580)	**(77,580)**
Dividends Additional Tier 1	0	0	(13,594)	0	**(13,594)**	0	0	0	**(13,594)**
Intermediary dividend[1]	0	0	(130,000)	0	**(130,000)**	0	0	0	**(130,000)**
Variation of scope of consolidation[2]	0	0	424	0	**424**	0	0	(423)	**1**
Other movements	0	0	(1,569)	0	**(1,569)**	0	0	461	**(1,107)**
Transfers from OCI due to sale of equity instruments	0	0	31,458	0	**31,458**	(31,458)	0	0	**0**
AS AT 31 DECEMBER 2021	3,458,066	209,232	5,957,910	934,964	10,560,172	402,953	497,083	32,539	11,492,748

(1) Belfius paid a total of EUR 207 million as dividend over the result of 2020, based on a pay-out ratio of 40% on the 2020 result. In line with the restrictions on dividend distribution that were in place in 2020 based on the ECB recommendation, Belfius paid a dividend of EUR 77 million over the result of 2020 in April 2021. When the restrictions on dividend distribution were lifted, Belfius paid the remaining EUR 130 million as an intermediary dividend over the result of 2020.
(2) Variations in the scope of consolidation relate to variations in our shareholding as a result of capital increases, mainly in Jane and Jaimy.
(3) Reserves include amongst other statutory and available reserves.

The notes on pages 273 to 420 are an integral part of the consolidated annual financial statements.

Gains and losses not recognised in the statement of income

(in thousands of EUR)	Other comprehensive income that may be reclassified to profit or loss			Other comprehensive income that will not be reclassified to profit and loss			Total gains and losses not recognised in profit and loss – Group share	Total gains and losses not recognised in profit and loss – Non controlling interests
	Fair value changes of debt instruments measured at fair value through other comprehensive income[1]	Gains (losses) on cash flow hedges	Discretionary participation features of insurance contracts[2]	Unrealised result of property revaluation	Fair value changes of equity instruments measured at fair value through other comprehensive income[3]	Remeasurement pension plans		
AS AT 31 DECEMBER 2020	213,853	(68,761)	57,552	208	121,161	69,161	393,173	10,555
Movements of the period								
Net change in fair value through other comprehensive income - debt instruments	(152,774)	0	23,544	0	0	0	(129,230)	0
Transfer to income due to impairments - debt instruments	(423)	0	0	0	0	0	(423)	0
Transfer to income due to disposals - debt instruments[4]	(3,453)	0	0	0	0	0	(3,453)	0
Net change in fair value through other comprehensive income - equity instruments	0	0	0	0	167,078	0	167,078	4,777
Net change in fair value through equity – derivatives - hedging reserve[5]	0	(29,430)	0	0	0	0	(29,430)	0
Net change in cash flow hedge reserve due to transfers to income	0	(160)	0	0	0	0	(160)	0
Transfers to technical provisions of insurance companies[6]	51,356	0	0	0	(77,628)	0	(26,272)	0
Remeasurement pension plans[7]	0	0	0	0	0	63,129	63,129	0
Transfers to retained earnings due to sale of equity instruments irrevocably measured through other comprehensive income	0	0	0	0	(31,458)	0	(31,458)	(1,259)
AS AT 31 DECEMBER 2021	108,559	(98,352)	81,096	208	179,153	132,290	402,953	14,072

(1) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 105 million, or -49.2%, to EUR 109 million (31 December 2020: EUR 214 million) and stems from higher interest rates compared with last year, partially offset by the recognition of a shadow loss of EUR 137 million (after tax) compared with EUR 170 million (after tax) per end 2020 (refer to note 6.5. Provisions for insurance activities).
(2) Discretionary beneficiary participation is a contractual, but conditional entitlement to receive additional profits over and above a guaranteed return on insurance contracts (life). The discretionary participation feature of insurance contracts increased by EUR 24 million, or 40.9%, to EUR 81 million (31 December 2020: EUR 58 million). The total amount of future profit sharing amounts to EUR 161 million. An amount of EUR 63 million was recorded as a liability compared with EUR 84 million at year-end 2020. The remaining EUR 98 million (EUR 81 million after tax) is presented as a separate component of equity.
(3) The fair value of equity instruments measured at fair value through other comprehensive income increased by EUR 58 million, or 47.9%, to EUR 179 million (31 December 2020: EUR 121 million), due to increasing stock markets, partially offset by the recognition of a shadow loss of EUR 116 million (after tax) compared with EUR 66 million (after tax) per end 2020 (refer to note 6.5. Provisions for insurance activities).
(4) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 3 million following transfers to income, as a result of sales by Belfius Insurance.
(5) Gains (losses) on cash flow hedges decreased by EUR 30 million to EUR -98 million (31 December 2020: EUR -69 million), due mainly to the changes in basis spreads on derivative positions in GBP and USD.
(6) The transfers to technical provisions of insurance companies concern amounts after tax following the application of shadow accounting of EUR 21 million (compared to EUR 37 million in December 2020) and the recognition of a shadow loss adjustment of EUR 253 million (compared to EUR 236 million in December 2020), whereby part of the unrecognised unrealised gains on financial assets not measured at fair value (f.e. bonds in hold to collect strategy, loans, etc) and recognised unrealised gains on financial assets measured at fair value through other comprehensive income are used as cover value for the payments of the obligations for insurance contracts and if need be, part of the latter are transferred to the technical provisions for insurance contracts, through shadow accounting. More specifically, Belfius compares the difference between a best estimate of its technical provisions, discounted at risk fee rate increased with a company specific volatility adjustment, and the initially recognised technical provisions, increased with the recognised unrealised gains on financial assets measured at fair value through other comprehensive income and the unrecognised unrealised gains on its financial assets that are not measured at fair value. If there are insufficient unrealised gains on financial assets not measured at fair value to offset the gap between a best estimate and the initially recognised technical provisions, a reclassification is performed from recognised unrealised gains in OCI towards the technical provisions. If there would be insufficient recognised unrealised gains in OCI, the remainder would be provisioned for via P&L. The increase of EUR 17 million in shadow loss (after tax) stems mainly from the decrease in credit spreads over 2021, and the revision of the non-financial assumptions for the calculation of the Best Estimate Life, partially compensated by the increase in interest rates compared to end 2020.
(7) The remeasurement of defined benefit plans increased by EUR 63 million, or 91.3%, to EUR 132 million (31 December 2020: EUR 69 million), due mainly to the effect of an increase in the discount rate and the positive return on plan assets, partially compensated by the impact of the increase in inflation.

The notes on pages 273 to 420 are an integral part of the consolidated annual financial statements.

2. 2022

(in thousands of EUR)	Subscribed capital	Additional paid-in capital	Reserves and retained earning [3]	Net income for the period	Core share-holders' equity	Total gains and losses not recognised in profit and loss - Group share	Additional Tier-1 instruments included in equity	Non-con-trolling interests	Total equity
AS AT 31 DECEMBER 2021	3,458,066	209,232	5,957,910	934,964	10,560,172	402,953	497,083	32,539	11,492,748
Movements of the period									
Result recognised in the statement of income	0	0	0	974,711	**974,711**	0	0	1,181	**975,892**
Other comprehensive income	0	0	0	0	**0**	(461,030)	0	1,344	**(459,685)**
TOTAL COMPREHENSIVE INCOME	**0**	**0**	**0**	**974,711**	**974,711**	**(461,030)**	**0**	**2,526**	**516,207**
Issuance of subscribed capital	0	0	0	0	**0**	0	0	(56)	**(56)**
Transfers to reserves	0	0	934,964	(934,964)	**0**	0	0	0	**0**
Dividends[1]	0	0	(368,518)	0	**(368,518)**	0	0	(652)	**(369,170)**
Dividends Additional Tier 1	0	0	(13,594)	0	**(13,594)**	0	0	0	**(13,594)**
Variation of scope of consolidation[2]	0	0	(5,686)	0	**(5,686)**	0	0	203	**(5,484)**
Other movements	0	0	0	0	**0**	0	0	1	**1**
Transfers from OCI due to sale of equity instruments	0	0	19,834	0	**19,834**	(19,834)	0	0	**0**
AS AT 31 DECEMBER 2022	3,458,066	209,232	6,524,910	974,711	11,166,919	(77,910)	497,083	34,561	11,620,652

(1) 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%.
(2) Variations in the scope of consolidation relate to variations in our shareholding as a result of capital increases, mainly at Vicinity by external investors (refer to note 5.7. Investments in equity method companies).
(3) Reserves include amongst other statutory and available reserves.

The notes on pages 273 to 420 are an integral part of the consolidated annual financial statements.

Gains and losses not recognised in the statement of income

(in thousands of EUR)	Other comprehensive income that may be reclassified to profit or loss: Fair value changes of debt instruments measured at fair value through other comprehensive income[(1)]	Gains (losses) on cash flow hedges	Discretionary participation features of insurance contracts[(2)]	Other comprehensive income that will not be reclassified to profit and loss: Unrealised result of property revaluation	Fair value changes of equity instruments measured at fair value through other comprehensive income[(3)]	Remeasurement pension plans	Total gains and losses not recognised in profit and loss – Group share	Total gains and losses not recognised in profit and loss – Non controlling interests
AS AT 31 DECEMBER 2021	108,559	(98,352)	81,096	208	179,153	132,290	402,953	14,072
Movements of the period								
Net change in fair value through other comprehensive income - debt instruments	(526,793)	0	(81,096)	0	0	0	(607,888)	0
Transfer to income due to impairments - debt instruments	15,506	0	0	0	0	0	15,506	0
Transfer to income due to disposals - debt instruments	(12,676)	0	0	0	0	0	(12,676)	0
Net change in fair value through other comprehensive income - equity instruments	0	0	0	0	(184,584)	0	(184,584)	1,344
Net change in fair value through equity – derivatives - hedging reserve[(4)]	0	(14,210)	0	0	0	0	(14,210)	0
Net change in cash flow hedge reserve due to transfers to income	0	(82)	0	0	0	0	(82)	0
Transfers to technical provisions of insurance companies[(5)]	193,052	0	0	0	162,210	0	355,262	0
Remeasurement pension plans[(6)]	0	0	0	0	0	(12,357)	(12,357)	0
Transfers to retained earnings due to sale of equity instruments irrevocably measured through other comprehensive income	0	0	0	0	(19,834)	0	(19,834)	(4,481)
AS AT 31 DECEMBER 2022	(222,352)	(112,644)	0	208	136,944	119,933	(77,910)	10,936

(1) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 331 million, or -304.8%, to EUR -222 million (31 December 2021: EUR 109 million) and stems from higher interest rates and credit spreads compared with last year, partially offset by a reversal of EUR 137 million (after tax) of shadow loss adjustment, as well as a reversal of EUR 21 million of shadow accounting (refer to note 6.5 Provisions for insurance activities). The Liability Adequacy Test revealed that the technical reserves are higher than the best estimate due to the increase in interest rates, as a result, no shadow loss adjustment was necessary.
(2) The discretionary participation feature of insurance contracts recognised via equity was fully reversed for EUR 81 million as per end 2022 due to the negative stock of unrealised capital gains.
(3) The fair value of equity instruments measured at fair value through other comprehensive income decreased by EUR 42 million, or -23.6%, to EUR 137 million (31 December 2021: EUR 179 million), due to decreasing fair values stemming from deteriorating stock markets (EUR -204 million), partially compensated by a reversal of EUR 116 million of shadow loss adjustment (refer to note 6.5 Provisions for insurance activities). The Liability Adequacy Test revealed that the technical reserves are higher than the best estimate due to the increase in interest rates, as a result, no shadow loss adjustment was necessary.
(4) Gains (losses) on cash flow hedges decreased by EUR 14 million to EUR -113 million (31 December 2021: EUR -98 million), due mainly to the changes in basis spreads on derivative positions in GBP and USD.
(5) The transfers to technical provisions of insurance companies concern amounts after tax following the application of shadow accounting of EUR 0.5 million (compared to EUR 25 million in December 2021). No shadow loss adjustment was required per end 2022 based on the liability adequacy test (compared to EUR 253 million in December 2021). The shadow loss adjustment uses part of the unrecognised unrealised gains on financial assets not measured at fair value (f.e. bonds in hold to collect strategy, loans, etc) and recognised unrealised gains on financial assets measured at fair value through other comprehensive income as cover value for the payments of the obligations for insurance contracts and if need be, part of the latter are transferred to the technical provisions for insurance contracts, through shadow accounting. More specifically, Belfius compares the difference between a best estimate of its technical provisions, discounted at risk fee rate increased with a company specific volatility adjustment, and the initially recognised technical provisions, increased with the recognised unrealised gains on financial assets measured at fair value through other comprehensive income and the unrecognised unrealised gains on its financial assets that are not measured at fair value. If there are insufficient unrealised gains on financial assets not measured at fair value to offset the gap between a best estimate and the initially recognised technical provisions, a reclassification is performed from recognised unrealised gains in OCI towards the technical provisions. If there would be insufficient recognised unrealised gains in OCI, the remainder would be provisioned for via P&L. There was no shadow loss adjustment required per end 2022 as the best estimate was lower than the technical provisions due to the increase in discount rate (increase of 300 bps, of which 14 bps increase in the volatility adjustment).
(6) The remeasurement of defined benefit plans decreased by EUR 12 million, or -9.3%, to EUR 120 million (31 December 2021: EUR 132 million), due mainly to the negative return on plan assets, a higher than expected actual inflation rate, and the upward adjustment of the (long term) inflation hypothesis, partially offset by an increase of the discount rate.

The notes on pages 273 to 420 are an integral part of the consolidated annual financial statements.

Equity

	31/12/21	31/12/22
By category of share		
Number of shares authorised and not issued	0	0
Number of shares issued and fully paid	359,412,616	359,412,616
Number of shares issued and not fully paid	0	0
Earnings per share (EUR)		
Ordinary	2.60	2.71
Diluted	2.60	2.71
NOMINAL VALUE PER SHARE	no nominal value	no nominal value
Outstanding as at 1 January	359,412,616	359,412,616
Number of shares issued	0	0
Number of shares cancelled	0	0
Outstanding as at 31 December	359,412,616	359,412,616
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital	0	0
Number of treasury shares	0	0
Number of shares reserved for issue under stock options and contracts for the sale of share	0	0

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

Shared-based payments

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

The notes on pages 273 to 420 are an integral part of the consolidated annual financial statements.

Consolidated cash flow statement

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

(in thousands of EUR)	31/12/21	31/12/22
CASH FLOW FROM OPERATING ACTIVITIES		
Net income attributable to equity holders of the parent	934,964	974,711
Net income attributable to non-controlling interests	653	1,181
ADJUSTMENT FOR NON CASH ITEMS	71,494	153,412
Depreciation, amortisation and other impairment	157,287	230,814
Impairment on bonds, loans and other assets	(58,731)	28,462
Net (gains) or losses on investments	(15,035)	(48,296)
Net (gains) or losses on tangible & intangible assets	(15,035)	(35,376)
Net (gains) or losses on consolidated shares & equity method companies	0	(12,920)
Increase / (decrease) of provisions (mainly insurance provision)	(51,970)	(49,455)
Unrealised (gains) or losses(1)	(14,088)	(17,705)
Net unrealised gains from cash flow hedges and discontinuations	(152)	(93)
Income from equity method companies	(2,449)	(3,993)
Dividends from equity method companies	1,532	1,853
Deferred taxes	55,100	11,823
Deferred tax income	(21,105)	(333,096)
Deferred tax charges	76,205	344,920
CHANGES IN OPERATING ASSETS	(1,766,859)	(447,830)
Loans and advances due from credit institutions	1,871,024	5,940,831
Loans and advances	(5,030,131)	(7,980,592)
Debt securities and equity instruments	1,456,535	1,107,648
Assets from insurance companies	(87,809)	62,988
Tax asset	15,136	(30,829)
Accrued income from financial assets	(148,560)	530,816
Other assets	156,758	(74,531)
Assets held for sale-other assets	188	(4,161)
CHANGES IN OPERATING LIABILITIES	7,430,283	(5,228,628)
Balances from central banks(2)	1,400,000	(9,650,000)
Loans and advances due to credit institutions	(1,417,562)	(1,724,922)
Customer borrowings and deposits	9,083,728	4,013,201
Debt securities and other financial liabilities	(1,257,015)	2,789,138
Technical provisions of insurance companies	(466,936)	(347,674)
Tax liabilities	(9,696)	22,662
Accrued expenses on financial instruments	77,873	(444,368)
Other liabilities specific to insurance companies	9,752	(3,958)
Other liabilities	10,140	117,293
OTHER OPERATING FLOWS(3)	273,900	3,014,916
DERIVATIVES	(696,716)	(2,163,153)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	6,247,719	(3,695,392)

(1) This line item represents the fair value adjustments on financial instruments at fair value through profit or loss.
(2) Belfius drew EUR 1.4 billion from TLTRO III in 2021. In the course of 2022, Belfius redeemed an amount of EUR 9.7 billion.
(3) Other operating flows include adjustments for non cash items and mainly consist of fair value adjustments on hedged items.

The notes on pages 273 to 420 are an integral part of the consolidated annual financial statements.

(in thousands of EUR)	31/12/21	31/12/22
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets(1)	(157,827)	(502,625)
Sales of fixed assets(1)	46,731	214,119
Acquisitions of unconsolidated equity shares(2)	(96,050)	(100,333)
Sale of unconsolidated equity shares(3)	159,251	252,376
Acquisitions of subsidiaries and of business units(4)	(36,833)	(17,760)
Sale of subsidiaries and of business units(5)	0	51,437
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(84,728)	(102,786)
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of new shares(6)	2,294	243
Reimbursement of capital	0	(56)
Issuance of subordinated debts(7)	497,160	0
Reimbursement of subordinated debts(8)	0	(92,219)
Dividends paid(9)	(221,174)	(382,763)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	278,280	(474,794)
NET CASH PROVIDED	6,441,270	(4,272,972)
of which cash outflow for leases	(5,858)	(3,782)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	25,881,900	32,322,938
Cash flow from operating activities	6,247,719	(3,695,392)
Cash flow from investing activities	(84,728)	(102,786)
Cash flow from financing activities	278,280	(474,794)
Effect of exchange rate changes on cash and cash equivalents	(232)	(1,577)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	32,322,938	28,048,389
ADDITIONAL INFORMATION		
Income tax paid (included in line net cash provided (used) by operating activities)	(255,246)	(245,594)
Dividends received (included in line net cash provided (used) by operating activities)	73,786	73,464
Interest received (included in line net cash provided (used) by operating activities)	3,218,922	4,270,343
Interest paid (included in line net cash provided (used) by operating activities)	(1,282,513)	(2,070,899)

(1) The increase in purchase and sale of fixed assets is stemming from the reclassification of the leasing contracts of Belfius Auto Lease to operating lease end 2021. As a result of contractual changes a classification as financial lease was no longer adequate.
(2) Includes the acquisition of a majority stake in CenEnergy by Belfius Bank. Refer to note 10.1. Significant changes in scope of consolidation.
(3) Belfius Insurance disposed equity instruments for risk and ALM purposes.
(4) Belfius Insurance acquired shareholdings in MC² in 2022, and shareholdings in Alysea and Belfius Euro Loans in 2021. 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. Refer to note 10.1. Significant changes in scope of consolidation.
(6) In 2022 new shares were issued to third parties in Jaimy (EUR 0.2 million) and in Belfius Investment Partners following the strategic partnership with Candriam. Refer to note 10.1. Significant changes in scope of consolidation.
(7) Belfius Bank issued EUR 497 million fixed rate Tier 2 subordinated notes in 2021.
(8) Belfius Bank reimbursed EUR 75 million following maturities of two subordinated loans in 2022 and called a third one for EUR 17 million.
(9) This line includes the dividend paid to the shareholder in 2022 (EUR 368.5 million) as well as interest paid on the Additional Tier 1 of EUR 14 million in 2022, which is considered as a dividend under IFRS.

The decrease in changes in operating activities mainly stems from partial redemption of the TLTRO III participation for EUR 9.7 billion, which was deposited at the ECB facility. The decrease was partially compensated by growing deposits from customers in current and savings accounts and 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. Refer to note 5.1. Cash and cash equivalents.

The notes on pages 273 to 420 are an integral part of the consolidated annual financial statements.

Notes to the consolidated annual financial statements

II. Post balance sheet events

Please find below an overview of non-adjusting events between the balance sheet date (31 December 2022) and the date of the board of directors.

1. Dividend

The Board of Directors of 21 March 2023, has proposed to the General Assembly of 26 April 2023 an ordinary dividend of EUR 384.4 million in respect of the accounting year 2022, based on a pay-out ratio of 40% on the consolidated 2022 net result.

2. Capital and liquidity management

To optimize its capital structure and to contribute to MREL requirements, Belfius issued in January 2023, EUR 500 million of Tier 2 notes with a maturity in April 2033 and a call date in 2028. Note that, in February 2023, Belfius notified the holders of the EUR 200 million resettable callable Tier 2 notes about its decision to call the entirety of the outstanding amount on 15 March 2023.

To support its liquidity diversification, Belfius issued EUR 500 million of Belgian Mortgage Pandbrieven with a 4-year maturity in February 2023.

3. Merger Corona and Belfius Insurance

Corona and Belfius Insurance will merge in the course of 2023. Note that the merger is still subject to approval of the National Bank of Belgium and will be applied retroactively (for tax and accounting purposes) as from 1st January 2023.

4. Collaboration between Jaimy and insurer a.s.r.

To internationally develop the “repair in kind” activity of Jaimy, Belfius Insurance and a.s.r. (one of the largest Dutch insurers) have founded Fixxer. This new company will include the technology platform of Jaimy after a demerger of Jaimy that will take place in April 2023. Belfius Insurance will take a share of 50.16% in Fixxer and the remaining 49.84% will be held by a.s.r. Fixxer will manage the technology platform and its international expansion. Jaimy will continue to manage the commercial and operational activities in Belgium, Belfius Insurance retains 100% of the shares of Jaimy.

5. US Bank failures and contagion risk

We refer to the chapter Financial Results – Post balance sheet events of the management report.

III. Accounting principles on a consolidated basis

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Notes to the financial statements

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

The common used abbreviations below are:

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

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

The financial statements have been approved by the Board of Directors of Belfius Bank on 21/03/2023.

Accounting policies

1. Basis Of Accounting

1.1 General

The consolidated financial statements of Belfius have been prepared in accordance with IFRSs as issued by the IASB, including interpretations (“IFRICs”) issued by the IFRS Interpretation Committee, as adopted by the European Union including the conditions applicable to interest-rate portfolio hedging (“carve-out”).

The Royal Decree of 5 December 2004 requires Belfius to publish its consolidated financial statements in accordance with IFRSs adopted by the European Union as from 31 December 2006.

The consolidated financial statements are prepared on a going-concern basis. They are expressed in thousands of Euro (EUR) unless otherwise stated.

1.2 Accounting estimates and judgements

In preparing the consolidated financial statements, management is required to make estimates, assumptions and judgements that affect the amounts reported. To make these assumptions and estimates, management uses information available at the date of preparation of the financial statements and exercises its judgement. While management believes that it has considered all available information in developing these estimates, actual results may differ from the estimates and the differences could be material to the financial statements.

Judgement is used principally in, but not limited to, the following areas:

- Assessment of the business model considering the way performance of the assets is evaluated, the risks that affect this performance and the compensation of managers (see section 6.2.1);
- Assessment whether or not the contractual terms of a financial asset are solely payments of principal and interest (cf. SPPI test) (see section 6.2.1);

- Determination whether or not there is an active market based on criteria such as volume, actual trade, market liquidity, bid offer spread for financial instruments measured at fair value (see section 6.7.);
- Determination of fair value for financial instruments measured at fair value by means of valuation techniques (see section 6.7.);
- Determination whether or not Belfius (jointly) controls an investee or has significant influence over an investee: this control assessment considers all facts and circumstances, such as voting rights, potential voting rights, rights of the investor, type of activity (see section 3.);
- Identification of non-current assets and disposal groups held for sale and discontinued operations (IFRS 5) (see section 14.);
- The appropriateness of designating derivatives as hedging instruments and the probability that the temporary reliefs from applying specific hedge accounting requirements related to the IBOR reform phase 1 are no longer applicable (see section 6.6.2 + IBOR reform related notes);
- Existence of a present obligation with probable outflows in the context of litigations (see section 18.);
- Measurement of expected credit loss allowances and choice of the appropriate models as well as the use of appropriate assumptions about future economic conditions and credit behaviour of the customer, including the Covid-19 related impact (see section 6.5., the Risk Report, and the relevant notes in the financial statements);
- Assessment of significant increase in credit risk for a financial asset since its initial recognition to determine whether 12-month or lifetime expected losses should be recognised. This assessment takes into account qualitative and quantitative reasonable and supportable forward-looking information, including the Covid-19 related impact (see section 6.5., the Risk Report, and the relevant notes in the financial statements);
- Grouping of assets with similar credit risk characteristics and continuous monitoring of the appropriateness of the credit risk characteristics to assess whether they continue to be similar (see section 6.5.), and
- Classification of a financial instrument or its component parts as a financial liability or equity based on the economic substance rather than the legal form of the instrument or its component (see section 6.1.).

Estimates are principally made in the following areas:

- Determination of the fair value less costs to sell for non-current assets and disposal groups held for sale (see section 14.);
- Determination of expected credit losses by using the relative weighting of forward-looking scenario's on credit behaviour of customers, the Probability of Default (PD) and Loss Given Default (LGD), including the Covid-19 related impact (see section 6.5., the Risk Report, and the relevant notes in the financial statements);
- Determination of the change in fair value for financial liabilities designated as at FVTPL attributable to a change in credit risk of the financial liability (see section 6.3.2.);
- Determination of the useful life and the residual value of property, equipment, investment property and intangible assets (see section 10. and 11.);
- Determination of the market value correction to adjust for market value and model uncertainty (see section 6.7.);
- Measurement of liabilities for insurance contracts (see section 8.);
- Testing the adequacy of liabilities for insurance contracts considering model uncertainty, economic and non-economic assumptions (see section 8.);
- The measurement of hedge effectiveness in hedging relations (see section 6.6.2. and 6.6.3.);
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets (see section 17. and note 6.7.);
- Estimation of future taxable profit for the recognition and measurement of deferred tax assets (see section 16.);
- Estimation of the recoverable amount of cash-generating units for goodwill impairment (see section 12.2.).

These judgements and estimates are discussed in the corresponding sections (as referenced above) of the accounting policies and/or the Risk Report and the relevant notes in the financial statements.

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

The overview of the texts below is made until the reporting date of 31 December 2022.

2.1 IASB / IFRS / IFRIC texts and amendments endorsed by the European Commission and applied as from 1 January 2022

- Amendments to IAS 37 "Onerous Contracts-Cost of Fulfilling a Contract" specify which costs a company includes when assessing whether a contract will be loss-making.
- Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use" prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related costs in profit or loss
- Amendments to IFRS 3 "Business Combinations" updates a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations
- "Annual Improvements to IFRS Standards 2018–2020" contains minor amendments to three standards and one illustrative example (IE): IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and an Illustrative Example accompanying IFRS 16 "Leases". The amendment "IFRS 9 – fees in the 10per cent derecognition for financial liabilities" specifies that only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the

entity or the lender on the other's behalf are included when applying the 10 per cent test in assessing whether to derecognise a financial liability.

The impact for Belfius of these amendments is minor and immaterial.

2.2 IASB / IFRS / IFRIC texts and amendments endorsed by the European Commission and applicable as from 1 January 2023

Amendments to IAS 1 Presentation of Financial Statements and IFRS 2 Practice Statement: Disclosure of Accounting policies, issued on 12 February 2021, include narrow-scope amendments to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments are effective for annual periods beginning on or after 1 January 2023 with early application permitted. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, issued on 12 February 2021, clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual periods beginning on or after 1 January 2023 with early application permitted. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, issued on 7 May 2021, clarifies how companies should account for deferred tax on transactions such as leases and decommissioning obligations. IAS 12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations-transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual periods beginning on or after 1 January 2023 with early application permitted. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 17 Insurance contracts and amendments to IFRS 17 Insurance Contracts were endorsed albeit with an optional exemption regarding the annual cohort requirement.

- IFRS 17 is a comprehensive new accounting standard and combines a current balance sheet measurement of insurance contracts with recognition of profit over the period that services are provided. The new standard applies to all types of contracts, including reinsurance contracts held or issued and investment contracts with discretionary participation features. IFRS 17 offers different measurement models: the General Measurement Model (GMM) or the Building Block Approach (BBA), the Premium Allocation Approach (PPA) and the Variable Fee Approach (VFA).
- The optional exemption from applying the annual cohort requirement that relates to the timing of the recognition of the profit in the contract, the contractual service margin, in profit or loss can be applied to products that are intergenerationally mutualised or cash-flow-matched. An entity applying this exemption should disclose this fact in the notes of its financial statements as a significant accounting policy and provide explanatory information for which portfolios the exemption has been applied.

IFRS 17 will become effective from 1 January 2023 and will have a significant impact. Detailed information is provided in section 23. First time adoption IFRS 17.

2.3 New IASB / IFRS / IFRIC texts and amendments issued but not yet endorsed by the European Commission

Amendments to IAS 1 Presentation of financial statements - Classification of Liabilities as Current or Non-current

- **Classification of Liabilities as Current or Non-current Date** (issued on 23 January 2020);
- **Classification of Liabilities as Current or Non-current - Deferral of Effective Date** (issued on 15 July 2020); and
- **Non-current Liabilities with Covenants** (issued on 31 October 2022).

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

The amendments:

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

On July 15, 2020, the IASB issued **Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1)** deferring the effective date of the January 2020 amendments.

On October 31, 2022, the IASB issued **Non-current liabilities with Covenants**, which amends IAS 1 and specifies that covenants (i.e. conditions specified in a loan arrangement) to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements.

All of the amendments are effective for annual reporting periods beginning on or after 1 January 2024, with early adoption permitted. The amendments have not yet been endorsed by the EU.

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

Under this new accounting model for variable payments, a seller-lessee will:

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

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

The amendments apply retrospectively[1] for annual periods beginning on or after 1 January 2024 with early application permitted. These amendments have not yet been endorsed by the EU.

(1) The seller-lessees will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments.

2.5 Changes in presentation

Nil.

3. Consolidation

3.1 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of

- the acquisition-date fair values of the assets transferred by Belfius;
- the liabilities incurred by Belfius to former owners of the acquiree; and
- the equity interests issued by Belfius in exchange for control of the acquiree.

Acquisition-related costs are recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Non-controlling interests may be initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. The equity and net income attributable to the non-controlling interests are shown separately in the balance sheet and statement of income respectively.

When the consideration transferred by Belfius in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Subsequent changes in the fair value of the contingent consideration are typically recognised in profit or loss.

When a business combination is achieved in stages, previously equity interests held by Belfius in the acquiree is remeasured to fair value at the acquisition date (i.e. the date on which Belfius obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3.2 Subsidiaries

Subsidiaries are those entities over which Belfius has, either directly or indirectly, control. Belfius controls an entity when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are fully consolidated as from the date on which effective control is transferred to Belfius and are no longer consolidated as from the date on which control is lost. Intercompany transactions and balances, and gains and losses on transactions between consolidated companies of Belfius are eliminated. Where necessary, the accounting policies of the subsidiaries are aligned to ensure consistency with the policies adopted by Belfius.

When Belfius loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

3.3 Jointly controlled entities and associates

A joint venture is a joint arrangement whereby the parties have joint control of the arrangement. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint ventures are accounted for using the equity method.

Associates are investments in which Belfius has significant influence, but does not exercise control. This is usually the case when Belfius owns between 20% and 50% of the voting rights. Investments in associates are initially measured at cost and accounted for using the equity method.

Following the equity method, the ownership share of net income for the year is recognised as income of joint ventures and associates, whereas the share in other comprehensive income of joint ventures and associates is carried on a separate line of the statement of comprehensive income. The investment is recorded in the balance sheet at an amount that reflects Belfius' share of the net assets of joint ventures and associates increased with related goodwill.

Gains and losses on transactions between Belfius and its "equity method investments" are eliminated to the extent of the interest therein of Belfius. The recognition of losses from joint ventures and associates is discontinued when the carrying amount of the investment reaches zero, unless Belfius has incurred or guaranteed legal or constructive obligations on behalf of the associate or joint venture. Where necessary, the accounting policies of the joint ventures and associates are aligned to ensure consistency with the policies adopted by Belfius.

3.4 Structured entities

A structured entity is an entity whose activities are not governed by way of voting rights. These entities generally finance the purchase of assets by issuing debt and equity securities that are collateralised by assets held by the structured entities. The debt and equity securities issued by the structured entities may include tranches with varying levels of subordination. In assessing whether Belfius has power over such investees in which it has an interest, Belfius considers factors such as the purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee and the size of its exposure to the variability of returns of the investee.

4. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset (and, consequently, only the net amount is reported) when Belfius has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

5. Foreign currency translation and transactions

5.1 Foreign currency translation

On consolidation, the income and cash-flow statements of foreign entities that have a functional currency different from the presentation currency of Belfius are translated into the presentation currency (EUR) of Belfius at the average exchange rates for the year (annual reporting) or the period (interim reporting) and their assets and liabilities are translated at the respective year-end or quarter-end exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, associates, joint ventures and of borrowings and other currency instruments designated as hedges of such investments, are recorded as a cumulative translation adjustment within equity. On disposal of a foreign entity, such exchange differences are recognised in the statement of income as part of the gain or loss on disposal.

5.2 Foreign currency transactions

For individual Belfius entities, foreign currency transactions are accounted for using the approximate exchange rate at the date of the transaction. Outstanding balances of monetary and non-monetary items carried at fair value denominated in foreign currencies are translated at period- or year-end using the exchange rates applicable at period- or year-end. Historical rates are used for non-monetary items carried at cost and such items are not subsequently remeasured for changes in exchange rates. The exchange differences for non-monetary items carried at fair value are governed by the same accounting treatment as for fair value adjustments. Exchange differences for monetary items are recorded in the consolidated statement of income.

6. Financial instruments

6.1 Recognition and initial measurement

At initial recognition, judgement can be required in determining the appropriate classification of the financial instruments. Debt and equity instruments issued by a group entity are classified as a financial liability or as an equity instrument in accordance with the substance of the contractual arrangement rather than the legal form of the instrument and the definitions of financial liability and equity instrument.

Regular way purchases of financial assets are recognised on settlement date, which is the date of delivery to Belfius. Financial assets (other than regular way purchases) and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities that are not measured at fair value through profit or loss are initially measured at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities. Transaction costs for financial assets and liabilities measured at fair value through profit or loss are recognised immediately in profit or loss.

Although the transaction price is the best evidence of fair value for all financial instruments, a day one profit or loss may be applicable.

The day one profit or loss is the difference between:

- the transaction price and the quoted price in an active market for a financial instrument; or
- the transaction price and the fair value determined by using a valuation technique (mark-to-model), if the instrument is not quoted.

If all the inputs of the model are observable, the day one profit or loss will be recognised immediately in the statement of income.

If all inputs of the model are not observable, the day one profit or loss will be amortised over the expected life of the instrument, where this is appropriate. However, if the data subsequently becomes observable, the remaining portion of day one profit or loss will be recognised in the statement of income.

In cases of early termination of the underlying instrument, the remaining portion of day one profit or loss will be recognised in the statement of income.

6.2 Classification and subsequent measurement of financial assets

6.2.1 General

According to IFRS 9, the classification and measurement of financial assets is based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics (referred to as the Solely Payments of Principal and Interest test – SPPI test).

The following business models are available for managing financial assets:

- Hold to collect contractual cash flows;
- Hold to collect contractual cash flows and sell;
- Other, such as trading and management of assets on a fair value basis.

IFRS 9 introduces the following categories for the measurement of debt instruments. The methods for the measurements are:

- Fair value through other comprehensive income (FVTOCI) – financial assets will be classified into this category if the assets meet the SPPI test and the business model is to hold the assets to collect contractual cash flows and to sell the assets
- Amortised cost – financial assets will be classified into this category if the assets meet the SPPI test and the business model is to only hold the assets to collect contractual cash flows
- Fair value through profit or loss – financial assets that do not fall within the two categories above will be measured at fair value through profit or loss.

Debt instruments that meet the amortised cost or FVTOCI criteria can be irrevocably designated at fair value through profit or loss if it eliminates, or significantly reduces, an accounting mismatch in profit or loss.

Investments in equity instruments are classified at fair value through profit or loss because they do not meet the SPPI test. However, IFRS 9 allows an entity to make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this Standard that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. Dividends from investments in equity instruments are always recognised in profit or loss unless the dividend clearly represents a recovery of the cost of the investment.

The cash flow characteristics test (or Solely Payment of Principal and Interest test)

The cash flow characteristics test assesses whether contractual cash flows are solely payments of principal and interest on the principal outstanding, consistent with a basic lending arrangement. For contractually linked instruments a "look-through" approach is applied to determine whether the SPPI criterion is met for the tranches of the instrument taking into consideration the contractual terms of the tranche and the characteristics of the underlying pool as well as the exposure to credit risk.

Principal is the fair value of the financial asset at initial recognition and may change over the life of the financial asset (in case of repayments of principal). Interest is the consideration for the time value of money, the credit risk and may also include consideration for other basic lending risks and costs (such as liquidity risk and administration costs) as well as a profit margin.

In making this assessment, Belfius takes into account:

- Contingent events that would change the amount or timing of the cash flows (by assessing the cash flows arising before and after the change in cash flows);
- Terms that may adjust the contractual coupon rate including variable rate features (whether or not variations can be regarded as compensation for credit risk);
- Prepayment and extension features (by assessing amount of prepayment and cash flows during the extension period); and
- Terms that limit the entity's claims to cash flows from specified assets (such as non-recourse features).

Business model

The business models are determined by the Board of Directors for homogenous portfolios and reflect how the financial assets are managed together to achieve a particular objective. The determination of the business model takes into account all relevant information in normal scenarios and also considers the following factors:

- Past experience regarding the frequency, volume and timing of sales, the reasons for such sales and expectations about future sales activity;
- How the asset's performance is evaluated and reported to key management personnel;
- How risks are assessed and managed; and
- How managers are compensated.

Belfius applies the following business models to manage its financial assets:

- Hold to collect contractual cash flows;
- Hold to collect contractual cash flows and sell;
- Any other business models such as trading and management of assets on a fair value basis.

At initial recognition of a financial asset, Belfius determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model.

Once a year, Belfius reassesses its business models to determine whether the business models have changed since the preceding period.

Change in Business model

A future change in business models for existing financial assets and the related prospective reclassification of all affected financial assets will be very exceptional as it should be the consequence of an acquisition, sale or development of an activity or a business line that is significant for the operations of each of the entities of Belfius Group and is demonstrable to external parties. In view of its significance, the proposition to change should be discussed and decided by the appropriate governance bodies.

6.2.2 Financial assets measured at amortised cost (AC)

Debt instruments (including hybrid contracts) that are held within a business model "hold to collect contractual cash flows" and with contractual cash flows that are SPPI compliant and for which Belfius has not elected the fair value option, are subsequently measured at amortised cost.

This category includes debt instruments with the objective of holding these debt instruments until maturity and generating a stable interest margin. When loans are sold to a securitisation vehicle that is consolidated, this does not preclude their classification as hold to collect.

Sales are not an integral part of the "hold to collect contractual cash flows" business model but may be consistent with this business model if sales are close to maturity, sales are due to an increase in credit risk or sales are not significant (even if frequent) or infrequent (even if significant). Judgement should be applied to determine whether the sales are consistent with a "hold to collect contractual cash flows" business model.

Amortised cost is the amount at which the debt instruments are measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount using the effective interest method (cf. section 6.9. Interest income and expense), and adjusted for any impairment for expected credit losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss when they arise. Any gain or loss on derecognition is recognised in profit or loss.

6.2.3 Financial assets measured at fair value through other comprehensive income (FVTOCI)

This category includes debt instruments and investments in equity instruments.

Debt instruments measured at fair value through other comprehensive income

Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt instruments and whose contractual cash flows are SPPI compliant, are subsequently measured at fair value through other comprehensive income on the condition that Belfius has not elected the conditional fair value option.

Debt instruments included in funds with dedicated assets (segregated funds) or for which flexibility is required to face potential surrenders of life insurance contracts, investment opportunities or kept to face potential liquidity needs are included in this category.

Movements in the carrying amount representing unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income under the line item XIX. ”Gains and losses not recognised in the statement of income - Fair value changes of debt instruments measured at fair value through other comprehensive income”.

When the debt instrument is disposed of Belfius recycles the cumulative gain or loss previously recognised in other comprehensive income to the line item VI. “Net income on investments and liabilities” in the statement of income.

Interest revenue and impairment are recognised in profit or loss. Foreign exchange gains and losses on debt instruments measured at FVTOCI that are part of an effective currency risk designated hedging relationship are recognised in other comprehensive income; otherwise they are recognised in profit or loss. Interest income is recognised using the effective interest method similar to financial assets measured at amortised cost.

Investments in equity instruments measured at fair value through other comprehensive income

Are included in this category, equity instruments that meet the IAS 32 definition and that are neither held for trading nor representing contingent consideration recognised by an acquirer in a business combination, and for which Belfius at initial recognition irrevocably on an instrument-by-instrument basis has elected to measure them at fair value through other comprehensive income (FVTOCI).

Subsequent changes in fair value, foreign exchange gains and losses and realised gains and losses are presented in other comprehensive income under the line item XX. “Fair value changes of equity instruments measured at fair value through other comprehensive income”. On derecognition, the cumulative gains or losses previously recognised in other comprehensive income as mentioned above, are not subsequently reclassified to the statement of income but are transferred within equity to the line item XVII. “Reserves and retained earnings”.

Fair value measurement is required for all equity instruments, even if those instruments are not quoted in an active market. Acquisition cost as appropriate estimate of fair value is only admitted in limited circumstances (cf. section 6.7 Fair value of financial instruments).

Dividends are recognised in the statement of income when the right to receive payment of these dividends is established, it is probable that the economic benefits associated with the dividends will flow to Belfius and the amount of the dividends can be measured reliably. If a dividend represents a return of investments, it will be accounted as a reduction of the acquisition cost.

6.2.4 Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets subsequently measured at fair value through profit or loss consist of debt instruments and investments in equity instruments. Non hedging derivatives are treated in section 6.6.1.A Derivatives – Trading portfolio, including embedded derivatives.

Debt instruments held for trading

Debt instruments held for trading are intended to generate a profit from short-term fluctuations in price or dealer’s margins or are included in a portfolio in which a pattern of short-term profit taking exists. Belfius initially recognises these instruments at their fair value and subsequently remeasures them at fair value, with unrealised and realised gains and losses recorded in the statement of income under the line item V. “Net income from financial instruments at fair value through profit or loss”. Interest income and interest expense (negative yield) are accrued using the effective interest rate method and Belfius opted to record these under the line item I. “Interest income” and II. “Interest expense”.

Debt instruments designated at fair value through profit or loss (referred to as fair value option)

In some cases and if appropriately documented, Belfius can at initial recognition irrevocably designate debt instruments that meet the business model hold to collect and/or hold to collect and sell criteria and that give rise to cash flows that are SPPI compliant at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch.

The valuation rules as mentioned under paragraph “Debt instruments held for trading” apply to this category.

Debt instruments measured at fair value through profit or loss (non-basic instruments)

This category includes debt instruments with contractual cash flows that are not SPPI compliant such as some structured loans as well as financial assets with a legal form of equity but, based on the substance of the contract, meet the definition of a debt instrument (such as open-end funds, shares with legal end date, real estate certificates).

The valuation rules as mentioned under paragraph “Debt instruments held for trading” apply to this category.

Investments in equity instruments measured at fair value through profit or loss

This category includes investments in equity instruments held for trading as well as non-trading investments in equity instruments that at initial recognition were not irrevocably elected to be designated at fair value through other comprehensive income.

Gains and losses due to remeasurement to fair value (realised and unrealised) and foreign exchange gains and losses are recognised in the statement of income under the line item V. “Net income from financial instruments at fair value through profit or loss”.

Dividends are recognised in the statement of income under the line item III “Dividend income” unless the dividend clearly represents a recovery of part of the cost of the investment.

6.3 Classification and subsequent measurement of financial liabilities

6.3.1 Financial liabilities measured at amortised cost (AC)

These liabilities are subsequently measured at amortised cost and any difference between their amount made available and the amount due at maturity is recognised in the statement of income as interest expense or interest income. The accretion or amortisation of this difference is recognised over the remaining duration of the liabilities using the effective interest rate method.

6.3.2 Financial liabilities measured at fair value through profit or loss (FVTPL)

Financial liabilities are measured at fair value through profit or loss when, at initial recognition, the liability is either held for trading or at initial recognition irrevocably designated at fair value through profit or loss.

Financial liabilities held for trading

This section does not deal with trading derivatives that are described in section 6.6.1 below.

Financial liabilities held for trading includes short positions in securities. These instruments are intended to generate a profit from short-term fluctuations in price or dealer's margins or are included in a portfolio in which a pattern of short-term profit taking exists. Belfius initially recognises these instruments at their fair value and subsequently remeasures them at fair value, with unrealised and realised gains and losses recorded in the statement of income under the line item "Net income from financial instruments at fair value through profit or loss".

Financial liabilities designated at fair value through profit or loss (FVTPL)

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may upon initial recognition be designated at fair value through profit or loss in the following circumstances:

- The use of designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets, financial liabilities or both that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- The financial liability contains one or more embedded derivatives and IFRS 9 permits the entire hybrid (combined) contract to be designated at FVTPL.

The valuation rules applicable for financial liabilities held for trading apply except for the recognition of own credit risk.

Changes in fair value attributable to own credit risk of a financial liability to which the fair value option is applied, are recognised in other comprehensive income under the line item XXI. "Fair value changes due to own credit risk on financial liabilities designated as at fair value through profit or loss to be presented in other comprehensive income", unless this recognition would create or enlarge an accounting mismatch in profit or loss. These amounts are not subsequently reclassified to profit or loss. Instead, they are transferred to the line item XVII. "Reserves and retained earnings" upon derecognition of the financial liability. The remaining amount of the change in fair value is recognised in profit or loss.

6.4 Derecognition and modification of financial assets and liabilities

Financial assets are derecognised when the contractual rights to the asset's cash flows expire or when substantially all the risks and rewards of ownership of the asset are transferred to another entity.

Regular way sales that meet the above derecognition criteria of financial assets are derecognised on settlement date, which is the date of delivery by Belfius. Financial liabilities are derecognised when they are extinguished (i.e when the obligation specified in the contract is discharged, cancelled or expires).

If a substantial modification of a financial asset or a financial liability (including an exchange of debt instruments with substantially different terms) occurs and the contractual terms governing the cash flows are renegotiated, the financial asset or financial liability is derecognised. If a modification occurs and the existing contract is not derecognised, a modification gain or loss is recognised in the statement of income. This gain or loss is determined by recalculating the gross carrying amount of the existing financial instrument as the present value of the renegotiated or modified contractual cash flows, using the financial instrument's original effective interest rate (or the credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

For modified financial assets that are not derecognised, an assessment is made to determine whether there has been a significant increase in the credit risk of the financial asset, by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms). Depending on the outcome of the assessment, a change in loss allowance may be recorded (cf. section 6.5 on impairment of financial instruments).

6.5 Impairment of financial instruments

Impairment determination and calculation is governed by the Credit risk impairment guidelines of the Risk department and more details are available in the section "Risk management - IFRS 9 Impairment methodology" of the Management Report of the consolidated financial statements.

6.5.1 Determination of the impairment

Expected credit losses (ECL) associated with debt instruments carried at amortised cost and debt instruments measured at fair value through other comprehensive income (FVTOCI) are determined on a forward-looking basis. For lease receivables, Belfius has not opted to apply the simplified approach of recognising lifetime expected losses. Loan commitments and financial guarantees not measured at fair value through profit or loss are also subject to impairment and the loss allowance is recognised as a provision. No impairment losses are recognised on investments in equity instruments.

Loss allowances and provisions for 12-month expected credit losses are initially recognised on trade date for financial assets in scope of impairment (debt instruments, lease receivables and contract assets), loan commitments and financial guarantees not measured at fair value through profit or loss.

12-month expected credit losses relates to the portion of lifetime expected credit losses that represent the expected credit losses resulting from default events that are possible within the 12 months after the reporting date.

The default committee within the Risk department is competent to define the default status.

A transversal default definition is applied within the entire Belfius Group and on all market segments. However for a limited number of specific segments (for example sovereigns, banks, international corporates…) some deviation have been applied. The Belfius Default guideline provides in-depth description of indicators used to categorize an exposure in default.

With the exception of purchased or originated credit-impaired (POCI) financial assets, the amount of expected credit losses is measured through a loss allowance at an amount equal to either an 12-month ECL or a lifetime ECL. Lifetime ECL are the losses that result from all possible default events over the expected life of the financial asset.

At initial recognition, POCI assets do not carry a loss allowance for 12-month expected losses but lifetime expected credit losses are incorporated into the calculation of the effective interest rate. The amount recognised as a loss allowance for such assets is not the total amount of lifetime expected credit losses, but instead the change in lifetime expected credit losses since initial recognition of the financial asset, which may be a negative or positive amount.

Expected credit losses are a probability-weighted estimation of expected cash shortfalls discounted at the original effective interest rate of the financial asset or the credit-adjusted effective interest rate in case of POCI financial assets. Expected cash shortfall is the difference between the cash flows due under the contract and the cash flows expected to be received, taking into consideration the value of collateral and other credit enhancements.

The estimation of cash flows considers all contractual terms of the financial asset (such as prepayment, extension, call and similar options) through its expected life.

Impairment calculation is based on a two-fold building block approach:

- Block 1: determination of the appropriate stage per exposure;
- Block 2: calculation of the expected credit losses per exposure for stages 1, 2 and 3.

The following credit exposures are distinguished and all exposures are individually assessed:

- Performing credit exposures i.e. exposures for which there has not been a significant increase in credit risk since origination (stage 1);
- Under-performing credit exposures i.e. exposures for which there has been a significant increase in credit risk between the moment Belfius originated or purchased the financial asset and the reporting date (stage 2);
- Non-performing credit exposure i.e. exposures that become credit impaired (stage 3).

A change of the classification into stages can go in both directions.

Performing credit exposures – Classification Stage 1

All exposures not classified in stage 2 (significant increase of credit risk since origination) or stage 3 (occurrence of impairment) are by definition classified in stage 1. For these exposures, Belfius recognises at initial measurement a 12-month expected credit loss, i.e. the expected credit loss that results from those default events on the financial instrument that are possible within 12 months after the reporting date.

Under-performing credit exposures – Classification Stage 2

Exposures for which there has been a significant increase in credit risk between origination or purchase of the financial asset and reporting date are classified in stage 2.

A significant increase in credit risk for an individual exposure of a counterpart is based on the following quantitative and qualitative factors:

- A significant deterioration of the lifetime probability of default (lifetime PD) of the counterpart; and
- The fact that the customer to whom the individual exposure belongs is put by Belfius on its Watchlist, this is the list that identifies counterparties where problems might arise (or have arisen). There is however one exception: a new contract may be classified in Stage 1 if, when originating the contract, the customer already figures on the Watchlist and that since then there is no new significant increase in credit risk for this contract.

In two situations, there will be a mandatory classification on the Watchlist:

- If one or more credit products of the counterpart was accorded a "Forbearance flag", forbearance being a new, additional concession or the prolongation of an existing concession;
- If an exposure is overdue for more than 30 days, unless one can clearly prove that it concerns an operational past due or that the overdue is not a sign of a significant increase of credit risk since initial recognition.

In assessing whether a significant deterioration of the lifetime PD occurred since origination, a comparison is made between lifetime PDs at the date of origination with lifetime PDs at reporting date. Details are available in the section "Risk management - IFRS 9 Impairment methodology" of the Management report of the consolidated financial statements.

Non-performing credit exposure - Classification at Stage 3

At each reporting date, the Default Committee assesses whether there is an objective evidence that a financial asset or a group of financial assets is impaired/defaulted. If affirmative, these financial assets are considered as credit-impaired and are transferred to Stage 3 and a lifetime expected loss is recognised.

The expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

An impaired/defaulted status is attributed to debtors that satisfy either one or both of the following criteria:

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

6.5.2 Accounting treatment of impairments

Debt instruments carried at amortised cost and lease receivables

At each reporting date, changes in the amount of impairment losses are recognised in the statement of income under the line item XVI. "Impairment on financial instruments and provisions for credit commitments". Impairment losses are reversed through the same line item of the statement of income. The impairment loss is recorded as a deduction of the gross carrying amount of the asset (allowance) in the balance sheet (statement of financial position).

Debt instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments measured at fair value through other comprehensive income are governed by the same accounting principles in respect of impairment applicable to debt instruments measured at amortised cost.

However, the loss allowance shall be recognised in other comprehensive income as part of the revaluation amount in the line item XIX. "Fair value changes of debt instruments measured at fair value through other comprehensive income" and shall not reduce the carrying amount (i.e. fair value) of the financial asset in the balance sheet (statement of financial position).

Calculation and recognition of interest income

The underlying basis for calculating the effective interest depends on the status of the financial instrument:

- The gross carrying amount (amortised cost before deducting any expected loss allowances) for non-credit impaired financial assets (stage 1 and 2);
- The net carrying amount (gross carrying amount less expected loss allowances) for credit-impaired financial assets (stage 3).

Interest income for originated or purchased credit-impaired financial assets is recognised by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset. Lifetime expected credit losses are incorporated in the credit-adjusted effective interest rate.

Write-offs

Debt instruments are written off when there are no reasonable expectations of recovering the debt instrument. Belfius only applies full write-offs and exposures in stage 1 and 2 are always transferred to stage 3 before being written off.

A write-off constitutes a derecognition event and the stock of loss allowance is not reversed but used against the reduction of the gross carrying amount of the instrument written off. Any additional loss is reported in the statement of income in the line item XVI. "Impairment on financial instruments and provisions for credit commitments".

Loan commitments and financial guarantees not measured at fair value through profit or loss

Off-balance-sheet exposures such as credit substitutes (e.g. guarantees and standby letters of credit) and loan commitments are usually converted into on-balance-sheet items when called. However, these off-balance-sheet exposures are subject to 12-month or lifetime expected losses. The expected loss is recognised as a provision in the balance sheet and the date that Belfius becomes a party to the irrevocable commitment is considered as the date of initial recognition for applying the impairment requirements.

Loan commitments

At the end of each reporting period a provision based on 12-month expected losses calculated on the expected portion of the loan commitment to be drawn down within the next 12 months is recognised. In case of a significant increase in the risk of default of the underlying loan, lifetime expected credit losses are recognised on the expected portion to be drawn down over the remaining life of the loan commitment.

The expected credit loss is the present value of the difference between the contractual cash flows if the holder of the loan commitment draws down the loan and the cash flows that are expected to be received if the loan is drawn down. The remaining life of the loan commitment is the maximum contractual period during which there is an exposure to credit risk. In case of arrangements that include both a loan and an undrawn commitment component (such as credit cards), the period for estimating expected credit losses is beyond the contractual date on which repayment could be demanded but the period over which the lender is exposed to credit risk. In practice, the expected loss horizon is a minimum of 1 year and credit risk mitigations could be additional guarantees or reducing the loan commitment.

Financial guarantees

For financial guarantee contracts changes in the risk that the specified debtor will default on the contract are considered. At each reporting period, the amount of the loss allowance equals the 12-month expected credit loss unless there has been a significant increase in the risk of default, in which case the loss allowance is calculated for lifetime expected credit losses. Expected losses reflect the cash shortfalls equal to the difference between the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that are expected to be received from the holder, the debtor or any other party.

6.6 Derivatives

6.6.1 Derivatives – Trading portfolio, including embedded derivatives

When a derivative is not designated in a hedge relationship, it is deemed to be held for trading and Belfius initially and subsequently measures all derivatives at the fair value obtained from quoted market prices, discounted cash-flow models or pricing models, as appropriate. All changes in fair value are recognised in the statement of income.

The interest results of derivatives for which there is an economic hedge relationship are recognised in interest income/interest expense.

Derivatives are reported as assets when their fair value is positive and as liabilities when their fair value is negative. When a hybrid contract contains a host that is a financial asset in the scope of IFRS 9, the entire hybrid contract, including all embedded features, is assessed for classification. However, if the host contract is a financial liability, a lease receivable, an insurance contract or another non-financial host contract an assessment is made to determine whether the embedded feature requires separation and should be presented as a separate derivative in trading. This is the case when:

- Risks and characteristics of the embedded features are not closely related to those of the host contract;
- The hybrid contract is not carried at fair value with unrealised gains and losses reported in the statement of income and;
- A separate instrument with the same terms as the embedded feature would meet the definition of a derivative.

6.6.2 Derivatives – Hedging

As the development of the new macro hedge accounting model (cf. "Accounting for dynamic risk management activities") is still in progress, the IASB provided all entities including those that engage in portfolio hedge accounting of interest rate risk with the following accounting policy options until the IASB Research project "Dynamic Risk Management" is completed.

- Option 1: Apply the new hedge accounting requirements of IFRS 9 and continue to use the IAS 39 model for interest-rate portfolio fair value hedging.
- Option 2: Continue to apply the existing (micro) hedge accounting requirements in IAS 39, including the IAS 39 interest-rate portfolio fair value hedge model.

In both cases, the use of the IAS 39 interest-rate portfolio hedging model is subject to expanded disclosure requirements.

Belfius has opted to continue to apply the existing (micro) hedge accounting requirements of IAS 39 and the "Carve out" conditions applicable to interest-rate portfolio hedging as endorsed by the European Commission.

Hedging derivatives are categorised as either:

- A hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge) or a fair value hedge of the interest rate risk exposure of a portfolio (cf. section 6.6.3); or
- A hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash-flow hedge).

Derivatives are designated as hedging instruments if certain criteria are met:

- Formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is available before hedge accounting is applied;
- The hedge is documented in such a way as to show that it is expected to be highly effective (within a range of 80% to 125%) in offsetting changes in the fair value or cash flows attributable to the hedged risk in the hedged position throughout the reporting period; and
- The hedge is effective at inception and on an ongoing basis.

Belfius records changes in the fair value of derivatives that are designated and qualify as fair value hedges in the statement of income, along with the corresponding change in fair value of the hedged assets or liabilities that is attributable to the specific hedged risk. If relevant, the interest accruals of the designated hedging instruments are recognised in line item I. "Interest income" or II. "Interest expense".

If the hedge no longer meets the criteria for a fair value hedge or if the hedge is voluntarily discontinued, the adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised to the statement of income over the remaining life of the hedged position (or the hedging instrument if shorter) by an adjustment of the yield of the hedged item.

The effective part of the changes in the fair value of derivatives that are designated and qualify as cash-flow hedges, is recognised in "Other comprehensive income" under the item XXII. "Fair value changes of derivatives following cash flow hedging" (see "Consolidated statement of changes in shareholders' equity"). The ineffective portion of the change in the fair value of the hedging instrument (if any) is recognised directly in the statement of income. The amount recognised in other comprehensive income should be the lower in absolute value of the cumulative gain or loss on the hedging instrument from the inception of the hedge, and the cumulative change in the fair value (present value) of the expected cash flows on the hedged item from the inception of the hedge.

Amounts deferred in equity are transferred to the statement of income in the periods during which the hedged item affects the statement of income.

6.6.3 Fair value hedge of the interest-rate risk exposure of a portfolio

As mentioned in section 1.1 General, Belfius makes use of the IAS 39 provisions for portfolio fair value hedges of interest rate risk as endorsed by the European Commission (cf. EU carve out) because it better reflects the way financial instruments are managed.

Awaiting the completion of the IASB Research project "Dynamic Risk Management", Belfius continues to apply the current carved out provisions.

The hedging instruments are a portfolio of derivatives, which may contain offsetting positions. Belfius recognises the hedging items at fair value with any changes in fair value accounted for in the statement of income. The hedged items include financial assets and liabilities at amortised cost and debt instruments measured at FVTOCI.

The hedged interest-rate risk revaluation of elements carried at amortised cost is reported on the balance sheet under the line item VII. "Gain/loss on the hedged item in portfolio hedge of interest rate risk" whereas the hedged interest-rate risk revaluation of elements carried at FVTOCI is included in the line items II.B "Loans and advances due from credit institutions - Measured at fair value through other comprehensive income", III.B. "Loans and advances - Measured at fair value through other comprehensive income", and IV.B "Debt securities & equity instruments - Measured at fair value through other comprehensive income".

6.7 Fair value of financial instruments

6.7.1 General principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted market prices in an organised market (such as a recognised stock exchange) are to be used as fair value, as they are the best evidence of the fair value of a financial instrument. Quoted market prices are not available for all financial assets and liabilities held or issued by Belfius.

If a financial instrument is not traded on an active market, recourse is provided by valuation models. A valuation model reflects the transaction price on the measurement date in an arm's length exchange under normal business considerations, i.e. the price that would be received by the holder of the financial asset in an orderly transaction that is not a forced liquidation or forced sale or the price to transfer the liability.

The valuation model takes into account all factors that market participants consider when pricing the financial instrument. Measuring the fair value of a financial instrument requires consideration of current market conditions. To the extent that observable inputs are available, they are incorporated into the model.

Only in very exceptional circumstances (i.e where no relevant information is available about the performance and operations of the investee) cost will be used for the fair value valuation of investments in unquoted equity instruments.

6.7.2 Specific rules

The specific rules and approaches used for the determination of fair value of financial instruments are summarised in note 9.1. "Fair value".

6.8 Sale and repurchase agreements and lending of securities

Securities sold subject to a linked repurchase agreement ("repos") are not derecognised and remain on the balance sheet. The corresponding liability is recorded under the line items II.A "Credit institutions borrowings and deposits - Measured at amortised cost" or III.A "Borrowings and deposits - Measured at amortised cost", as appropriate. The asset is included as "pledged" in the supporting notes to the financial statements.

Securities purchased under agreements to resell ("reverse repos") are recorded as off-balance-sheet items and the corresponding loans are recorded in line items II.A "Loans and advances due from credit institutions - Measured at amortised cost " or III.A "Loans and advances - Measured at amortised cost".

The difference between the sale and repurchase price is treated as interest income or expense and is accrued over the life of the agreements using the effective interest rate method.

Securities lent to counterparties are not derecognised. Securities borrowed are not recognised in the balance sheet. Fees related to securities lending and borrowing are recorded within the line items VII. "Fee and commission income" and VIII. "Fee and commission expense".

6.9 Interest income and expense

Interest income and expense are recognised on an accrual basis in the statement of income for all interest bearing instruments using the effective interest rate method (transaction costs included). Transaction costs for financial assets and liabilities measured at fair value through profit or loss are recognised immediately in profit or loss.

Negative interests on these instruments are presented as a separate item within interest expense (interest expense on financial assets) or within interest income (interest income on financial liabilities). Accrued interest is reported in the balance sheet in the same line item as the related financial asset or liability.

The following fees are an integral part of the effective interest rate of a financial instrument with a defined duration:

- Origination fees received relating to the creation or acquisition of a financial asset;
- Commitment fees received to originate a loan when the loan commitment is not measured at fair value through profit or loss and it is probable that Belfius will enter into a specific lending arrangement. If the commitment expires without granting the loan, the fee is recognised as revenue on expiry;
- Origination fees paid on issuing financial liabilities measured at amortised cost.

The underlying basis for calculating the effective interest depends on the status of the financial instrument:

- The gross carrying amount (amortised cost before deducting any expected loss allowances) for non-credit impaired financial assets (stage 1 and 2) or the amortised cost for financial liabilities;
- The net carrying amount (gross carrying amount less expected loss allowances) for credit-impaired financial assets (stage 3).

Interest income for originated or purchased credit-impaired financial assets is recognised by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset. Lifetime expected credit losses are incorporated in the credit-adjusted effective interest rate.

Interest results of trading derivatives are recognised in the line item V. "Net income from financial instruments at fair value through profit or loss", whereas interest results on all other derivatives are recognised in the line items I. "Interest income" or II. "Interest expense". For interest bearing held for trading bonds, Belfius opted to record interest results under the line item I. "Interest income" and II. "Interest expense".

6.10 Financial guarantees

A financial guarantee contract is defined as a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

At transaction date, financial guarantees are recorded in the off balance sheet accounts and the paid or received premium is recognised recognised in the accrual accounts.

The paid or received premium is recognised respectively as commission charges or commission income in accordance with the principles of IFRS 15.

7. Fee and commission income and expense

According to IFRS 15 "Revenue from Contracts with Customers" revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which Belfius expects to be entitled in exchange for those goods or services. This is applied on an individual contract basis, but a portfolio approach is permitted if the impact on the financial statements will not be materially different from application on an individual contract basis.

Revenue recognition is governed by the following five step model:

- Identification of the contract;
- Identification of separate performance obligations;
- Determination of the transaction price;
- Allocation of the transaction price to performance obligations; and
- Recognition of revenue as of when each performance obligation is satisfied.

A performance obligation is satisfied when the bank transfers control of the services underlying the performance obligation to the customer. Revenue can be recognised either "over time" based upon performance completed to date, milestones reached, recurring services or "at a point in time" when the bank transfers control of the asset to the customer.

For contracts for which Belfius is acting as agent, revenue will be recognised as a net amount of consideration instead of gross amounts of relevant revenue and expenses.

Fees that are not an integral part of the effective interest rate of a financial instrument are accounted for in accordance with IFRS 15. They include:

- Fees charged for servicing a loan;
- Commitment fees to originate a loan when the loan commitment is not measured at fair value through profit

or loss and it is unlikely that a specific lending arrangement will be entered into; and
- Loan syndication fees received by the bank for arranging a loan and retaining no part of the loan package for itself (or retaining a part at the same effective interest rate for comparable risk as other participants).

The commissions paid by Belfius Insurance to Belfius Bank for the sale of insurance products are, respectively, recorded in the insurance technical result and the fee and commission income. A separate presentation better reflects the profitability of the business .

8. Insurance and reinsurance activities

8.1 Classification

Belfius Insurance operates in both Life and Non-Life insurance activities.

IFRS 4 (Phase 1) “Insurance contracts” is applied to all insurance contracts where the insurer accepts a significant insurance risk by agreeing to indemnify the policyholder in the event of a well-defined and uncertain occurrence in the future (the insured event). Reinsurance policies that comply with this definition also come under this field of application. In addition, IFRS 4 is also applicable to financial instruments with a discretionary participation feature.

A contract that exposes the issuer to financial risk without significant insurance risk is not an insurance contract and is accounted for as a financial instrument under IFRS 9.

If a contract contains a deposit component (i.e. a contractual component that would be within the scope of IFRS 9 if it were a separate instrument), the deposit component is unbundled and deposit accounting is applicable.

The rules for deposit accounting apply to financial instruments without discretionary profit sharing and to the deposit component of unit-linked (branch 23 type) insurance contracts. This means that the deposit component and the insurance component are valued and presented separately. In this case IFRS 9 and not IFRS 4 is applicable for the valuation and presentation of the deposit component. With deposit accounting, the related premiums and the resulting entry of the obligation are not recorded in the statement of income. The obligations themselves are not recorded in the technical provisions, but under financial liabilities. Associated management charges and commission fees are entered immediately in the statement of income. Payments made are not entered in the statement of income, but result in a reduction of the obligation. For unit-linked (branch 23) contracts, the deposit component and the corresponding investments are valued at their fair value, with variations in the statement of income. The fair value is determined by the number of units, multiplied by the value of the unit that is based on the fair value of the underlying investments.

Group insurance cover for Belfius staff is not within the scope of IFRS 4, but instead is dealt with under the valuation rules for pension schemes.

8.2 Valuation

8.2.1 General

IFRS 4 exempts an insurer from applying the specific criteria to use in developing an accounting policy if no specific IFRS applies, but allows an insurer to continue using its accounting policies prior to IFRS. However, IFRS 4 imposes some limits on this exception:

- No provision may be made for equalisation and disaster;
- A liability adequacy test should be performed;
- An insurance liability shall be removed when, and only when, it is extinguished;
- Reinsurance contracts shall not be offset against related direct insurance contracts; and
- Reinsurance assets should be considered for impairment.

Provision for unearned premiums

The provision for unearned premiums corresponds to the part of the premiums gross of reinsurance but after deduction of the acquisition costs that has to be allocated to a subsequent reporting period to cover the unexpired risk. The change in the provision for unearned premiums is recognised in the statement of income as revenue over the contract period.

The provision for unearned premiums is calculated pro rata temporis for each agreement separately, based on the net premium. For accepted reinsurance, the reserves are recorded based on data passed on by the ceding companies.

Provisions for claims to be paid

The amount of the provision for claims to be paid in the non-life direct business equals the amount owed to beneficiaries, plus the management charges for the claims.

For the reported claims, the provision for the claims to be paid in non-life direct business is calculated on a case-by-case basis, including future settlement costs or as a separate provision for a group of claims. When a claim is settled in the form of annuity payments, the amount that needs to be reserved is calculated based on actuarial methods. For claims ‘incurred but not (enough) reported” (IBN(E)R) on reporting date, a provision is determined based on past experience regarding the number and amount of claims reported after the reporting date. Account is also taken of exceptional events and additional provisions are also booked on the basis of statutory requirements, such as for workers’ compensation.

Provisions for life insurance

The provision for life insurance is calculated taking account of the statutory requirements and terms regarding the life insurance business. As such, the following apply:

- Valuation using the prospective method: prospective reserving subtracts the actuarial present value of future premiums from the actuarial present value of the future insurance benefits. The calculation is based on the technical terms of the policies. This method is applied to contracts with a guaranteed return on future premiums.
- Valuation using the retrospective method: retrospective reserving subtracts accumulated value of (past) benefits from accumulated value of (past) premium. The calculation is based on the technical terms of the policies, without taking future premiums into account. This method is applied to contracts without a guaranteed return on future premiums.

For accepted reinsurance, a provision is booked separately for each agreement based on the information provided by the ceding party.

As a supplement to the rules set out above, an additional provision is booked for the low interest rate risk and other factors that have an important impact on the adequacy of the technical provisions.

Provision for (discretionary) profit sharing

A discretionary participation feature ("DPF") is a contractual right to receive additional benefits, on top of guaranteed benefits, whose amount or timing is contractually at the discretion of the insurer, also called "profit sharing". In case of positive other comprehensive income recognised recognised in equity resulting from its investment portfolio allocated to the technical provisions ('allocated investments'), Belfius Insurance records a deferred profit sharing for the amount of the expected profit sharing to be shared with policyholders for the in-force business at balance sheet. Belfius has full discretion about its distribution. It is presented as a separate component of equity as it is expected to be distributed to the in-force business in the future upon realization of the gains presented in the OCI reserve in equity.

The amount of deferred profit sharing is reduced by the actual allocation to individual policyholders after the approval of the insurance company's annual ordinary shareholders meeting.

The deferred profit sharing related to net unrealised capital gains on allocated investments is recognised in the revaluation reserve in other comprehensive income (equity). Upon realization of the allocated investments, the part of the deferred profit sharing related to these net realised capital gains is adjusted and recorded in the insurance technical provisions.

The amount recorded through the statement of income (and presented as a liability) is based on profits realised in the past and is classified within the technical provisions in line with the recognition criteria for provisions (IAS 37).

Reinsurance activities

For accepted reinsurance, a provision is booked separately for each agreement based on the information provided by the ceding party.

For ceded reinsurance, the part of the reinsurer in the technical reserves is recorded as an asset in accordance with the relevant clauses of the reinsurance contract.

A specific reduction in value is applied to the reinsurance assets if:

- there is objective evidence, resulting from an event that occurred after the initial recognition of the reinsurance assets, that the ceding party will not recover all amounts due. Account is taken of the rating and solvency of the reinsurer; and
- the amounts are reliably measurable.

We refer to the rules related to specific impairment.

8.2.2 Liability Adequacy Test – LAT

At the end of each reporting period, Belfius Insurance conducts liability adequacy tests on its technical provisions. If these additional tests indicate that the book value of the technical provisions increased with the net unrealised gains on the investment portfolio allocated to the life and workers' compensation business is insufficient compared to the current value of the estimated future cash flows, an additional technical provision is recorded for this shortfall through the statement of income. These tests are assessed separately for technical provisions Life and technical provisions Non-Life.

For life insurance, an estimate is made of the expected cash flows of contracts, taking into account the assumptions that are also used for other modelling purposes. The present value of these expected cash flows is determined using a discount curve according to the EIOPA methodology, the current book yield on the allocated investment portfolio and including a volatility adjustment calibrated on Belfius Insurance's investment portfolio.

If the calculated value is higher than the provision for Life insurance, the difference is taken through the statement of profit or loss.

For Non-Life insurance, the liability adequacy test verifies whether the provision for unearned premiums and the provision for claims are sufficient to make a full settlement of the incurred claims and all claims expected to occur within the ongoing insurance coverage period. For workers' compensation the net unrealised gains on the investment portfolio allocated to this business is added to the book reserves.

8.2.3 Shadow accounting

If the realisation of unrealised profits from financial assets measured at FVTOCI recorded under other comprehensive income has an immediate effect on the valuation of the technical provisions, shadow accounting offers a solution through the partial transfer of unrealised investment results from other comprehensive income to technical provisions.

First and foremost, Belfius Insurance applies shadow accounting if the statutory or contractual conditions in the insurance policies state that the realisation of recorded but unrealised profits on clearly defined assets belonging to the insurer has a direct effect on the valuation of the corresponding insurance contracts and investment contracts with DPF. This application occurs mainly in insurance policies managed through funds with dedicated assets.

Belfius Insurance will recognise a “shadow loss” for the difference between the value of the Life insurance obligations based on the LAT methodology described above (without taking into account current book yields) on the one hand and the provisions for Life insurance on the other hand increased with the net unrealised gains on the investment portfolio carried at amortised cost and allocated to the life portfolio. This amount is limited to the net unrealised gains recognised in other comprehensive income for financial assets carried at fair value and covering Life insurances.

9. Network costs

Network costs consist of commissions paid to Belfius Bank independent branches and are based on outstanding volumes and production figures. Commissions for the production of interest-bearing financial assets and financial liabilities are included in interest income and expense using the effective interest-rate method.

10. Tangible fixed assets

Tangible fixed assets include property, equipment and investment properties.

All property and equipment are stated at cost less accumulated depreciation and impairments. Subsequent costs are included in the carrying amount of the asset or recognised as a separate component, if it is probable that future economic benefits will flow to Belfius and the cost of the asset can be reliably measured.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives.

The estimated useful lives are:

- buildings (including acquisition costs and non-deductible taxes): 20 to 50 years;
- computer equipment: 1 to 6 years;
- leasehold improvements, equipment and furniture: 2 to 12 years;
- vehicles: 2 to 5 years.

An item of property and equipment can be composed of significant parts with individually varying useful lives. In such a case, each part is depreciated separately over its estimated useful life. The following parts have been defined for the head offices used starting 2006:

- structure of the building: 50 years;
- roof and frontage: 30 years;
- technical installations: 10 to 20 years;
- fixtures and fittings: 10 to 20 years.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and are capitalised.

Tangible fixed assets are tested for impairment when an indication of impairment loss exists. If the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs of disposal and its value in use. Where the recoverable amount of an asset cannot be determined individually, Belfius determines the recoverable amount of the cash-generating unit or group of cash-generating units to which the asset belongs.

After the recognition of an impairment loss, the depreciation charge for the asset shall be adjusted in future periods to allocate the asset’s revised carrying amount, less its residual value (if any) on a systematic basis over its remaining useful life.

Gains and losses on disposals of property and equipment are included under the item VI. “Net income on investments and liabilities”.

Investment properties are those properties held to earn rentals or for capital appreciation. Belfius may also partly use such properties. If the “own use” portions can be sold separately or leased out separately under finance lease, then these portions are accounted for separately. If the “own use” portions cannot be sold separately, the property will be considered as an investment property only if Belfius holds an insignificant portion for its own use.

Investment properties are recorded at cost less accumulated depreciation and impairments. The investment properties are depreciated over their useful lives on a straight-line basis. Depreciation on buildings and other assets given in operating lease are booked under in the line item XI. “Other expenses”. Belfius shall transfer a property to or from investment property when there is evidence of a change in use.

11. Intangible assets

An intangible asset is recognised if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to Belfius (by using reasonable and supportable assumptions) and the cost of the asset can be measured reliably.

Within Belfius intangible assets consist mainly of:

(a) internal development expenditures; and
(b) acquired software.

The costs associated with maintaining computer software programmes are recognised as expense as incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond one year is added to the original cost of the software. Internal development costs recognised as assets are amortised using the straight-line method over their useful lives from the time the developed item is available for use.

An acquired customer portfolio is amortised using the straight-line method over the expected life of the portfolio taking into account the expected loss of customers in the acquired portfolio.

As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, they are capitalised. Other borrowing costs are recognised as an expense.

Intangible assets (other than goodwill) are tested for impairment when an indication of impairment loss exists.If the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. Where the recoverable amount of an asset cannot be determined individually, Belfius determines the recoverable amount of the cash-generating unit or group of cash-generating units to which the asset belongs.

After the recognition of an impairment loss, the depreciation charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any) on a systematic basis over its remaining useful life. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount and are included in line item VI. "Net income on investments and liabilities".

12. Goodwill

12.1 Measurement of goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

It is measured as the difference between:

- The sum of the following elements:
  - consideration transferred;
  - amount of any non-controlling interests in the acquiree;
  - fair value of the acquirer's previously held equity interest in the acquiree (if any).
- Minus the fair value determined at acquisition date of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, this difference is negative (" badwill"), it is recognised immediately in profit or loss as a bargain purchase gain.

12.2 Impairment of goodwill

The carrying amount of goodwill is reviewed at year-end. For the purpose of this impairment testing, Belfius allocates goodwill to cash-generating units (CGUs) or groups of such units.

When circumstances or events indicate that there may be uncertainty about the carrying amount, goodwill is written down for impairment when the recoverable amount of the CGU or group of CGUs to which it has been allocated is lower than the carrying value.

The recoverable amount is the higher of the fair value less cost to sell or the value in use. The "value in use" is the sum of the future cash flows that are expected to be derived from a CGU. Expected cash flows used by Belfius are those of the financial budget approved by management.

The calculation of the "value in use" shall also reflect the time value of money (current risk-free rate of interest) corrected for the price for bearing the uncertainty inherent in the asset. This is reflected in the discount rate.

13. Other assets

Other assets mainly include accrued income (other than interest prorata), prepayments, operational taxes and other accounts receivable. They also include assets from insurance contracts (reinsurance, insurance premiums receivables, etc.), construction contracts, inventories and plan assets relating to employee benefit obligations.

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

If the carrying amount of a non-current asset (or disposal group) is recovered principally through a sale transaction rather than through continuing use, it will be classified as "held for sale".

Belfius measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and its fair value less costs to sell. Non-current assets (or disposal groups) classified as held for sale are presented separately in the balance sheet, without restatement for previous periods. These assets are no longer depreciated once they qualify as assets (or disposal groups) held for sale.

A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations. Post-tax profit or loss of discontinued operations is presented under a separate line in the statement of income.

15. Leases

15.1 Belfius is the lessee

Belfius enters into leases principally for the rental of equipment or real estate.

Belfius as a lessee recognises leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

Lease liabilities are not presented separately, but are included within the line item "IV.A Debt securities issued and other financial liabilities - Measured at amortised cost" in the balance sheet (statement of financial position).

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

The right-of-use assets are included within the same line item "IX. Tangible fixed assets" as that within which the corresponding underlying assets would be presented if they were owned.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

15.2 Belfius is the lessor

Belfius grants both operating and finance leases.

Revenue from operating leases is recognised in the statement of income on a straight-line basis over the lease term. The underlying asset is accounted for in accordance with the accounting policies applicable to this type of asset.

For finance leases, Belfius recognises "leases receivable" at an amount equal to the net investment in the lease, which can be different from the present value of minimum lease payments.

The interest rate implicit in the lease contract is the discount rate. Interest income is recognised over the term of the lease using the interest rate implicit in the lease.

16. Income taxes

If Belfius concludes that it is not probable that the taxation authority will accept a tax uncertainty for current and deferred taxes, Belfius reflects the effect of the uncertainty in determining the related taxable profit (or loss) or tax base.

16.1 Current tax

Current tax for current and prior periods shall, to the extent unpaid, be recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognised as an asset. Income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated the distributable profit were recognised.

16.2 Deferred tax

Deferred tax is recognised in full, using the balance sheet method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred taxes are measured at tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted.

Deferred tax assets and liabilities are not discounted. Deferred tax assets on deductible temporary differences and tax loss carry-forwards are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.

A deferred tax liability is recognised on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, to the extent that Belfius is able to control the timing of the reversal of the temporary difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to the fair value re-measurement of assets measured at fair value through other comprehensive income and cash flow hedges, and other transactions recorded directly in equity, are also credited or charged directly to equity.

17. Employee benefits

17.1 Short-term benefits

Short-term benefits are expected to be wholly settled within twelve months after the end of the annual reporting period in which the employee renders service. These are measured on an undiscounted basis and recognised as an expense.

17.2 Post-employment benefits

Post-employment benefits include retirement benefits (annuity or lump sum payments on retirement) and other post-employment benefits such as medical care granted after the completion of the employment.

17.2.1 Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows based on interest rates determined by reference to market yields on high quality corporate bonds that have terms to maturity approximating to the terms of the related liability. When there is no deep market in such bonds, the market yields on government bonds shall be used. The valuation technique for the assessment of pension expenses incorporates actuarial assumptions comprising both demographic assumptions and financial assumptions such as the inflation rate, salary increase.

The amount recognised in the balance sheet for the defined benefit plan is the difference between the present value of the defined benefit obligation (using the Projected Unit Credit Method) and the fair value of any plan assets. This amount may be presented as a liability or an asset.

In case of a net asset, the amount recognised is limited to the asset ceiling, which is the present value of any economic benefits available for Belfius in the form of refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability (asset) are recognised in other comprehensive income and are never reclassified to profit or loss. Remeasurements arise from the effect of changes in demographic and financial assumptions, from experience adjustments, the return on plan assets and any change in the effect of the asset ceiling.

17.2.2 Defined contribution plans

The contributions of Belfius related to defined contribution plans are charged to the statement of income in the year to which they relate.

Due to the legal minimum guaranteed rate of return imposed by the Belgian State, Belgian contribution plans are considered as defined benefit plans under IAS 19 and presented as such.

Given the change in legislation at the end of 2015 (i.e. the minimum guaranteed returns on employer and employee contributions decreased respectively from 3.25% and 3.75% to 1.75%), the valuation of the obligation of the Belgian defined contribution plans is based on the defined benefit methodology i.e. the Projected Unit Credit Method.

17.3 Other long-term benefits

A benefit is classified as other long-term employee benefits when the payment is not expected to be wholly settled before twelve months after the end of the annual closing period in which the employee renders service. These mainly include provisions for jubilee premiums and bonuses that employees receive after completion of specified periods of service.

Due to the smaller degree of uncertainty compared with post-employment benefits, a simplified method based on actuarial calculations is required to recognise and measure jubilees and other long-term benefits. A provision is set up for the estimated liability as a result of services rendered by employees up to the balance-sheet date and remeasurements are recognised in the statement of income.

17.4 Termination benefits

Termination benefits result either from a decision of Belfius to terminate the employment before the normal date of retirement or an employee's decision to accept redundancy payments from Belfius for termination of employment. Any benefit that requires future service is not a termination benefit.

A termination benefit provision is recognised at the earlier of when related restructuring costs are recognised and when Belfius can no longer withdraw the offer of those benefits.

18. Provisions and contingent liabilities

Provisions are mainly recognised for litigation claims, restructuring and loan commitments. Provisions are measured at the present value of the best estimate of expenditures required to settle the obligation. The discount rate is the pre-tax rate that reflects current market assessments of the time value of money.

Provisions are recognised when:

- Belfius has a present legal or constructive obligation as a result of past events;

- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Provisions on loan commitments and financial guarantees not measured at fair value are recognised when there is uncertainty about the creditworthiness of the counterparty. Please refer to impairment section 6.5.

Unless the possibility of an outflow of resources embodying economic benefits is remote, a contingent liability is disclosed. A contingent liability is continually assessed to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

19. Levies

Levies are outflows of resources embodying economic benefits imposed by governments on entities as identified by the legislation (i.e laws and/or regulations) other than income taxes, fines or other penalties imposed for breaches of the legislation.

Belfius recognises a liability when the obligating event occurs. All levies are taken upfront in full (no accrual accounting permitted) in the line item XI. “Other expenses” and the related amounts due are booked in line item XII. “Other liabilities”.

20. Share capital

Belfius recognises its dividends on its ordinary shares as a liability from the date on which they are declared. Any dividends for the year declared post-balance-sheet date are disclosed in the subsequent events note.

21. Fiduciary activities

Assets and related income that are held by Belfius, together with related undertakings to return such assets to customers, are excluded from the financial statements if Belfius acts in a fiduciary capacity such as a nominee, trustee or agent.

22. Government grants

Government grants are assistance by government in the form of transfers of resources, other than credit lending stimulation instruments, to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They are not recognised until there is reasonable assurance that the entity will comply with the attached conditions and that the grant will be received. Government refers to government, government agencies and similar bodies such as community institutions.

The benefit of a government loan at a below market rate of interest is recognised in profit or loss on a systematic basis considering the conditions and obligations that have been met, or must be, met when identifying the costs for which the grants are intended.

23. First time adoption IFRS 17

Introduction

In May 2017, the IASB issued IFRS 17 Insurance Contracts. IFRS 17 replaces IFRS 4 Insurance Contracts, which was an interim standard that did not prescribe the measurement of insurance contracts but relied on existing accounting practices. 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 (also called the Building Block Approach), supplemented by a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (the Premium Allocation Approach) mainly for short duration contracts.

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

Main impacts of IFRS 17

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

Impact on equity(1) - 1 January 2022 (in billions of EUR)	**Total**	**Retained earnings**	**OCI**
Life contracts	(1.6)	(0.6)	(1)
Non-life contracts & reinsurance contracts held	0.1	0.2	(0.1)
Reclassifications	0.3	0	0.3
IMPACT OF ADOPTING IFRS 17	**(1.2)**	**(0.4)**	**(0.8)**
Proforma impact of IFRS 9 on 1 January 2022(2)	0.9	0	0.9
TOTAL IMPACT INCLUDING THE PROFORMA IFRS 9 IMPACT	**(0.3)**	**(0.4)**	**0.1**

(1) After deferred tax.
(2) Reassessment IFRS 9 business models of underlying financial assets (almost all loans and bonds) at 1 January 2023 ('held to collect' to 'held to collect and sale') – proforma impacts on 1 January 2022 taken into account.

A decrease of Belfius' Group Net Asset Value of EUR 0.3 bn can be noted mainly due to the best estimate valuation at rates end 2021 and the introduction of IFRS 17 specific elements such as RA and CSM. This negative impact can be partially compensated by the proforma reassessment of the business models for financial assets, resulting in a total increase of EUR 0.1 bn in OCI. Note that the reassessment of the business models will only be performed at 1/1/23.

Following 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.

The decrease in own funds of EUR 0.2 bn is partially offset by a decrease of the Risk Weights of EUR 0.9 bn; resulting in a decrease of 12 bps of 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 technical reserves measured using the GMM (in billions of EUR)	01/01/2022
IFRS 4 technical reserves (premium and claims reserves)	10.7
IFRS 17 technical reserves (LRC & LIC)	12.3
IMPACT OF ADOPTING IFRS 17	**1.6**
IFRS 17 amount is made up as follows:	
LRC	**12.2**
Cash flows (discounted)	11.2
RA	0.2
CSM	0.8
LIC	**0.1**
Cash flows (discounted)	0.1
RA	0

An increase of reserves measured using the General Measurement Method with EUR 1.6 billion following the Best Estimate valuation at rates end 2021 and the introduction of the IFRS 17 specific elements Risk Adjustment (EUR 0.2 billion) and Contractual Service Margin (EUR 0.8 billion).

Impact on technical reserves measured using the PAA (in billions of EUR)	01/01/2022
IFRS 4 technical reserves (premium and claims reserves)	1.5
IFRS 17 technical reserves (LRC & LIC)	1.2
IMPACT OF ADOPTING IFRS 17	**0.3**
IFRS 17 amount is made up as follows:	
LRC	**0.1**
LIC	**1.1**
Cash flows (discounted)	1.0
RA	0.1

A decrease of technical reserves measured using the Premium Allocation Approach following the implementation of IFRS 17 of EUR 0.3 billion. Onerous contracts were identified for "General Liability Other" as well as "Legal" and "Worker's compensation".

Scope

The scope of IFRS 17 is very similar to IFRS 4 and applies to all types of insurance and reinsurance contracts, regardless of the type of entities that issue them, as well as to investment contracts with DPF. Unit linked contracts at Belfius are treated as investment contracts within the scope of IFRS 9 because they contain no insurance component or DPF.

Note that Belfius presents the figures on the technical provisions including intragroup transactions between bank and insurance entities as these relate to insurance contracts concluded between the bank and insurance entities and distribution commissions that Belfius Insurance pays to Belfius Bank.

Level of aggregation

Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and subsequently into groups having similar profitability expectations at inception.

The determination of the Life portfolios is based on the duration and insurance risk. The determination of the Non-life portfolios (which includes Health) is based on the covered insurance risk.

Groups of reinsurance contracts are established such that each group comprises a single contract.

The following managed together categories have been used:

- Belins
- Corona

The following similar risks have been identified for the Life portfolio:

- Insurance
- Investments short-term
- Investments long-term
- Endowment

The following similar risks have been identified for the Non-life portfolio:

- Property
- Mobility
- Accidents
- Workers' compensation
- Legal
- Assistance
- General liability – family
- General liability – other
- Loan guarantees
- Health – individual (non-professional) hospitalisation
- Health – collective (professional) hospitalisation
- Health – individual (non-professional) guaranteed income
- Health – collective (professional) guaranteed income

Measurement

1. General measurement model (GMM)

IFRS 17 introduces a GMM that recognises and measures groups of contracts based on:

(a) the future cash flows, adjusted to reflect the time value of money and the associated financial risks;
(b) Risk Adjustment (RA); and
(c) the Contractual Service Margin (CSM) or Loss Component (LC).

If the total 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.

Contracts are subject to different requirements depending on whether they are classified as direct participating contracts (VFA measurement) or contracts without direct participation features.

At Belfius, all Life insurance contracts and investment contracts with DPF are classified as contracts without direct participating contracts on FTA.

The CSM represents the unearned profit Belfius will recognise as it provides insurance contract services under the insurance contracts in the group. The CSM is adjusted subsequently only for changes in Fulfilment Cash Flows (FCF) that relate to future services and other specified amounts and is recognised in profit or loss as services are provided.

The CSM of a group of contracts is recognised in profit or loss by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. Belfius will use the following coverage units:

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

The coverage units will be discounted, reviewed and updated at each reporting date.

Belfius will recognise the LIC at the amount of the FCF relating to incurred claims. As claims are expected to be settled within one year, the LIC will not be discounted for the time value of money.

Belfius will apply the GMM for contracts in the Life segment and for Individual Health (medical expenses/ guaranteed income protection).

2. Premium allocation approach (PAA)

The PAA will be applied by Belfius for contracts that meet the eligibility criteria at inception of a group:

- where Belfius reasonably expects that the PAA will produce a measurement of the LRC 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.

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

Belfius expects for Non-life contracts that the time between providing each part of 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 shall recognise a loss in profit and loss and increase the liability for remaining coverage.

Belfius will recognise the LIC at the amount of the FCF relating to incurred claims. The future cash flows will be discounted for the time value of money.

The PAA will also be applied to measure groups of reinsurance contracts held, and adapted where necessary to reflect features that differ from those of insurance contracts issued.

Belfius will apply the PAA to contracts in the Non-life segment, reinsurance contracts held and collective Health (medical expenses/guaranteed income protection).

Significant estimates and judgements

1. Discount curves

Belfius will apply bottom-up discount curves for IFRS 17. These discount curves 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 a volatility adjustment that replicates the market evolution of asset spreads.

Belfius applies the crediting rate for groups of insurance contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to the policyholders.

The option to disaggregate the insurance finance result between profit or loss and other comprehensive income will be applied by Belfius. The unwinding of discounting in profit or loss is based on locked-in discount curves and the difference in valuation due to changes in discount curves is presented in other comprehensive income. Disaggregation is applied to both cash flows and RA, where applicable.

2. Risk adjustment (RA)

The RA is the compensation required by Belfius for the uncertainty about the amount and timing of future cash flows arising from non-financial risks as the insurance contract is fulfilled. The RA will be determined separately for Life and Non-life contracts, and with reference to the defined managed together categories, and allocated to groups of contracts based on an analysis of the risk profiles of the groups. The RA reflects the effects of diversification, which will be determined using a correlation matrix technique.

The RA will be determined using the value at risk (confidence level) calculation technique.

To determine the RA for reinsurance contracts, Belfius 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 PVFCF from the contracts at each reporting date and calculate the RA as the excess of the value at risk at the target confidence level over the expected PVFCF allowing for the associated risks over all future years. The confidence levels applied for Life are 75% (Belfius managed together category) (1 year horizon) and 90% (Corona managed together category) (1 year horizon), whilst the confidence levels applied for Non-life are 85% (Belfius managed together category) (ultimate horizon) and 90% (Corona managed together category) (ultimate horizon).

Belfius will not include the effect of reinsurance risk mitigation in the RA determination.

Transition

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.

For its Life insurance contracts issued, Belfius applied the full retrospective approach for groups of insurance contracts related to underwriting years as from 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 the fair value approach.

In applying the fair value approach, the CSM or 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 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 upon market observations (target Solvency II ratio of 175% and 8% cost of capital rate). Furthermore, Belfius considered in the fair value measurement certain costs 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.

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, apart from the 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.

Financial assets business model reassessment IFRS 9 (due to IFRS 17)

IFRS 17 will bring 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 will use this opportunity to reassess its current business models and redesignate its financial assets in order to minimise future accounting mismatches.

Based on that exercise, Belfius will reclassify its bond and loan portfolios (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 fair value through other comprehensive income.

Belfius will not restate prior periods to reflect such changes in designations or classifications.

Abbreviations used

AC	Amortised cost
BBA	Building Block Approach
CFH	Cash flow hedge
CGU	Cash-Generating Unit
CSM	Contractual Service Margin
DPF	Discretionary Participation Feature
ECL	Expected credit loss
EUR	Presentation currency EURO
EIOPA	European Insurance and Occupational Pensions Authority
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
PVFCF	Present Value Future Cash Flows
RA	Risk Adjustment
SPPI	Solely payments of principal and interest
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 87% loan to deposit ratio at the end of December 2022.

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

Please note that the capital for the insurance activities is allocated to each business line in proportion to its contribution to Belfius Insurance Solvency II SCR requirements. Any non allocated capital is reported in Group Center.

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

	31/12/2021[1]		
(in thousands of EUR)	Assets	Liabilities	Equity
Individuals	54,699,916	82,549,280	1,884,807
Entrepreneurs, Enterprises & Public	59,863,435	44,780,614	4,923,160
Group Center	77,587,192	53,327,901	4,684,781
TOTAL	192,150,543	180,657,795	11,492,748
of which banking group[2]	174,328,987	163,693,443	10,635,544
of which insurance group[2]	17,821,556	16,964,352	857,204

(1) Belfius presented pro forma figures due the adaption of the segmentation in line with the new strategy.
(2) The assets, liabilities and equity represent the contributions of the Belfius Insurance and Belfius Bank groups to the consolidated balance sheet

	31/12/22		
(in thousands of EUR)	Assets	Liabilities	Equity
Individuals	56,987,957	83,323,898	1,514,073
Entrepreneurs, Enterprises & Public	63,870,040	43,998,437	5,488,120
Group Center	58,607,683	40,522,692	4,618,460
TOTAL	179,465,679	167,845,027	11,620,652
of which banking group[1]	162,986,120	151,881,249	11,104,871
of which insurance group[1]	16,479,559	15,963,778	515,781

(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 2021 and 2022 with EUR 6 billion. This growth is explained by the increase in loan production in the activity lines, in line with Belfius' strategy. The liabilities in the Individual segment increased in comparison to 2021 with 0.8 billion mainly due to an increase in sight and savings deposits as well as term deposits that benefit from higher interest rates. (Refer to the chapter Segment reporting in the Management report). Overall, the total commercial liabilities stabilised compared with 2021 while the assets increased, leading to an increase of the loan-to-deposit ratio on the commercial balance sheet from 85% end 2021 to 87% end 2022. The liabilities of Group Center decreased following the decrease in the fair value of the derivatives, mainly due to the impact of higher interest rates.

2. Statement of income

A. Segmentation by business line

	31/12/2021 PF[1]			
(in thousands of EUR)	Individuals	Entrepreneurs, Enterprises & Public	Group Center	Total
INCOME	**1,461,267**	**1,063,952**	**178,058**	**2,703,277**
Net interest income bank	554,654	859,743	209,048	1,623,445
Net Fee and commissions bank	628,470	111,193	(7,247)	732,416
Life insurance contribution	226,528	75,785	0	302,312
Non-life insurance contribution	172,290	38,185	0	210,475
Other	(120,674)	(20,954)	(23,742)	(165,371)
EXPENSES	**(898,853)**	**(427,895)**	**(150,378)**	**(1,477,126)**
NET INCOME BEFORE TAX AND IMPAIRMENTS	**562,414**	**636,057**	**27,680**	**1,226,151**
Impairments on financial instruments and provisions for credit commitments	17,248	(9,692)	(6,195)	1,361
Impairments on tangible and intangible assets	(1,645)	(149)	(3)	(1,797)
NET INCOME BEFORE TAX	**578,017**	**626,216**	**21,482**	**1,225,715**
Total tax (expense) income	(134,061)	(142,148)	(13,889)	(290,098)
NET INCOME AFTER TAX	**443,956**	**484,068**	**7,593**	**935,617**
Attributable to non-controlling interests	(461)	0	1,114	653
Attributable to equity holders of the parent	444,417	484,068	6,479	934,964

(1) Belfius presented pro forma figures due the adaption of the segmentation in line with the new strategy.

	31/12/22			
(in thousands of EUR)	Individuals	Entrepreneurs, Enterprises & Public	Group Center	Total
INCOME	**1,634,303**	**1,143,629**	**204,419**	**2,982,351**
Net interest income bank	665,671	919,990	166,402	1,752,063
Net Fee and commissions bank	635,940	131,232	(9,880)	757,292
Life insurance contribution	243,176	94,488	0	337,664
Non-life insurance contribution	203,503	22,358	385	226,245
Other	(113,987)	(24,438)	47,512	(90,913)
EXPENSES	**(946,125)**	**(471,388)**	**(202,491)**	**(1,620,005)**
NET INCOME BEFORE TAX AND IMPAIRMENTS	**688,178**	**672,241**	**1,927**	**1,362,346**
Impairments on financial instruments and provisions for credit commitments	(36,431)	(79,738)	10,481	(105,689)
Impairments on tangible and intangible assets	(1,932)	(117)	0	(2,049)
NET INCOME BEFORE TAX	**649,815**	**592,386**	**12,408**	**1,254,609**
Total tax (expense) income	(147,725)	(136,147)	5,154	(278,719)
NET INCOME AFTER TAX	**502,090**	**456,238**	**17,562**	**975,890**
Attributable to non-controlling interests	(101)	15	1,268	1,181
Attributable to equity holders of the parent	502,191	456,223	16,294	974,709

Individuals' net income increased from EUR 444 million in 2021 to EUR 502 million in 2022. The Net interest income of banking activities increased by EUR 111 million mainly due to non-maturing deposits at improving margins. The Net Fee and commissions income of banking activities increased from EUR 628 million in 2021 to EUR 636 million in 2022 mainly as a result of increased commissions from payment services (EUR +10 million) and insurance activity (EUR +3 million) despite the decrease in Asset Management fees (EUR -8 million) which was impacted by the negative market evolution in 2022. The contribution of Belfius Insurance group increased compared to last year both in life and non-life income. Life insurance contribution increased with EUR 17 million mainly due to decreased interest guarantees (in line with the declining outstanding volume in Branch 21). Furthermore the reassessment of the life provisions resulted in a release of EUR 48 million in line with the risk appetite framework. Non-life insurance contribution increased with EUR 31 million mainly as a result of increased gross earned premiums and realisation of boni on previous years' claims. The total expenses increased with EUR 47 million mainly due to the impact of the inflation both on staff and general expenses.

Entrepreneurs, Enterprises & Public's net income decreased from EUR 484 million in 2021 to EUR 456 million in 2022. The net interest income increased with EUR 60 million in line with the strict pricing of Non Maturing Deposits in an increasing interest rate environment. Net fees and commissions increased with EUR 20 million mainly due to the increase in payment, loan and insurance fees. Life insurance contribution improved with EUR 19 million due to the reassessment of the technical provisions while Non-life insurance contribution decreased mainly due to higher claims provisions in Mobility, and the impact of inflation on claims charges. The total expenses increased with EUR 43 million mainly due to higher FTE and wage-drift effect. The Impairments on financial instruments and provisions for credit commitments in 2022 amounts to EUR 80 million as a result of the increase in stage 1 and stage 2 impairments in order to take into account increased macroeconomic uncertainties while 2021 was largely impacted by net reversals of part of the Covid provision.

Group Center net income stands at EUR 17.6 million in 2022, compared to EUR 7.6 million in 2021. The increase of income of EUR 26 million is mainly due to reversals of provisions for litigations explained by interest rate movements. The expenses increased with EUR 52 million mainly due to wage drift, investments in human capital and technology and higher communication expenses. The impairments on financial instruments and provisions for credit commitments decreased with EUR 17 million and was impacted by the update of the macroeconomic factors and the reassessment of the overlays for specific risk pockets and individual counterparts.

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).

	31/12/21		
(in thousands of EUR)	Contribution Bank into group	Contribution Insurance into group	Total
INCOME	**2,164,070**	**539,206**	**2,703,276**
Net interest income	1,623,445	377,922	2,001,367
Dividend income	23,222	49,632	72,853
Net income from equity method companies	2,354	95	2,449
Net income from financial instruments at fair value through profit or loss	21,191	3,782	24,973
Net income on investments and liabilities	13,917	925	14,842
Net fee and commission income	732,416	25,088	757,504
Technical result from insurance activities	0	72,916	72,916
Other income & expense	(252,476)	8,847	(243,629)
EXPENSES	**(1,220,488)**	**(256,637)**	**(1,477,125)**
NET INCOME BEFORE TAX AND IMPAIRMENTS	**943,582**	**282,569**	**1,226,151**
Impairments on financial instruments and provisions for credit commitments	1,399	(39)	1,361
Impairments on tangible and intangible assets	(947)	(850)	(1,797)
NET INCOME BEFORE TAX	944,034	281,681	1,225,714
Total tax (expense) income	(227,968)	(62,130)	(290,098)
NET INCOME AFTER TAX	716,066	219,551	935,617
Attributable to non-controlling interests	23	630	653
Attributable to equity holders of the parent	716,043	218,920	934,964

(in thousands of EUR)	31/12/22 Contribution Bank into group	Contribution Insurance into group	Total
INCOME	**2,415,524**	**566,829**	**2,982,353**
Net interest income	1,752,063	328,226	2,080,288
Dividend income	28,845	42,766	71,611
Net income from equity method companies	1,916	2,076	3,993
Net income from financial instruments at fair value through profit or loss	52,353	(27,530)	24,822
Net income on investments and liabilities	16,427	39,974	56,401
Net fee and commission income	757,292	32,923	790,215
Technical result from insurance activities	0	150,111	150,111
Other income & expense	(193,372)	(1,717)	(195,088)
EXPENSES	**(1,337,161)**	**(282,844)**	**(1,620,005)**
NET INCOME BEFORE TAX AND IMPAIRMENTS	**1,078,363**	**283,986**	**1,362,349**
Impairments on financial instruments and provisions for credit commitments	(91,184)	(14,505)	(105,689)
Impairments on tangible and intangible assets	(714)	(1,335)	(2,049)
NET INCOME BEFORE TAX	**986,465**	**268,146**	**1,254,611**
Total tax (expense) income	(223,784)	(54,935)	(278,719)
NET INCOME AFTER TAX	**762,680**	**213,211**	**975,892**
Attributable to non-controlling interests	362	819	1,181
Attributable to equity holders of the parent	762,318	212,393	974,711

The contribution of Belfius Insurance decreased with EUR 6.3 million from EUR 220 million at 31 December 2021 to EUR 213 million at 31 December 2022. The Life income improved with EUR 35 million in 2022 thanks to decreasing interest guarantees and a release of life provisions (EUR 48 million) in line with the risk appetite framework. The Non-Life income in 2022 improved with EUR 16 million mainly due to increased production in all lines of business and the release of claims provisions of EUR 8 million at Corona in line with the risk appetite framework. The cost for natural disasters, net of reinsurance amounts to EUR 33.8 million in 2022, compared to EUR 27.5 million in 2021.

The contribution of Belfius Bank increased with EUR 47 million from EUR 716 million at 31 December 2021 to EUR 763 million at 31 December 2022. Belfius Bank realised a net interest income of EUR 1.8 billion following increased client lending at stabilizing margins and deposit volumes at improving margins. The fees activity in 2022 increased with EUR 25 million compared with last year mainly thanks to improved revenues from Payments and Insurances. The net income from financial instruments measured at fair value through profit or loss increased by EUR 31 million to EUR 52 million (31 December 2021: EUR 22 million). Net trading income decreased by EUR 72 million to EUR -5 million end 2022. Note that this line includes the fair value changes of "economic hedges" (financial instruments that cannot be defined as accounting hedges under IFRS) for EUR -92 million, including EUR -151 million results on swaps economically hedging the hedge inefficiency. The net income from financial instruments mandatorily measured at fair value through profit or loss decreased by EUR 25 million to EUR -68 million end 2022 mainly due to the impact of increasing interest rates, widened credit spreads, and the decreased stock markets. The net income of hedge accounting increased by EUR 136 million to EUR 119 million end 2022 and was positively impacted, among other factors, by evolutions on certain basis spreads and basis risks. Note that the result on economic hedges of the "result of financial assets non-trading mandatorily measured at fair value through profit or loss", and the "net result of hedge accounting", are classified in the line "net trading income". Other income and expenses increased mainly stemming from the reclassification of the leasing contracts of Belfius Auto Lease to operating lease, resulting in a shift from net interest income to other income and expenses (EUR 33 million). The expenses increased in 2022 mainly due to inflation and the continued investment in workforce, innovation and digital and our brand name. Impairments on financial instruments and provision for credit commitments amount to EUR 91 million in 2022 compared with EUR 1.4 million in 2021, mainly due to additional stage 1&2 allowances as Belfius updated the underlying macroeconomic scenarios to take into account the increased macroeconomic uncertainties.

V. Notes on the assets of the consolidated balance sheet

(some amounts may not add up due to rounding)

5.1. Cash and cash equivalents

Cash and cash equivalents include financial instruments with an original maturity less than or equal to 90 days.

Analysis by nature

(in thousands of EUR)	31/12/21	31/12/22
Cash and balances with central banks other than mandatory reserves(1)	31,641,371	26,162,090
Mandatory reserves with central banks(2)	0	1,128,041
Loans and advances due from credit institutions	601,745	262,898
Debt securities	79,822	495,360
TOTAL	32,322,938	28,048,389

(1) The decrease in Cash and balances with central banks other than mandatory reserves is explained by the repayment of the TLTRO III for EUR 9.65 billion.
(2) The "Mandatory reserves" include the minimum reserve deposits that Belfius has with the European Central Bank (ECB) or with other central banks. Note that Belfius complies with the requirement of holding an average balance on the reserve account over the reference period.

5.2. Cash and balances with central banks

Analysis by nature

(in thousands of EUR)	31/12/21	31/12/22
Cash in hand	358,704	272,224
Balances with central banks other than mandatory reserve deposits	31,282,232	25,892,742
Mandatory reserves deposits(1)	0	1,130,977
Impairment stage 1	(590)	(509)
TOTAL	31,640,347	27,295,434
Of which included in cash and cash equivalents	31,641,371	27,290,131
Cash and balances with central banks other than mandatory reserves	31,641,371	26,162,090
Mandatory reserves with central banks	0	1,128,041

(1) The "Mandatory reserves deposits" includes the minimum reserve deposits that Belfius has with European Central Bank or with other central banks. Note that Belfius complies with the requirement of holding an average balance on the reserve account over the reference period.

Cash and balances with central banks decreased by EUR 4.3 billion, or -13.7%, to EUR 27.3 billion (31 December 2021: EUR 31.6 billion). The decrease is mainly linked to the partial repayment of the TLTRO III for EUR 9.65 billion. Belfius deposits part of its cash at the NBB/ECB within the framework of its liquidity management.

5.3. Loans and advances due from credit institutions

1. Summary Totals

(in thousands of EUR)	31/12/21	31/12/22
Measured at amortised cost	10,411,237	4,143,601
Measured at fair value through other comprehensive income	0	0
Measured at fair value through profit and loss	0	0
TOTAL	10,411,237	4,143,601

2. Analysis by nature

A. Not measured at fair value through profit or loss

(in thousands of EUR)	31/12/21 Amortised Cost	31/12/21 Measured at fair value through other comprehensive income	31/12/22 Amortised Cost	31/12/22 Measured at fair value through other comprehensive income
Cash collateral	9,280,116	0	3,437,886	0
Sight accounts	170,465	0	121,477	0
Reverse repurchase agreements	450,279	0	508,018	0
Financial lease	7,461	0	6,343	0
Term loans	503,239	0	69,995	0
Impaired loans (stage 3)	0	0	0	0
Less:				
impairment (stages 1,2 and 3)	(323)	0	(118)	0
TOTAL	**10,411,237**	**0**	**4,143,601**	**0**
Of which included in cash and cash equivalents	601,745	0	262,898	0

Loans and advances due from credit institutions decreased with EUR 6.3 billion, or -60.2%, to EUR 4.1 billion (31 December 2021: EUR 10.4 billion). The decrease stems from the decrease in cash collateral paid of EUR 5.8 billion, in line with the fair value movement of the derivatives (mainly inflation linked derivatives), as well as a decrease in term loans of EUR 0.4 billion.

Not measured at fair value through profit or loss - breakdown

(in thousands of EUR)	31/12/21 Amortised Cost	31/12/21 Measured at fair value through other comprehensive income	31/12/22 Amortised Cost	31/12/22 Measured at fair value through other comprehensive income
Gross amount (stage 1)	10,404,203	0	4,138,925	0
less impairment allowance (stage 1)	(213)	0	(75)	0
Gross amount (stage 2)	7,357	0	4,794	0
less impairment allowance (stage 2)	(110)	0	(43)	0
Gross amount credit - Impaired (stage 3)	0	0	0	0
Impairment on credit - impaired (stage 3)	0	0	0	0
TOTAL	**10,411,237**	**0**	**4,143,601**	**0**

B. Measured at fair value through profit and loss

Nil

3. Analysis of quality

See note 9.2.

4. Analysis of the fair value

See note 9.1.

5.4. Loans and advances

1. Summary Totals

(in thousands of EUR)	31/12/21	31/12/22
Measured at amortised cost	101,540,978	109,343,655
Measured at fair value through other comprehensive income	99,119	171,152
Measured at fair value through profit and loss	1,038,717	795,986
TOTAL	102,678,814	110,310,792

Loans and advances increased by EUR 7.6 billion, or 7.4%, to EUR 110.3 billion (31 December 2021: EUR 102.7 billion), stemming from an increase in loans measured at amortised cost of EUR 7.8 billion (mainly term and mortgage loans) in line with our strategy to continuously develop our commercial franchise and to support the Belgian economy.

Belfius Insurance continues to invest a small part of its reserves in leveraged loans, through the investment fund Belfius Euro Loans, resulting in an increase in loans and advances measured at fair value through other comprehensive income of EUR 72 million, the total amount outstanding amounts to EUR 171 million per 31 December 2022.

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

2. Analysis by counterparty

A. Not measured at fair value through profit or loss

	31/12/21		31/12/22	
(in thousands of EUR)	Amortised Cost	Measured at fair value through other comprehensive income	Amortised Cost	Measured at fair value through other comprehensive income
Public entities	18,529,342	0	18,452,652	0
Corporate & Small and Medium Enterprises	38,632,955	102,260	43,308,057	179,572
Households	44,132,306	0	47,358,991	0
Impaired loans (stage 3)	2,011,887	0	2,026,297	0
Less:				
impairment (stages 1,2 and 3)	(1,765,512)	(3,141)	(1,802,342)	(8,420)
TOTAL	101,540,978	99,119	109,343,655	171,152

Not measured at fair value through profit or loss – breakdown

	31/12/21		31/12/22	
(in thousands of EUR)	Amortised Cost	Measured at fair value through other comprehensive income	Amortised Cost	Measured at fair value through other comprehensive income
Gross amount (stage 1)	88,397,192	84,431	92,292,358	177,507
less impairment allowance (stage 1)	(128,120)	(2,951)	(169,546)	(8,206)
Gross amount (stage 2)	12,897,410	17,829	16,827,342	2,065
less impairment allowance (stage 2)	(422,498)	(190)	(425,251)	(214)
Gross amount credit - Impaired (stage 3)	2,011,887	0	2,026,297	0
Impairment on credit - impaired (stage 3)	(1,214,893)	0	(1,207,544)	0
TOTAL	101,540,978	99,119	109,343,655	171,152

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

Stage 1 and 2 impairment allowances are impacted by the downward adjustment of the macro-economic scenarios and their weights in the second half of the year to take into account the increased macro-economic uncertainties (due amongst others to the second-round effects of the Covid crisis, inflationary environment and the geopolitical situation) resulting in an increase of EUR 68 million of the stage 1 and 2 impairments. The overlays for vulnerable exposures and individual names were reassessed taking into account the increased risks related to energy, inflation and the Russia/Ukraine conflict and the reduced Covid-19 impacts, this reassessment led to a provision release of EUR 49 million in 2022. Refer to table 9.2.8. movements in allowances for credit losses for further information.

B. Measured at fair value through profit and loss

(in thousands of EUR)	31/12/21 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
Public entities	0	0	978,240	978,240
Corporate & Small and Medium Enterprises	0	0	57,364	57,364
Households	980	0	2,134	3,114
TOTAL	980	0	1,037,737	1,038,717

(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
Public entities	0	0	757,917	757,917
Corporate & Small and Medium Enterprises	0	0	34,934	34,934
Households	1,474	0	1,660	3,135
TOTAL	1,474	0	794,511	795,986

(1) Belfius warehouses mortgage loans, for a limited period of time, before transferring these mortgage loans to an external party.
(2) It mainly concerns loans to the public and social sector with specifically structured interest rate features that do not pass the SPPI-test and are therefore measured at fair value through profit and loss.

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

3. Analysis by nature

A. Not measured at fair value through profit or loss

(in thousands of EUR)	31/12/21 Amortised Cost	31/12/21 Measured at fair value through other comprehen-sive income	31/12/22 Amortised Cost	31/12/22 Measured at fair value through other comprehen-sive income
Cash collateral	995,104	0	615,958	0
Reverse repurchase agreements	61,590	0	305,470	0
Financial lease	3,209,453	0	3,429,544	0
Other Loans and advances(1)	97,028,455	102,260	104,768,728	179,572
Of which bills and own acceptances	137,346	0	128,759	0
Of which consumer loans	1,666,672	0	1,703,580	0
Of which mortgage loans(2)	40,965,709	0	44,109,082	0
Of which term loans(3)(4)	51,369,690	0	55,216,269	0
Of which current accounts	1,450,448	0	1,766,662	0
Of which other loans and advances(5)	1,438,591	102,260	1,844,377	179,572
Impaired loans (stage 3)	2,011,887	0	2,026,297	0
Less				
impairment (stages 1,2 and 3)	(1,765,512)	(3,141)	(1,802,342)	(8,420)
TOTAL	**101,540,978**	**99,119**	**109,343,655**	**171,152**

(1) The underlying pool of loans of the covered bonds (Pandbrieven) amounts to EUR 14.1 billion (31 December 2021: EUR 10.9 billion). This covered pool guarantees the outstanding covered bonds, of which EUR 5.3 billion mortgage covered bonds (31 December 2021: EUR 5.3 billion) and EUR 1.2 billion public covered bonds (31 December 2021: EUR 1.2 billion). We also refer to note 9.3.4. on Transfer of financial assets which do not qualify for derecognition in the consolidated balance sheet.
(2) End 2021, EUR 2.5 billion "mortgage loans" were under the format of securitisation that was called in 2022. We also refer to note 12. "Securitisations" and to note 9.3.4. on Transfer of financial assets which do not qualify for derecognition in the consolidated balance sheet.
(3) End 2021, EUR 1.3 billion "term loans" were under the format of securitisation. In 2022, this decreased to EUR 0.6 billion due to a partial call of a compartment of a securitisation vehicle. We also refer to note 12. "Securitisations" and to note 9.3.4. on Transfer of financial assets which do not qualify for derecognition in the consolidated balance sheet.
(4) The term loans include 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 72 million per 31 December 2022 (compared with EUR 21 million end 2021). Refer to note 6.5. Provisions for insurance activities for more information.
(5) Other loans and advances at amortised cost concern mainly factoring activities.

Loans and advances increased by EUR 7.6 billion, or 7.4%, to EUR 110.3 billion (31 December 2021: EUR 102.7 billion), stemming from an increase in loans measured at amortised cost of EUR 7.8 billion (mainly term and mortgage loans) in line with our strategy to continuously develop our commercial franchise and to support the Belgian economy.

Belfius Insurance continues to invest a small part of its reserves in leveraged loans, through the investment fund Belfius Euro Loans, resulting in an increase in loans and advances measured at fair value through other comprehensive income of EUR 72 million, the total amount outstanding amounts to EUR 171 million per 31 December 2022.

B. Measured at fair value through profit and loss

(in thousands of EUR)	31/12/21 Financial assets held for trading(1)	Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily measured at fair value through profit or loss(2)	Total
Mortgage loans	980	0	0	980
Public sector loans	0	0	1,037,737	1,037,737
TOTAL	980	0	1,037,737	1,038,717

(in thousands of EUR)	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

(1) Belfius warehouses mortgage loans, for a limited period of time, before transferring these mortgage loans to an external party.
(2) It mainly concerns loans to the public and social sector with specifically structured interest rate features that do not pass the SPPI-test and are therefore measured at fair value through profit and loss.

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

4. Analysis of quality

See note 9.2.

5. Analysis of the fair value

See note 9.1.

5.5. Debt securities & Equity instruments

1. Summary Totals

(in thousands of EUR)	31/12/21	31/12/22
Measured at amortised cost	20,839,937	17,494,927
Measured at fair value through other comprehensive income	4,959,373	4,040,914
Measured at fair value through profit or loss	1,396,041	1,490,882
TOTAL	27,195,351	23,026,722

The Belfius Banking Group contributed EUR 13.9 billion (31 December 2021: EUR 16.5 billion) to the debt securities and equity instruments portfolio and the Belfius Insurance Group contributed EUR 9.1 billion (31 December 2021: EUR 10.7 billion).

Two types of business models can be distinguished within Belfius group. The bond portfolios within the banking group are managed within a business model whose objective is to “hold to collect” contractual cash flows until maturity apart from certain positions that were classified as “hold to collect and sell”. The debt securities of the insurance group are managed according to their ALM policies and guidelines, resulting in the insurance group having determined that a part of this portfolio should be defined as “hold to collect” and certain debt securities as “hold to collect and sell” to cover the liquidity needs within Belfius Insurance. Note that Belfius Bank and Belfius Insurance sold certain government bonds in 2022 with a book value of EUR 0.1 billion, still consistent with a “hold to collect" business model. Refer to chapter Accounting Principles. Note that the business models of Belfius Insurance will be reassessed as a result of the implementation of IFRS 17 in 2023.

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 los

(in thousands of EUR)	31/12/21 Amortised Cost	31/12/21 Measured at fair value through other comprehensive income	31/12/22 Amortised Cost	31/12/22 Measured at fair value through other comprehensive income
Debt securities issued by public sector	9,625,312	2,346,131	9,125,121	1,914,504
Other debt securities	11,384,612	1,209,119	8,520,391	1,097,979
Equity instruments	0	1,423,213	0	1,043,302
Impaired debt securities (stage 3)	4,267	0	4,267	10,010
impairment (stages 1,2 and 3)	(174,255)	(19,090)	(154,852)	(24,881)
TOTAL	**20,839,937**	**4,959,373**	**17,494,927**	**4,040,914**
Of which included in cash and cash equivalents	77,022	2,800	471,639	23,721

The debt securities measured at amortised cost decreased by EUR 3.3 billion, or -16.1%, to EUR 17.5 billion (31 December 2021: EUR 20.8 billion) resulting from the impact of fair value hedge revaluations on hedged items, as well as redemptions of corporate and government bonds, partially offset by new investments mainly in government bonds.

The financial assets measured at fair value through other comprehensive income decreased by EUR 0.9 billion, or -18.5%, to EUR 4.0 billion (31 December 2021: EUR 5.0 billion). This is the result of negative fair value adjustments on bonds and equity instruments stemming from higher interest rates, widened credit spreads and deteriorating stock markets compared with the 2021 year-end (EUR 0.9 billion), as well as disposals of equity instruments (EUR 0.2 billion), partially compensated by acquisitions of bonds and participations (EUR 0.2 billion).

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

(in thousands of EUR)	31/12/21 Amortised Cost	31/12/21 Measured at fair value through other comprehensive income	31/12/22 Amortised Cost	31/12/22 Measured at fair value through other comprehensive income
Gross amount (stage 1)	13,174,429	2,786,580	12,460,286	2,485,281
less impairment allowance (stage 1)	(1,568)	(1,964)	(1,877)	(2,627)
Gross amount (stage 2)	7,835,496	768,669	5,185,225	527,202
less impairment allowance (stage 2)	(169,362)	(17,126)	(149,649)	(14,254)
Gross amount credit - Impaired (stage 3)	4,267	0	4,267	10,010
Impairment on credit - impaired (stage 3)	(3,325)	0	(3,325)	(8,000)
TOTAL	**20,839,937**	**3,536,160**	**17,494,927**	**2,997,611**

B. Measured at fair value through profit and loss

(in thousands of EUR)	31/12/21 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	180,813	0	112,595	293,408
Other debt securities	38,757	0	603,307	642,064
Equity instruments	460,560	0	8	460,569
TOTAL	680,130	0	715,910	1,396,041

(in thousands of EUR)	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
TOTAL	582,412	0	908,470	1,490,882

Debt securities measured at fair value through profit or loss increased by EUR 0.1 billion, or 6.8%, to EUR 1.5 billion (31 December 2021: EUR 1.4 billion) mainly due to acquisitions in the fund portfolio, partially offset by a decreasing volume of temporary client flow management positions.

C. Measured at fair value through other comprehensive income - Equity

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

(in thousands of EUR)	31/12/21 Reason for designation	Fair Value	Dividend income recognised
Strategic portfolio insurance - real estate	Risk and ALM purposes	538,984	21,245
Strategic portfolio insurance - various underlying	Risk and ALM purposes	690,536	28,387
Strategic portfolio bank	Risk and ALM purposes	193,694	11,597
TOTAL		1,423,213	61,229

(in thousands of EUR)	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

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

	31/12/21			
(in thousands of EUR)	Reason for disposal	Fair Value at derecognition date	Transfer of cumulative gain or loss within equity	Dividend income recognised
Strategic portfolio insurance - real estate	Risk and ALM purposes	137,721	13,311	5,289
Strategic portfolio insurance - various underlying	Risk and ALM purposes	196,735	19,872	2,274
Strategic portfolio bank	Risk and ALM purposes	85	(1,725)	0
TOTAL		334,541	31,458	7,563

	31/12/22			
(in thousands of EUR)	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

3. Analysis of quality

See note 9.2.

4. Analysis of the fair value

See note 9.1.

5.6. Derivatives

1. Analysis by nature

	31/12/21		31/12/22	
(in thousands of EUR)	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	8,074,506	7,121,508	4,688,246	3,548,426
Derivatives designated as fair value hedges	3,857	3,150,462	249,095	1,246,100
Derivatives designated as cash flow hedges	35,783	220,993	48,598	186,753
Derivatives designated as portfolio hedge	794,893	3,525,765	907,167	3,267,230
TOTAL	**8,909,039**	**14,018,729**	**5,893,105**	**8,248,509**

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 8.0 billion at the end of 2022, compared with EUR 8.5 billion at the end of 2021. Refer to note 9.3.6. Offsetting.

2. Detail of derivatives held for trading

	31/12/21				31/12/22			
	Notional amount(1)		Assets	Liabilities	Notional amount(1)		Assets	Liabilities
(in thousands of EUR)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	21,571,676	21,503,197	1,074,309	987,441	25,003,379	24,754,926	904,726	692,052
Interest rate derivatives	202,761,432	214,489,799	6,559,551	5,838,443	174,461,180	178,646,225	3,379,857	2,386,810
Credit derivatives	1,001,613	139,044	36,171	65,551	804,572	136,568	35,213	71,026
Equity derivatives	6,860,953	6,548,361	404,475	230,074	7,557,741	6,607,014	368,449	398,538
TOTAL	**232,195,674**	**242,680,401**	**8,074,506**	**7,121,508**	**207,826,872**	**210,144,733**	**4,688,246**	**3,548,426**

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated.

The derivatives position of Belfius originated partially from the fact that Belfius was the competence center for derivatives within the former Dexia Group. These derivatives were hedged externally for market risk. The derivatives between Belfius Bank and Dexia Group entities remained in the scope of Belfius after the sale of Belfius to the Belgian State in 2011. The credit risk thereon is mitigated through the use of collateral (Credit Support Annex).

Seeing the restrictions under IFRS for hedge accounting, certain economic hedges cannot be classified as hedge derivatives under IFRS. As a result, several economic hedges are considered as trading derivatives for accounting purposes while hedging non-basic bonds and loans, FVO positions or basis risk stemming from hedge inefficiency (f.e. basis swaps and cross currency).

For additional information on related market risk, refer to note 9.5. "Market Risk" as well as note 7.4. "Net income from financial instruments at fair value through profit or loss" for more information regarding the economic hedges.

3. Fair Value Hedges

A. Detail of derivatives designated as fair value hedges

	31/12/21				31/12/22			
	Notional amount[1]		Assets	Liabilities	Notional amount[1]		Assets	Liabilities
(in thousands of EUR)	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	5,931,593	5,808,255	3,819	3,133,804	6,076,715	5,880,889	231,812	1,246,030
of which interest rate swaps	5,203,941	5,203,941	3,819	2,408,023	5,312,780	5,312,780	163,597	1,054,430
of which cross currency interest rate swaps	727,652	604,314	0	725,782	763,934	568,109	68,215	191,601
Credit derivatives[2]	1,322,285	0	38	16,658	1,322,285	0	17,282	69
TOTAL	7,253,878	5,808,255	3,857	3,150,462	7,399,000	5,880,889	249,095	1,246,100

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated. Note that a forward sale contract mentions only one notional amount.
(2) Belfius Insurance has concluded "spreadlock" derivatives in order to hedge the asset swap spread on certain bond positions. The purpose of these transactions is to protect the Solvency II ratio. More in particular, the spreadlock transaction locks in a forward assets swap spread at the moment of the conclusion of the transaction. Seeing that the spreadlock is defined to hedge the asset swap spread (i.e. all risks except changes in fair value due to benchmark interest rate) of specific bond positions, the derivative is presented as a credit derivative for which fair value hedge accounting has been set up.

B. Detail of hedged exposure

The following table contains details of the hedged exposures covered by the Belfius' hedging strategies.

	31/12/21			
(in thousands of EUR)	Carrying amount of hedged item	Assets or liabilities included in hedge of a net position (before netting)	Accumulated amount of fair value adjustments on the hedged item	Accumulated amount of fair value hedged adjustments in the statement of financial positions in case of rupture
Financial assets measured at fair value through other comprehensive income	136,375	0	1,161	1,367
Credit[1]	136,375	0		
Financial assets measured at amortised cost	11,345,515	0	2,019,603	2,477,647
Interest rate	10,007,283	0		
Credit[1]	1,338,232	0		

	31/12/22			
(in thousands of EUR)	Carrying amount of hedged item	Assets or liabilities included in hedge of a net position (before netting)	Accumulated amount of fair value adjustments on the hedged item	Accumulated amount of fair value hedged adjustments in the statement of financial positions in case of rupture
Financial assets measured at fair value through other comprehensive income	109,914	0	(1,171)	2,986
Credit[1]	109,914	0		
Financial assets measured at amortised cost	8,271,760	0	(608,384)	2,277,131
Interest rate	6,926,987	0		
Credit[1]	1,344,774	0		

(1) Belfius Insurance has concluded "spreadlock" derivatives in order to hedge the asset swap spread on certain bond positions. The purpose of these transactions is to protect the Solvency II ratio. More in particular, the spreadlock transaction locks in a forward assets swap spread at the moment of the conclusion of the transaction. Seeing that the spreadlock is defined to hedge the asset swap spread (i.e. all risks except changes in fair value due to benchmark interest rate) of specific bond positions, the derivative is presented as a credit derivative for which fair value hedge accounting has been set up.

In the table, the carrying amount of hedged items in a fair value hedge is broken down by accounting portfolio. The accumulated amount of fair value adjustments on the hedged item includes the gains and losses on the hedged items that, as a consequence of hedge accounting, have adjusted the carrying amount of those items. Accumulated amount of fair value hedged adjustments in the statement of financial positions in case of rupture includes those hedge adjustments which, following the discontinuation of the hedge relationship and the end of the adjustment of hedged items for hedging gains and losses, remain to be amortised to the profit or loss via a recalculated effective interest rate for hedged items measured at amortised cost, or to the amount that represents the previously recognised cumulative hedging gain or loss for hedged assets measured at fair value through other comprehensive income.

C. Detail of the hedge documentation

To ensure the hedge relationship qualifies for hedge accounting, a formal documentation is prepared and the effectiveness is assessed on an ongoing basis throughout the hedging relationship.

Belfius applies fair value hedging to interest rate and foreign exchange risks on certain bonds (micro hedge). Belfius mainly uses plain vanilla interest rate swaps, while for non-EUR bonds plain vanilla interest rate & currency swaps are used.

The fair value used for the measurement of hedge effectiveness is based on the fair value movements of the derivatives in the balance sheet and the fair value movement of the hedged risk of the hedged item (generally through a hypothetical derivative).

For fair value hedging, the prospective test is based on a critical terms comparison between the hedging instrument and the hedged item. Retrospective testing is done by applying a dollar offset method (comparison of fair value hedged item and hedging instrument) and comparing it with well-defined limits.

End 2022 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. Cash flow hedges

A. Detail of derivatives designated as cash flow hedges

	31/12/21				31/12/22			
	Notional amount(1)		Assets	Liabilities	Notional amount(1)		Assets	Liabilities
(in thousands of EUR)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	5,547,586	5,592,811	35,783	220,993	5,347,751	5,327,207	48,598	186,753
of which cross currency swaps	5,547,586	5,592,811	35,783	220,993	5,347,751	5,327,207	48,598	186,753
TOTAL	**5,547,586**	**5,592,811**	**35,783**	**220,993**	**5,347,751**	**5,327,207**	**48,598**	**186,753**

(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	3,109,352	(4,524,197)
More than three but not more than six months	3,109,352	(4,541,009)
More than six months but not more than one year	3,109,352	(4,582,017)
More than one but not more than two years	3,109,352	(4,592,580)
More than two but not more than five years	2,432,842	(4,740,527)
More than five years	2,068,686	(4,185,545)

B. Detail of hedged exposure

Cash flow hedges are performed on highly probable future cash flows.

Belfius has a structural GBP funding gap stemming essentially from long term bonds (mainly inflation linked) and collateral posted and is therefore vulnerable to movements in the currency spread between the EUR and GBP. To manage that risk, currency interest rate swaps (CIRS) have been contracted and have been defined in a portfolio cash flow hedge relationship for the currency risk on a “highly probable forecasted transaction”. During the recent turmoil on the UK financial markets, an in-depth review was performed of the hedge strategy. This analysis confirmed Management’s objective of the hedge relationship and led to some aspects of the hedge documentation being refined. This had however no impact on the financial statements.

Belfius decided to cover the risk of variability of cash flows and foreign currency changes stemming from incoming invoices charging Belfius for services in foreign currencies. In order to hedge this risk, Belfius concluded Cross Currency Swaps which are recorded in a cash flow hedge relationship for the currency risk on a “highly probable forecasted transaction”. Belfius demonstrates that the invoiced amounts are higher than the amounts received through the Cross Currency Swaps.

C. Detail of the hedge documentation

To ensure the hedge relationship qualifies for hedge accounting, a formal documentation is prepared and the effectiveness is assessed on an ongoing basis throughout the hedging relationship.

Belfius decided to cover the risk of variability of cash flows and foreign currency changes stemming from incoming invoices charging Belfius for services in foreign currencies. In order to hedge this risk, Belfius concluded Cross Currency Swaps which are recorded in a cash flow hedge relationship for the currency risk on a “highly probable forecasted transaction”. Belfius demonstrates that the invoiced amounts are higher than the amounts received through the Cross-Currency Swaps. 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 2022 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.

D. Reconciliation of equity in relation to hedge accounting

For more information on the reconciliation of each component of equity and an analysis of other comprehensive income in relation to hedge accounting, refer to notes 1.3. “Consolidated statement of comprehensive income” and 1.4. “Consolidated statement of change in equity”.

5. Portfolio hedge

A. Detail of derivatives of portfolio hedge

	31/12/21				31/12/22			
	Notional amount[1]		Assets	Liabilities	Notional amount[1]		Assets	Liabilities
(in thousands of EUR)	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	40,794,161	40,785,974	794,893	3,525,765	43,459,645	43,451,520	907,167	3,267,230
TOTAL	**40,794,161**	**40,785,974**	**794,893**	**3,525,765**	**43,459,645**	**43,451,520**	**907,167**	**3,267,230**

(1) The “Notional amount to receive” and the “Notional amount to deliver” represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the “Notional amount to receive” represents the notional amount on which the interest to be received by Belfius is calculated; the “Notional amount to deliver” represents the notional amount on which the interest to be paid by Belfius is calculated.

B. Detail of the hedge documentation

To ensure the hedge relationship qualifies for hedge accounting, a formal documentation is prepared and the effectiveness is assessed on an ongoing basis throughout the hedging relationship.

The accumulated gain/loss on the hedged item in portfolio hedge of interest rate risk on the balance sheet in line items VII. “Gain/loss on the hedged item in portfolio hedge of interest rate risk” amounts to EUR 1.1 billion assets and EUR -1.6 billion liabilities at year-end 2022 compared to EUR 3.7 billion assets and EUR 0.1 billion liabilities at year-end 2021.

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 2022 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 June 30, 2023.

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

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

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

B. Accounting implications

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

- An overview of Belfius' derivatives (in nominal amounts) that have yet to transition to an alternative benchmark rate at 31 December 2022, disaggregated by significant interest rate benchmark.

(in thousands of EUR)	IFRS Hedging	Trading	Total
USD LIBOR	4,975,740	23,725,170	28,700,910
TOTAL	**4,975,740**	**23,725,170**	**28,700,910**

- An overview of Belfius' non derivative financial assets and liabilities (book value) that have yet to transition to an alternative benchmark rate at 31 December 2022, disaggregated by significant interest rate benchmark.

(in thousands of EUR)

Currency	Tenor	Assets	Liabilities
GBP	3M	14,776	0
GBP TOTAL		**14,776**	**0**
USD	12M	6,696	9,326
	1M	354,576	57,995
	3M	204,796	286,056
	6M	99,877	410,503
USD TOTAL		**665,945**	**763,880**
TOTAL		**680,721**	**763,880**

5.7. Investments in equity method companies

1. Carrying value

(in thousands of EUR)	2021	2022
CARRYING VALUE AS AT 1 JANUARY	**98,880**	**96,107**
Acquisitions(1)	2,075	0
Disposals	0	0
Changes in scope of consolidation (in)(2)	9,687	1,550
Changes in scope of consolidation (out)(3)	(15,452)	(5,777)
Share of result before tax	3,558	4,568
Share of tax	(1,108)	(575)
Dividend paid	(1,532)	(1,853)
Transfers	0	0
CARRYING VALUE AS AT 31 DECEMBER	**96,107**	**94,019**

(1) The acquisitions in 2021 concern capital payments for Batopin and Skipr.
(2) Since 2021 Belfius has consolidated the investments in Immovlan (30%) for EUR 6.6 million, and Batopin (25%) for EUR 2.6 million through the equity method. Since 2022 Belfius has consolidated the investment in Land Investment Vehicle (25%) through the equity method. Refer to note 10.1. Significant changes in scope of consolidation.
(3) M80 Capital, a participation consolidated via the equity method, was deconsolidated in March 2021 as our shareholders' interest got diluted to 18.7%. In 2022 our shareholders' interest in Vicinity diluted from 45.8% to 28.5%. Refer to note 10.1. Significant changes in scope of consolidation.

2. List of equity method companies

(in thousands of EUR)	Book value 2021	Book value 2022	Website
Isabel SA	10,789	12,064	www.isabel.eu
Erasmus Garden SA	2,980	5,498	
L'Economie populaire de Ciney CVBA (EPC)[1]	22,948	23,539	www.groupe-epc.be
Payconiq Belgium NV	8,047	9,124	www.payconiq.be
De Haan Vakantiehuizen NV	9,894	10,113	
Cyclis Bike Lease NV	6,196	7,129	www.cyclis.be
Skipr NV	5,053	4,101	nl.skipr.co
Fairville NV	324	100	www.fairville.be
Vicinity Affordable Housing Fund CV	19,950	14,187	www.vicinity.be
Immovlan BV	6,221	5,721	immo.vlan.be
Batopin NV	3,706	893	www.batopin.be
Land Investment Vehicle NV	0	1,550	
TOTAL	96,107	94,019	

(1) Although Belfius owns the majority of the shares in EPC, it does not have substantiated control over the investment as (a) there is a limitation of the voting rights and (b) no shareholder/control agreements exist.

3. Financial information of the joint arrangements and associates evaluated through the equity method

(in thousands of EUR)	Assets	Liabilities	Equity	Net income	Net asset value	%	Annual report, as at
ASSOCIATES							
Isabel SA	60,087	15,102	44,985	8,725	44,985	24.00%	31/12/2021
L'Economie populaire de Ciney CVBA (EPC)	88,050	54,072	33,978	1,956	33,978	61.37%	31/12/2021
Payconiq Belgium NV	45,644	19,181	26,463	3,803	26,463	22.50%	31/12/2021
De Haan Vakantiehuizen NV	85,385	38,914	46,471	4,490	46,471	25.00%	31/12/2021
Cyclis Bike Lease NV	12,788	8,702	4,085	1,335	4,085	47.45%	31/12/2021
Skipr NV	9,688	913	8,775	(3,852)	8,775	27.20%	31/12/2021
Fairville NV	2,060	1,079	982	(1,133)	982	33.33%	31/12/2021
Vicinity Affordable Housing Fund CV	43,533	3	43,530	(110)	43,530	28.52%	31/12/2021
Batopin NV	18,495	4,276	14,219	(3,571)	14,219	25.00%	31/12/2021
Immovlan BV	21,733	989	20,744	(1,256)	20,744	30.00%	31/12/2021
Land Investment Vehicle NV[1]						25.00%	
JOINT VENTURES							
Erasmus Garden SA	31,441	26,682	4,760	1,256	4,760	50.00%	31/12/2021

(1) Financial information of recently created associates is not available at this stage.

There are no significant or material commitments towards the joint ventures.

There are no significant restrictions on the equity method companies, on their ability to access or use assets, and settle liabilities, of the group.

5.8. Tangible fixed assets

1. Net book value

(in thousands of EUR)	Land and buildings: Own use owner	Land and buildings: Own use Right-of-use asset	Office furniture and other equipment: Own use owner	Office furniture and other equipment: Given in operational lease	Investment property	Total
ACQUISITION COST AS AT 1 JANUARY 2021	**1,249,208**	**60,231**	**394,068**	**0**	**842,620**	**2,546,128**
Acquisitions[1]	17,822	4,075	10,751	0	597	33,245
Subsequent expenditures	1,337	0	0	0	8,515	9,851
Post-acquisition adjustments	0	0	0	0	0	0
Disposals[2]	(47,793)	(4,306)	(211)	0	(13,432)	(65,743)
Change in scope of consolidation (in)[3]	0	0	0	0	56,058	56,058
Change in scope of consolidation (out)	0	0	0	0	0	0
Transfers and cancellations[4]	6,605	(1,244)	(10,304)	479,490	(6,889)	467,658
Foreign exchange adjustments	0	0	0	0	0	0
Other movements	0	0	0	0	17	17
ACQUISITION COST AS AT 31 DECEMBER 2021 (A)	1,227,178	58,756	394,305	479,490	887,486	3,047,214
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JANUARY 2021	**(746,825)**	**(12,845)**	**(345,904)**	**0**	**(250,656)**	**(1,356,230)**
Accumulated depreciation	(706,833)	(12,845)	(345,904)	0	(249,020)	(1,314,602)
Accumulated impairment	(39,992)	0	0	0	(1,635)	(41,628)
Post-acquisition adjustments	0	0	0	0	0	0
Depreciation: booked	(23,560)	(4,995)	(9,855)	0	(23,034)	(61,444)
Impairment: booked[5]	(947)	0	0	0	(6)	(953)
Write-back	0	0	0	0	377	377
Disposals[2]	34,128	248	22	0	0	34,397
Change in scope of consolidation (in)[3]	0	0	0	0	(8,986)	(8,986)
Change in scope of consolidation (out)	0	0	0	0	0	0
Transfers and cancellations	(6,783)	1,244	10,304	(51,146)	6,075	(40,307)
Foreign exchange adjustments	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31 DECEMBER 2021 (B)	(743,988)	(16,349)	(345,433)	(51,146)	(276,230)	(1,433,146)
Accumulated depreciation	(705,207)	(16,349)	(345,433)	(51,146)	(274,589)	(1,392,724)
Accumulated impairment	(38,781)	0	0	0	(1,641)	(40,422)
NET BOOK VALUE AS AT 31 DECEMBER 2021 (A)+(B)	483,190	42,407	48,872	428,343	611,256	1,614,068

(1) Acquisitions mainly include leasing contracts for the construction of property. Disposals include the delivery of these leasing contracts and the assets are at that moment reclassed to loans and advances.
(2) Disposals include the delivery of the leasing contracts, the sale of bank agencies and the sale of a building in Mechelen.
(3) Change in scope of consolidation (in) concerns the acquisition of Alysea.
(4) Transfers and cancellations concern the reclassification of the leasing contracts of Belfius Auto Lease to operating lease. Following contractual changes, a classification as finance lease is no longer adequate.
(5) Impairments are included in the line XVII. Impairments on tangible and intangible assets of the income statement.

(in thousands of EUR)	Land and buildings		Office furniture and other equipment		Investment property	Total
	Own use owner	Own use Right-of-use asset	Own use owner	Given in operational lease		
ACQUISITION COST AS AT 1 JANUARY 2022	**1,227,178**	**58,756**	**394,305**	**479,490**	**887,486**	**3,047,214**
Acquisitions[1]	50,540	4,875	9,634	268,578	25,063	358,690
Subsequent expenditures	7,621	0	0	0	8,486	16,108
Post-acquisition adjustments	0	0	0	0	0	0
Disposals[2]	(55,825)	(3,293)	(1,250)	(200,270)	(98,457)	(359,095)
Change in scope of consolidation (in)[3]	0	1,433	4	0	39,671	41,108
Change in scope of consolidation (out)	0	0	0	0	0	0
Transfers and cancellations	21,925	(3,392)	(10,476)	92,269	(8,867)	91,460
Foreign exchange adjustments	0	0	0	0	0	0
Other movements	0	0	0	10,191	0	10,191
ACQUISITION COST AS AT 31 DECEMBER 2022 (A)	**1,251,440**	**58,379**	**392,217**	**650,257**	**853,383**	**3,205,675**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JANUARY 2022	**(743,988)**	**(16,349)**	**(345,433)**	**(51,146)**	**(276,230)**	**(1,433,146)**
Accumulated depreciation	(705,207)	(16,349)	(345,433)	(51,146)	(274,589)	(1,392,724)
Accumulated impairment	(38,781)	0	0	0	(1,641)	(40,422)
Post-acquisition adjustments	0	0	0	0	0	0
Depreciation: booked	(23,094)	(4,440)	(8,984)	(74,650)	(23,028)	(134,196)
Impairment: booked[4]	(714)	0	0	0	(12)	(725)
Write-back	0	0	0	0	0	0
Disposals[2]	43,338	0	891	49,876	40,873	134,978
Change in scope of consolidation (in)	0	0	0	0	(71)	(71)
Change in scope of consolidation (out)	0	0	0	0	0	0
Transfers and cancellations	(29,837)	3,392	10,476	(92,269)	7,761	(100,478)
Foreign exchange adjustments	0	0	0	0	0	0
Other movements	(1)	0	12	0	0	11
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31 DECEMBER 2022 (B)	**(754,296)**	**(17,397)**	**(343,038)**	**(168,190)**	**(250,707)**	**(1,533,627)**
Accumulated depreciation	(715,562)	(17,397)	(343,038)	(168,190)	(249,054)	(1,493,241)
Accumulated impairment	(38,734)	0	0	0	(1,653)	(40,386)
NET BOOK VALUE AS AT 31 DECEMBER 2022 (A)+(B)	**497,143**	**40,982**	**49,179**	**482,068**	**602,676**	**1,672,048**

(1) Acquisitions mainly include vehicles given in operational lease by Belfius Auto Lease and leasing contracts for the construction of property. Disposals include the delivery of the leasing contracts for the construction of property and the assets are at that moment reclassed to loans and advances.
(2) Disposals include the delivery of the leasing contracts for the construction of property, the partial sale of the Pacheco building (EUR 10 million), the sale of Alysea (EUR 45 million) and the sale of bank agencies (EUR 12.5 million).
(3) Change in scope of consolidation (in) concerns mainly the acquisition of MC^2.
(4) Impairments are included in the line XVII. Impairments on tangible and intangible assets of the income statement.

2. Fair value of investment property

(in thousands of EUR)	2021	2022
TOTAL	849,721	828,325
Fair value subject to an independent valuation[1]	724,138	730,390
Fair value not subject to an independent valuation	125,583	97,935

(1) The line "Fair value subject to an independent valuation" includes investment property for which an external valuation or a recent transaction price is available.

5.9. Intangible assets

(in thousands of EUR)	Internally developed software	Other intangible assets	Total
ACQUISITION COST AS AT 1 JANUARY 2021	470,933	187,823	658,755
Acquisitions[1]	103,102	11,610	114,712
Disposals	0	(351)	(351)
Change in scope of consolidation (in)	0	0	0
Change in scope of consolidation (out)	0	0	0
Transfers and cancellations[2]	(15,995)	(3,247)	(19,242)
Foreign exchange adjustments	0	0	0
Post-acquisition adjustments	0	0	0
Other movements	0	0	0
ACQUISITION COST AS AT 31 DECEMBER 2021 (A)	558,040	195,836	753,875
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2021	(320,362)	(142,560)	(462,922)
Accumulated amortisation	(316,480)	(133,787)	(450,267)
Accumulated impairment	(3,882)	(8,772)	(12,655)
Amortisation and impairment: booked[3]	(75,090)	(20,177)	(95,267)
Change in scope of consolidation (in)	0	0	0
Change in scope of consolidation (out)	0	0	0
Write-back	0	0	0
Disposals	0	0	0
Transfers and cancellations[2]	15,995	3,247	19,242
Foreign exchange adjustments	0	0	0
Post-acquisition adjustments	0	0	0
Other movements	0	0	0
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2021 (B)	(379,457)	(159,490)	(538,947)
Accumulated amortisation	(375,575)	(149,873)	(525,448)
Accumulated impairment	(3,882)	(9,617)	(13,499)
NET BOOK VALUE AS AT 31 DECEMBER 2021 (A)+(B)	178,583	36,346	214,928

(1) During the year internally developed software costs were capitalised. The internally developed software relates to several ongoing strategic IT projects at Belfius. These projects relate to the further digitalisation and innovation of Belfius IT platforms and applications.
(2) Transfers and cancellations mainly include cancellations of own developed software.
(3) Belfius recognised accelerated depreciations in 2021 due to the revised useful life of internally developed software given the rapid changes in technology and the accelerated uptake of digital services.

(in thousands of EUR)	Internally developed software	Other intangible assets	Total
ACQUISITION COST AS AT 1 JANUARY 2022	**558,040**	**195,836**	**753,875**
Acquisitions[1]	110,793	6,855	117,648
Disposals	0	(21)	(21)
Change in scope of consolidation (in)	0	0	0
Change in scope of consolidation (out)	0	0	0
Transfers and cancellations[2]	(19,138)	(582)	(19,720)
Foreign exchange adjustments	0	0	0
Post-acquisition adjustments	0	0	0
Other movements	0	(12)	(12)
ACQUISITION COST AS AT 31 DECEMBER 2022 (A)	**649,695**	**202,075**	**851,770**
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2022	**(379,457)**	**(159,490)**	**(538,947)**
Accumulated amortisation	(375,575)	(149,873)	(525,448)
Accumulated impairment	(3,882)	(9,617)	(13,499)
Amortisation and impairment: booked[3]	(81,419)	(17,296)	(98,715)
Change in scope of consolidation (in)	0	0	0
Change in scope of consolidation (out)	0	0	0
Write-back	0	2,809	2,809
Disposals	0	0	0
Transfers and cancellations[2]	19,138	582	19,720
Foreign exchange adjustments	0	0	0
Post-acquisition adjustments	0	0	0
Other movements	2	0	2
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2022 (B)	**(441,736)**	**(173,395)**	**(615,131)**
Accumulated amortisation	(436,973)	(165,519)	(602,492)
Accumulated impairment	(4,763)	(7,876)	(12,639)
NET BOOK VALUE AS AT 31 DECEMBER 2022 (A)+(B)	**207,959**	**28,681**	**236,639**

(1) During the year internally developed software costs were capitalised. The internally developed software relates to several ongoing strategic IT projects at Belfius. These projects relate to the further digitalisation and innovation of Belfius IT platforms and applications.
(2) Transfers and cancellations mainly include cancellations of own developed software.
(3) Belfius recognised accelerated depreciations in 2022 due to the revised useful life of internally developed software given the rapid changes in technology and the accelerated uptake of digital services for EUR 19 million. Belfius reassessed its intangible assets, whereby an impairment of EUR 1.9 million was enacted on the intangible assets of Jane and an impairment reversal of EUR 0.6 million was recognised recognised on the intangibles of Jaimy.

5.10. Goodwill

	Positive goodwill	
(in thousands of EUR)	2021	2022
ACQUISITION COST AS AT 1 JANUARY	129,886	129,886
ACQUISITION COST AS AT 31 DECEMBER (A)	129,886	129,886
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY	(25,920)	(25,920)
Accumulated amortisation	(25,920)	(25,920)
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER (B)	(25,920)	(25,920)
Accumulated amortisation	(25,920)	(25,920)
Accumulated impairment	0	0
NET BOOK VALUE AS AT 31 DECEMBER (A)+(B)	103,966	103,966

Positive goodwill relates to goodwill on Belfius Insurance.

The annual impairment test did not require an impairment on goodwill. The impairment test was performed by comparing the equity value of Belfius Insurance with the "value in use". This value in use was determined based on a discounted cash flow model with the following inputs:

- financial plan for 5 years;
- discount rate: a cost of equity of 10%; and
- a long term growth rate for Belgium of 0.5%.

Note that the financial plan has only a limited impact on the impairment test. The main drivers are the discount curve and long term growth rate. Based on that scenario, a surplus could be identified, note that there have been no changes in parameters compared to last year.

For 2021 and 2022, all scenarii (ranging from a growth rate from -2% to +2% and a discount rate of 6% to 12%) showed that no impairment was required. The assumptions for these scenarios are aligned with the expected evolution of the results in the financial plan and with the market conditions for capital costs.

5.11. Deferred tax assets and liabilities

1. Analysis

(in thousands of EUR)	31/12/21	31/12/22
Deferred income tax liabilities	(7,502)	(6,165)
Deferred income tax assets	413,952	548,307
DEFERRED TAXES	406,450	542,142
Not recognised deferred tax assets[(1)]	(85,248)	(84,742)
NET DEFERRED TAX ASSETS	321,202	457,400

(1) The decrease of not recognised deferred tax assets is amongst others due to the decrease in the not recognised deferred tax assets on tax losses carried forward of Belfius Ireland and due to the liquidation of The Studio during 2022.

2. Movements

(in thousands of EUR)	31/12/21	31/12/22
AS AT 1 JANUARY	353,579	321,202
Movements of the year	(32,376)	136,198
Statement of income (expense)	(56,730)	(14,977)
Items related to "Other Comprehensive Income"[(1)]	24,354	152,353
Variation of scope of consolidation	0	(2,355)
Foreign exchange adjustments	0	0
Other movements	0	1,177
AS AT 31 DECEMBER	321,202	457,400

(1) Evolution due to changes in deferred taxes on fair value revaluation through OCI and deferred tax on remeasurement of pension plans.

A. Deferred tax coming from assets of the balance sheet

(in thousands of EUR)	31/12/21 Total	31/12/21 Of which impact in result	31/12/22 Total	31/12/22 Of which impact in result
Cash and balances with central banks	147	147	127	(20)
Loans and advances	29,629	(57,157)	125,119	93,534
Debt securities	(171,795)	12,015	56,364	12,477
Equity	0	0	0	0
Derivatives	69,268	122,387	37,394	(35,697)
Gain/loss on the hedged item in portfolio hedge of interest rate risk	(712,455)	191,775	(230,048)	482,407
Investments in equity method companies	0	0	0	0
Other	57,711	54,899	57,882	584
Tangible fixed assets	(16,782)	(7,122)	(24,726)	(7,944)
Intangible assets	13,536	(2,327)	11,218	(1,903)
Goodwill	0	0	0	0
Other assets	61,933	64,827	72,047	10,113
Non current assets (disposal group) held for sale and discontinued operations	(976)	(479)	(658)	319
TOTAL	(727,493)	324,066	46,837	553,285

B. Deferred tax coming from liabilities of the balance sheet

(in thousands of EUR)	31/12/21 Total	31/12/21 Of which impact in result	31/12/22 Total	31/12/22 Of which impact in result
Cash and balances from central banks	0	0	0	0
Customer borrowings and deposits	635	(664)	(174)	(808)
Debt securities issued	57,650	(12,395)	(139,711)	(197,361)
Technical provisions of insurance companies	76,829	(11,367)	(25,257)	(28,478)
Derivatives	749,450	(253,801)	826,390	76,941
Gain/loss on the hedged item in portfolio hedge of interest rate risk	11,442	(81,920)	(401,506)	(412,947)
Other	139,637	(21,799)	139,147	1,104
Provisions and contingent liabilities	124,000	(14,887)	130,277	2,158
Subordinated debts	(716)	27	(776)	(60)
Other liabilities	16,353	(6,939)	9,646	(994)
Liabilities included in disposal group and discontinued operations	0	0	0	0
TOTAL	1,035,642	(381,946)	398,890	(561,550)

(in thousands of EUR)	31/12/21 Total	31/12/21 Of which impact in result	31/12/22 Total	31/12/22 Of which impact in result
Deferred tax coming from the balance sheet	308,149	(57,881)	445,727	(8,265)
Not recognised deferred tax assets – temporary differences	(8,511)		(9,116)	
DEFERRED TAX – TEMPORARY DIFFERENCES	299,638		436,611	

C. Deferred tax coming from other elements

(in thousands of EUR)	31/12/21 Total	31/12/21 Of which impact in result	31/12/22 Total	31/12/22 Of which impact in result
Tax losses carried forward	98,302	1,851	96,415	(2,812)
Tax credit carried forward	0	0	0	0
Entities with special tax status	0	0	0	0
TOTAL	**98,302**	**1,851**	**96,415**	**(2,812)**
Not recognised deferred tax assets – tax losses carried forward	(76,737)		(75,627)	
DEFERRED TAX COMING FROM OTHER ELEMENTS AFTER NOT RECOGNISED DEFERRED TAX ASSETS – TAX LOSSES CARRIED FORWARD	21,565		20,788	

(in thousands of EUR)	31/12/21	31/12/22
DEFERRED TAX BEFORE NOT RECOGNISED DEFERRED TAX	406,451	542,142
DEFERRED TAX AFTER NOT RECOGNISED DEFERRED TAX	321,202	457,400

3. Expiry date of not recognised deferred tax assets

Nature

	31/12/21				
(in thousands of EUR)	Less than 1 year	> 1 year and ≤ 5 years	> 5 years	Unlimited maturity	Total
Tax losses carried forward	0	0	0	(76,737)	(76,737)
TOTAL	0	0	0	(76,737)	(76,737)

	31/12/22				
(in thousands of EUR)	Less than 1 year	> 1 year and ≤ 5 years	> 5 years	Unlimited maturity	Total
Tax losses carried forward	0	0	0	(75,627)	(75,627)
TOTAL	0	0	0	(75,627)	(75,627)

5.12. Other assets

(in thousands of EUR)	31/12/21	31/12/22
OTHER ASSETS	**618,754**	**721,695**
Accrued income	131,697	116,909
Deferred expenses	36,021	30,409
Payments in transit from clients	372,768	472,205
Plan assets	15,276	8,195
Inventories[1]	22,055	22,251
Operational taxes	40,938	71,726
OTHER ASSETS SPECIFIC TO INSURANCE COMPANIES	**257,306**	**194,070**
Receivables resulting from direct insurance transactions	143,459	87,055
Other insurance assets[2]	113,846	107,015
Impaired insurance assets	518	766
Less:		
Impairment	(518)	(766)
TOTAL	**876,060**	**915,764**

(1) A construction site was recognised as inventory in other assets, as it better reflects the nature and intent with the site.
(2) Other insurance assets are deposits placed with cedants as a guarantee for reinsurance transactions and claims on reinsurers.

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

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

(in thousands of EUR)	31/12/21	31/12/22
Assets of subsidiaries held for sale	0	0
Tangible and intangible assets held for sale	24,269	33,287
Discontinued operations	0	0
Other assets	2,236	6,397
TOTAL	**26,505**	**39,684**

Belfius classifies assets as held for sale if the carrying amount of a non-current asset is recovered principally through a sale transaction rather than through continuing use, it mainly concerns land and buildings.

5.14. Leasing

1. Belfius as a lessor

A. Finance lease

(in thousands of EUR)	31/12/21	31/12/22
Gross investment in finance leases		
Not later than 1 year	801,748	882,127
> 1 year and ≤ 5 years	1,824,102	2,031,932
> 5 years	864,216	904,389
SUBTOTAL (A)	3,490,066	3,818,449
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASES (B)	280,809	350,875
NET INVESTMENT IN FINANCE LEASES (A)-(B)	3,209,257	3,467,574

(in thousands of EUR)	31/12/21	31/12/22
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	733,269	793,993
> 1 year and ≤ 5 years	1,680,216	1,852,854
> 5 years	795,773	820,727
TOTAL	3,209,257	3,467,574

(in thousands of EUR)	31/12/21	31/12/22
Amounts of variable lease payments not included in the net investment in the lease	0	0
Amount of uncollectible finance lease payments included in the provision for loan losses at the end of the period	67,855	81,463
Residual values unguaranteed by lessees	452,030	509,466
Estimated fair value of finance lease	3,201,023	3,167,427
Accumulated allowance for uncollectible minimum lease payments	33,807	35,075
Selling profit or loss in case of assets built by Belfius and then leased out as a finance lease	2,259	3,357

The main underlying assets in finance lease relate to:

- real estate such as office buildings, commercial real estate, industrial real estate
- production equipment
- cars and trucks, locomotives and vessels
- alternative energy equipment (f.i. solar systems)
- IT equipment

B. Operating lease

(in thousands of EUR)	31/12/21	31/12/22
Future net minimum lease receivables under non-cancellable operating leases are as follows		
Not later than 1 year	293,115	157,717
> 1 year and ≤ 5 years	343,092	542,516
> 5 years	755,607	505,691
TOTAL	1,391,814	1,205,924
Amount of variable lease payments that do not depend on an index or rate	0	0

The main underlying assets in operating lease relate to:

- real estate
- cars and trucks
- IT equipment

2. Belfius as a lessee

Leases on tangible fixed assets

(in thousands of EUR)	31/12/21	31/12/22
Minimum lease payments		
Not later than 1 year	4,829	10,388
> 1 year and ≤ 5 years	15,448	33,051
> 5 years	28,996	7,082
TOTAL	49,273	50,522

(in thousands of EUR)	31/12/21	31/12/22
Present value of lease liabilities		
Not later than 1 year	4,748	10,190
> 1 year and ≤ 5 years	14,842	31,600
> 5 years	26,145	3,449
TOTAL	45,735	45,240

(in thousands of EUR)	31/12/21	31/12/22
Contractual future minimum lease payments (A)	49,273	50,522
Correction due to discount rate (B)	45,735	45,240
Present value of the future minimum lease payments (A-B)	3,539	5,282
Amount of expense relating to variable lease payments not included in the lease liabilities	0	0
Expense relating to short-term leases	2,112	2,068
Expense relating to leases of low-value items	322	666

IFRS 16 provides a possibility to exempt an entity from its application if the impact is immaterial. As a result of a detailed analysis Belfius Bank implemented IFRS 16 for the lease agreements related to buildings. Cars are in scope of IFRS 16 but are exempted of application based on the “undue cost or effort” principle.

Parking lots are also in scope but are exempted due to the short term of each lease contract. Contracts related to IT material are out of scope as it concerns service contracts. For all these contracts the periodical rental costs will be charged in the profit and loss statement.

VI. Notes on the liabilities of the consolidated balance sheet

(some amounts may not add up due to rounding)

6.1. Cash and balances from central banks

1. Analysis by nature

Not measured at fair value through profit or loss

(in thousands of EUR)	31/12/21	31/12/22
Deposits	15,418,072	5,904,113
TOTAL	15,418,072	5,904,113

Cash and balances from central banks decreased by EUR 9.5 billion to EUR 5.9 billion (31 December 2021: EUR 15.4 billion), resulting from partial redemption of the TLTRO III participation for EUR 9.65 billion. The remaining total TLTRO III participation amounts to EUR 6 billion as of 31 December 2022.

Belfius takes part in the third targeted longer-term refinancing operation (TLTRO III) program of the European Central Bank. The TLTROs are targeted operations, as the amount that can be borrowed is linked to the loans to non-financial corporations and households (excluding mortgage loans). The interest rate to be applied is linked to the realisation of certain lending performance thresholds. Borrowing rates in these operations can be as low as 50 basis points below the average interest rate on the deposit facility over the period from 24 June 2020 to 23 June 2022, and as low as the average interest rate on the deposit facility during the rest of the life of the respective TLTRO III. Note that with the ECB decision of 27th October 2022, the TLTRO III terms will change from November 2023 onwards.

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.

The interest received on TLTRO III funding from ECB/NBB central bank and accounted for in 2022 amounts to EUR 72 million (compared with EUR 155 million in 2021). Refer to note 7.1. Interest income – interest expense.

2. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

3. Analysis of the fair value

See note 9.1.

6.2. Credit institutions borrowings and deposits

1. Summary Totals

(in thousands of EUR)	31/12/21	31/12/22
Measured at amortised cost	3,591,036	1,869,641
Measured at fair value through profit and loss	0	0
TOTAL	**3,591,036**	**1,869,641**

2. Analysis by nature

A. Not measured at fair value through profit or loss

	Amortised Cost	
(in thousands of EUR)	31/12/21	31/12/22
Demand deposits	56,146	78,388
Term deposits	101,693	200,016
Repurchase agreements	(157)	735
Cash collateral received	3,083,841	1,012,655
Other borrowings	349,514	577,847
TOTAL	**3,591,036**	**1,869,641**

Credit Institutions borrowings and deposits decreased by EUR 1.7 billion, or -47.9%, to EUR 1.9 billion (31 December 2021: EUR 3.6 billion), resulting from a decrease of EUR 2.0 billion in cash collateral received in line with the fair value movement of derivatives.

B. Measured at fair value through profit or loss

Nil.

3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

4. Analysis of the fair value

See note 9.1.

6.3. Borrowings and deposits

1. Summary Totals

(in thousands of EUR)	31/12/21	31/12/22
Measured at amortised cost	104,355,267	108,427,536
Measured at fair value through profit and loss	48,746	19,951
TOTAL	104,404,013	108,447,486

2. Analysis by nature

A. Not measured at fair value through profit or loss

	Amortised Cost	
(in thousands of EUR)	31/12/21	31/12/22
Demand deposits	39,899,290	42,847,514
Saving deposits	47,593,937	47,874,360
Term deposits	8,698,083	10,253,023
Cash collateral	11,988	23,527
Non-regulated savings accounts	8,140,288	7,407,300
TOTAL DEPOSITS	**104,343,587**	**108,405,724**
Other borrowings	11,680	21,812
TOTAL BORROWINGS	**11,680**	**21,812**
TOTAL	104,355,267	108,427,536

Borrowings and deposits increased by EUR 4.0 billion, or 3.9%, to EUR 108.4 billion (31 December 2021: EUR 104.4 billion), mainly due to continued organic growth of demand and savings deposits and an increase in term deposits following higher interest rates.

B. Measured at fair value through profit or loss

	Financial liabilities designated at fair value through profit and loss	
(in thousands of EUR)	31/12/21	31/12/22
Deposits	48,746	19,951
TOTAL	48,746	19,951

3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

4. Analysis of the fair value

See note 9.1.

6.4. Debt securities issued and other financial liabilities

1. Summary Totals

(in thousands of EUR)	31/12/21	31/12/22
Measured at amortised cost	15,116,744	18,517,096
Measured at fair value through profit and loss	8,028,609	7,411,471
TOTAL	23,145,353	25,928,567

2. Analysis by nature

A. Not measured at fair value through profit or loss

	Amortised Cost	
(in thousands of EUR)	31/12/21	31/12/22
Certificates of deposit	884,046	3,825,839
Customer saving certificates	647,143	494,053
Non-convertible debts	7,004,441	7,614,370
Covered bonds(1)	6,535,323	6,538,619
Lease liabilities	45,790	44,216
TOTAL	15,116,744	18,517,096

(1) Belfius has two covered bonds programmes.

The debt securities measured at amortised cost increased by EUR 3.4 billion, or 22.5%, to EUR 18.5 billion (31 December 2021: EUR 15.1 billion), mainly due to an increase in outstanding certificates of deposits from EUR 0.9 billion end 2021 to EUR 3.8 billion end 2022 and the issuance of debt securities at Belfius Financing Company (EUR 1.4 billion), partially compensated by maturities of bonds (EUR 0.8 billion).

Belfius's covered bonds programmes

Belfius has two covered bond programmes:

- Mortgage Pandbrieven programme; and
- Public Pandbrieven programme.

The covering assets of the Mortgage Pandbrieven are mainly Belgian mortgage loans granted in accordance with the law on mortgage loans (law of 4 August 1992), through the branch network of Belfius. The covering assets of the Public Pandbrieven are mainly loans granted to Belgian public sector entities (municipalities, provinces, etc.).

The Belgian pandbrieven investors have a direct recourse to:

- the general estate of the issuing credit institution (i.e. repayment of the Belgian pandbrieven is an obligation of the issuing bank as a whole); and
- the segregated estate, that comprises the cover pool that is exclusively reserved for the Belgian pandbrieven investors under the specific program to which the segregated estate is joined and for the claims of other parties that are or can be identified in the issue conditions. Assets become part of the cover pool upon registration in a register held by the issuer for such purpose.

A detailed description of the covering assets (including the outstanding amount and the characteristics of the loans in the cover pool) can be consulted in the management report "Risk management" and in section 9.3. "Information on asset encumbrance and collateral received" as well as:

- for the Mortgage Pandbrieven Programme on https://www.belfius.be/about-us/en/investors/debt-issuance/pandbrieven/belgian-mortgage
- for the Public Pandbrieven Programme on https://www.belfius.be/about-us/en/investors/debt-issuance/pandbrieven/belgian-public

The carrying value of the cover pool amounts to EUR 14.1 billion in December 2022 (compared to EUR 10.9 billion in December 2021). The carrying value of the cover pool is accounted for in loans and advances. We also refer to note 5.4.

B. Measured at fair value through profit or loss

(in thousands of EUR)	31/12/21 Financial liabilities held for trading	31/12/21 Financial liabilities designated at fair value through profit and loss	31/12/21 Total	31/12/22 Financial liabilities held for trading	31/12/22 Financial liabilities designated at fair value through profit and loss	31/12/22 Total
Debt securities		7,801,210	7,801,210		7,250,016	7,250,016
Debt securities issued by public sector (trading positions)	227,165		227,165	161,339		161,339
Other debt securities (trading positions)	5		5	4		4
Equity instruments (trading positions)	229		229	112		112
TOTAL	227,399	7,801,210	8,028,609	161,455	7,250,016	7,411,471

Debt securities measured at fair value through profit or loss decreased by EUR 0.6 billion, or -7.7%, to EUR 7.4 billion (31 December 2021: EUR 8.0 billion), mainly caused by negative fair value evolutions.

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

The methodology used to determine the fair value of "financial liabilities designated at fair value" is detailed in note 9.1.

Belfius does not recognise own credit risk in the fair value of financial liabilities as there has been no material change in own credit risk since issuance.

3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

4. Analysis of the fair value

See note 9.1.

6.5. Provisions for insurance activities

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

(in thousands of EUR)	31/12/21	31/12/22
GROSS RESERVES		
In the consolidated balance sheet (as presented on balance sheet)	12,191,017	11,495,400
Intragroup transactions	6,504	8,072
Gross reserves including intragroup transactions	12,197,521	11,503,472

1. Insurance contracts Life

A. Gross reserves

(in thousands of EUR)	31/12/21			31/12/22		
	Insurance contracts	Investment contracts with DPF[1]	Total	Insurance contracts	Investment contracts with DPF[1]	Total
LIFE INSURANCE RESERVES	5,030,523	5,168,814	10,199,337	5,069,753	4,793,103	9,862,856
Reserves due to results of LAT (Liability Adequacy Test)	0	0	0	0	0	0
Reserves due to shadow accounting adjustments	27,943	320,397	348,340	565	0	565
Variation due to variation of scope of consolidation IFRS 5	0	0	0	0	0	0
TOTAL LIFE INSURANCE RESERVE	5,058,466	5,489,210	10,547,676	5,070,318	4,793,103	9,863,421
Claims reserves	55,525	31,442	86,967	82,417	31,768	114,185
Profit sharing reserve[2]	47,706	44,992	92,698	39,033	34,378	73,411
Unearned premium reserves (UPR)	0	0	0	0	0	0
Variation due to variation of scope of consolidation IFRS 5	0	0	0	0	0	0
TOTAL GROSS TECHNICAL RESERVES LIFE	5,161,697	5,565,644	10,727,342	5,191,768	4,859,249	10,051,017

(1) Discretionary participation feature (DPF).
(2) Discretionary profit sharing is a contractual but conditional right to receive additional benefits in addition to a guaranteed return. Based on the business plan, an estimate is made of the total conditional profit sharing for the in-force business. We refer to the consolidated statement of changes in equity.

Gross technical reserves for Life decreased by EUR 676 million, or 6%, to EUR 10.1 billion (31 December 2021: EUR 10.7 billion) caused by maturing Branch 21 contracts, only partially compensated by new inflow that increased in 2H 2022 as a result of specific commercial actions and increased customer appetite in line with higher interest rates.

Furthermore, as a result of the reassessment of the technical provisions, a release of EUR 48 million of Life additional provisions was recorded in 1H 2022 in line with the risk appetite framework (compared with a release of EUR 15 million in 2021). The calculation of the best estimate for the Liability Adequacy Test showed an excess above the risk appetite framework in 1H 2022 mainly as a result of the evolution of the market conditions during the first six months of the year. End 2022, the excess above the risk appetite was still confirmed.

The total reserves in application of shadow accounting amount to EUR 1 million as at 31 December 2022 compared to EUR 348 million as at 31 December 2021, a decrease of EUR 347 million.

An amount of EUR 1 million has been transferred from the gains and losses not recognised in the statement of income to the technical reserve Life by application of shadow accounting to insurance contracts with funds with dedicated assets (segregated accounts), compared to EUR 28 million in 2021. The decrease of EUR 27 million is mainly explained by the decrease in the fair value of the debt instruments resulting from higher interest rates.

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

The profit sharing reserve included in the technical provisions decreased with EUR 20 million and amounts to

EUR 73 million at 31 December 2022 compared to EUR 93 million at 31 December 2021. The provision for the committed participation feature amounts to EUR 43 million at 31 December 2022 compared to EUR 29 million at 31 December 2021. The dotation in 2022 to the main portfolio Life amounts to EUR 32 million, compared to EUR 21 million in 2021. The dotation to the funds with dedicated assets amounts to EUR 1 million, similar to last year. The evolution of the discretionary profit sharing element for the coming years included in the profit sharing reserve decreased by EUR 32 million from EUR 63 million as at 31 December 2021 to EUR 31 million as at end 2022, recompensating the dotation of current year to the main portfolio Life.

As of 31 December 2022, the total amount of future profit sharing amounts to EUR 31 million (compared to EUR 161 million in 2021), which was fully recorded through the statement of income and reported in the profit sharing reserve, compared to EUR 63 million at year end 2021. There is no discretionary participation feature of insurance contracts recognised via equity as per end 2022 (transfer from "fair value of debt and equity instruments measured at fair value through other comprehensive income" to "discretionary participation features") due to the negative stock of unrealised capital gains, compared to EUR 81 million at year end 2021.

B. Share of reinsurers

(in thousands of EUR)	31/12/21 Insurance contracts	31/12/21 Investment contracts with DPF[1]	31/12/21 Total	31/12/22 Insurance contracts	31/12/22 Investment contracts with DPF[1]	31/12/22 Total
Share of reinsurers in Life insurance reserve	11,912	0	11,912	11,047	0	11,047
Share of reinsurers in claims reserves	400	0	400	356	0	356
Share of reinsurers in unearned premium reserves (UPR)	0	0	0	0	0	0
Share of reinsurers in profit sharing reserves	0	0	0	0	0	0
Share of reinsurers in other technical reserves	0	0	0	0	0	0
TOTAL SHARE OF REINSURERS IN TECHNICAL RESERVES LIFE	**12,312**	**0**	**12,312**	**11,403**	**0**	**11,403**

(1) Discretionary participation feature (DPF).

C. Discretionary participation feature included in equity

(in thousands of EUR)	31/12/21 Insurance contracts	31/12/21 Investment contracts with DPF[1]	31/12/21 Total	31/12/22 Insurance contracts	31/12/22 Investment contracts with DPF[1]	31/12/22 Total
Net discretionary participation feature included in equity	0	81,096	81,096	0	0	0

(1) Discretionary participation feature (DPF).

As of 31 December 2022, the total amount of future profit sharing amounts to EUR 31 million, of which an amount of EUR 31 million was recorded as a liability, compared to EUR 63 million at year end 2021. There is no discretionary participation feature of insurance contracts recognised via equity as per end 2022 (transfer from "fair value of debt and equity instruments measured at fair value through other comprehensive income" to "discretionary participation features") due to the negative stock of unrealised capital gains, compared to EUR 81 million at year end 2021.

D. Reconciliation of changes in Life insurance reserve

(in thousands of EUR)	2021 Gross amount contracts	2021 Reinsurance amount	2021 Net amount	2022 Gross amount contracts	2022 Reinsurance amount	2022 Net amount
LIFE INSURANCE RESERVES AS AT 1 JANUARY	**11,144,916**	**12,341**	**11,132,575**	**10,547,676**	**11,912**	**10,535,764**
Net payment received/premiums receivable	681,376	9,372	672,004	1,023,909	10,768	1,013,141
Additional reserves due to shadow accounting adjustments	(1,527)	0	(1,527)	(347,774)	0	(347,774)
Additional reserves due to results of LAT (Liability Adequacy Test)	0	0	0	0	0	0
Claims paid	(1,184,517)	(2,795)	(1,181,722)	(1,142,455)	(4,850)	(1,137,605)
Results on death and on life	(84,121)	(648)	(83,473)	(75,666)	(493)	(75,173)
Attribution of technical interest	199,105	296	198,809	181,145	417	180,728
Transfers	(197,031)	0	(197,031)	(281,810)	0	(281,810)
Other changes	(10,525)	(6,654)	(3,871)	(41,604)	(6,708)	(34,896)
LIFE INSURANCE RESERVES AS AT 31 DECEMBER	**10,547,676**	**11,912**	**10,535,764**	**9,863,421**	**11,046**	**9,852,375**

E. Classification of the reserve by guaranteed interest rate

	Classification of the reserve[1]			
(in thousands of EUR)	31/12/21		31/12/22	
GUARANTEED INTEREST RATE				
> 4.00%	1,144,973	11%	1,079,638	11%
≤ 4.00%	711,141	7%	693,082	7%
≤ 3.50%	835,294	8%	822,959	8%
≤ 3.00%	690,870	7%	664,371	7%
≤ 2.50%	643,369	6%	610,882	6%
≤ 2.00%	1,511,724	15%	1,303,138	13%
≤ 1.50%	613,979	6%	577,582	6%
≤ 1.00%	1,481,582	15%	1,477,457	15%
≤ 0.50%	2,276,077	22%	2,363,373	24%
Equal to 0%	108,503	1%	136,548	1%
Other	181,825	2%	133,825	1%
TOTAL	**10,199,337**	**100%**	**9,862,856**	**100%**

(1) Total gross technical reserves Life excluding shadow accounting adjustments.

2. Insurance contracts Non-Life

A. Gross reserves

(in thousands of EUR)	31/12/21	31/12/22
Claims reserves	1,139,626	1,159,322
Reserves Unallocated Loss Adjustment Expenses (ULAE)	49,433	49,740
Premium deficiency reserves (Non-Life LAT)	0	0
Reserves for claims incurred but not reported (IBNR)	87,959	41,958
GROSS RESERVES	**1,277,018**	**1,251,020**
Other technical reserves	39,570	39,484
Profit sharing reserves	1,686	1,885
Unearned premium reserves (UPR)	151,905	160,065
TOTAL GROSS RESERVES NON-LIFE	**1,470,179**	**1,452,454**

The technical provision for Non-Life products decreased by EUR 18 million, or -1%, to EUR 1.5 billion (31 December 2021: EUR 1.5 billion) mainly due to a decrease in incurred claims awaiting settlement. Note that in 1H 2022 a reassessment of the general Non-Life claims provisions, in line with the risk appetite framework, resulted in a release of the Non-Life claims provisions of EUR 8 million (in comparison with no release in 2021). The decrease in the technical provisions was partially compensated by a general increase in the Non-Life portfolio following new production and the impact of inflation on the reserves for claims charges.

The total claims charges relating to the severe July 2021 floods that occurred in Wallonia and Limburg amounts to EUR 180 million per 31 December 2022 (compared with EUR 181 million per end 2021). Part of the claims charges resulting from the floods will be recovered from the reinsurers (EUR 80 million) (compared with EUR 67 million per end 2021) and a part will be recovered from the regional authorities (EUR 76 million) (compared with EUR 90 million per end 2021), resulting in an impact of EUR 23 million for Belfius (compared with EUR 24 million per end 2021). The claims provisions related to the July 2021 floods decreased by EUR 64 million compared to end 2021 following claims payments to clients.

As a result of the floods that occurred in July 2021 in Wallonia and Limburg, the insurance sector concluded a protocol with the three regions. The protocol foresees that the insurance company will fully compensate the damage for its policyholders, after which the Regions will reimburse a part of the damage (the amount exceeding twice the legal intervention limit as fixed for simple risks in the Act of 4 April 2014 on Insurance). The amount in excess of its limit already paid out by Belfius Insurance of EUR 72 million was recorded in the consolidated balance sheet as a loan vis-à-vis the regional authorities in accordance with the protocol. The protocol with the Walloon Region has been drawn up for a maximum compensation of EUR 1.7 billion, currently new negotiations between the insurance sector and the government are ongoing for the amount exceeding this limit. Belfius Insurance has therefore increased its technical provisions and the share of reinsurers in the technical provisions accordingly. Note that as Belfius is reinsured the result of the negotiations does not have a material impact in P&L.

Note that Belfius Insurance applies a Risk Appetite Framework for Non-Life technical reserves whereby the level of the technical provisions should exceed the Best Estimate Technical Provisions, calculated with a well-defined confidence interval and consistently applied.

B. Share of reinsurers

(in thousands of EUR)	31/12/21	31/12/22
Share of reinsurers in claims reserves	118,070	126,946
SHARE OF REINSURERS	**118,070**	**126,946**
Share of reinsurers in other technical reserves	135	117
Share of reinsurers in unearned premium reserves (UPR)	372	498
TOTAL SHARE OF REINSURERS IN TECHNICAL RESERVES NON-LIFE	**118,577**	**127,561**

C. Reconciliation of changes in claims reserves

	31/12/21			31/12/22		
(in thousands of EUR)	Gross amount contracts	Reinsurance amount	Net amount	Gross amount contracts	Reinsurance amount	Net amount
CLAIMS RESERVES AS AT 1 JANUARY	**1,128,536**	**93,955**	**1,034,581**	**1,277,018**	**118,070**	**1,158,948**
Claims paid on previous years	(145,535)	13,056	(158,590)	(228,655)	17,972	(246,627)
Change in claim charges on previous years	(24,651)	(16,332)	(8,319)	(77,975)	(19,040)	(58,935)
Liabilities on claims current year	318,667	27,392	291,276	280,632	9,944	270,688
CLAIMS RESERVES AS AT 31 DECEMBER	**1,277,018**	**118,070**	**1,158,948**	**1,251,020**	**126,946**	**1,124,074**

6.6. Provisions and contingent liabilities

1. Analysis of movements

(in thousands of EUR)	Pensions and other employment defined benefit obligations[1]	Other long term employee benefits	Restructuring[2][3]	Provisions for litigations [4]	Onerous contracts	impairment on financial guarantees and commitments given[5]	Other provisions	Total
AS AT 1 JANUARY 2021	**254,238**	**26,869**	**56,351**	**61,227**	**3,853**	**176,149**	**45,420**	**624,107**
Additional provisions[2]	64,279	3,052	18,599	1,084	0	176,396	11,707	275,117
Amount used[3]	(55,053)	(3,511)	(18,579)	(803)	(353)	0	(4,395)	(82,694)
Unused amounts reversed	0	(45)	(15,242)	(14,388)	0	(153,712)	(1)	(183,389)
Transfers	15,173	0	0	0	0	(37,189)	1,600	(20,416)
Remeasurement pension plans[1]	(84,172)	0	0	0	0	0	0	(84,172)
Foreign exchange adjustments	0	0	0	0	0	620	0	620
AS AT 31 DECEMBER 2021	**194,465**	**26,365**	**41,129**	**47,120**	**3,500**	**162,263**	**54,331**	**529,173**

(1) The positive revaluation of the pension liabilities is the result of the positive impact of the increase of interests and the positive return of the assets of the pension plans, partly compensated by increased inflation.
(2) Additional provisions are mainly composed of a restructuring provision for the transformation plan in line with Belfius development program.
(3) The restructuring provision, consisting of staff expenses and network costs, is used in line with agreed plans and is reviewed annually and adjusted, where necessary.
(4) Provisions for litigations concerns mainly provisions for potential settlements of ongoing disputes with third parties.
(5) Refer to table 9.2.8. Movements in allowances for credit losses for further information.

(in thousands of EUR)	Pensions and other employment defined benefit obligations[1]	Other long term employee benefits	Restructuring[2][3]	Provisions for litigations [4]	Onerous contracts	impairment on financial guarantees and commitments given[5]	Other provisions	Total
AS AT 1 JANUARY 2022	**194,465**	**26,365**	**41,129**	**47,120**	**3,500**	**162,263**	**54,331**	**529,173**
Additional provisions[2]	64,425	1,436	14,117	8,845	0	192,017	31,098	311,937
Amount used[3]	(83,041)	(4,376)	(10,554)	(493)	(331)	0	(12,033)	(110,827)
Unused amounts reversed	0	(133)	(15,710)	(34,651)	(1,390)	(131,204)	(8,245)	(191,334)
Transfers	(6,912)	0	0	0	0	(51,157)	0	(58,068)
Remeasurement pension plans[1]	16,476	0	0	0	0	0	0	16,476
Foreign exchange adjustments	0	0	0	0	0	304	0	304
Other movements	0	0	0	0	0	0	0	0
AS AT 31 DECEMBER 2022	**185,413**	**23,292**	**28,983**	**20,820**	**1,779**	**172,222**	**65,151**	**497,660**

(1) The revaluation of the pension liabilities results from the negative return on plan assets, a higher than expected actual inflation rate, and the upward adjustment of the (long term) inflation hypothesis, partially offset by the positive impact of an increase of the discount rate.
(2) Additional provisions are mainly composed of a restructuring provision for the transformation plan in line with Belfius development program.
(3) The restructuring provision, consisting of staff expenses and network costs, is used in line with agreed plans and is reviewed annually and adjusted, where necessary.
(4) Provisions for litigations concerns mainly provisions for potential settlements of ongoing disputes with third parties, the unused amounts reversed are explained by interest rate movements. Belfius Insurance accounted for an additional provision of EUR 8.5 million related to the termination of a collaboration agreement.
(5) Refer to table 9.2.8. Movements in allowances for credit losses for further information.

The decrease in provisions and contingent liabilities is mainly explained by the Pensions and other employment defined benefit obligations and provisions for litigations, partially offset by an increase in impairments on financial guarantees and commitments given in line with the increase in loan commitments given.

2. Post-employment benefits

In Belgium, each employee is eligible for a state pension. In addition, Belfius provides pension plan benefits for its employees and in some cases reimburses certain medical costs for retired employees.

The liability for those benefits is calculated and booked into our accounts according to the IAS 19-methodology.

Considering that Belfius has benefit plans for employees mainly located in Belgium, the post-employment benefits are subject to the Belgian market practice and regulations (the plans abroad are not substantial).

Pension plan benefits are mainly settled through the payment of a lump sum even though the option exists to receive a payment as an annuity.

Additional pension plans

A collective labor agreement was concluded by Belfius Bank on 10 June 2019 within the framework of the "Drive 2020" project. In the Reward 2.0 section a new methodology was agreed for the salary evolution of employees and executives. In accordance with this new methodology, the hypotheses for future wage evolution have also been adjusted. Additionally, the collective agreement stipulated that as from 1 July 2019 each new employee of Belfius Bank will be affiliated to a new defined contribution plan. This plan is financed by employer contributions that are similar to those of the Belfius Insurance defined contribution plan.

Defined Benefit plans (= DB)

Under defined benefit plans, the benefit upon retirement is defined based on various factors such as the employee's length of service and his salary.

Before 2007 all pension plans of Belfius were defined benefit plans. Belfius employees built up rights in these defined benefit plans, which could vary according to the date of entry into service and according the entity in which the employees were employed.

As from 1 January 2007 new employees in Belfius Bank were no longer granted access to a defined benefit plan. Instead, a defined contribution plan was introduced.

Moreover, since 1 October 2013 the existing defined benefit plans of Belfius Bank have been fully closed. In other words, each employee became affiliated to the existing defined contribution plan. From that date, no additional benefits are obtained based on years of service in the defined benefit plans of Belfius Bank and these plans are managed dynamically. This means that although they are fully closed, the final benefit continues to be impacted by salary increases.

Belfius Insurance had a similar evolution as Belfius Bank as from 1 January 2007 new employees joined a defined contribution plan. However, the employees who entered before that date kept their defined benefit plan as active plan and continue to build up rights into this defined benefit plan.

Most pension plans of Belfius Insurance are internally insured and consequently, the non qualifying assets of these pension plans are not included in the reporting of the net pension liabilities.

Defined Contribution plans (= DC)

Under defined contribution plans, the benefit upon retirement depends on both employer and employee contributions to the plan, the return allocated on these contributions, and the return guarantees determined by law. Belgian defined contribution pension plans are by Belgian law subject to minimum guaranteed rates of return, borne by the employer, on employer contributions and on employee contributions.

This minimum guaranteed return implies that Belgian defined contribution plans are defined benefit plans according to IAS 19.

There are several defined contribution plans within Belfius Bank. The main defined contribution plan is funded by employer and employee contributions. Employer contributions made to the plan are based on seniority and salary. Employee contributions are a fixed percentage of salary.

Belfius Bank's new "fixed contribution" plan that applies to employees recruited as from 1 July 2019 is funded by employer contributions. Different contribution percentages apply on the part of the salary below or above the maximum limit for calculating the statutory pension. The defined contribution plans of Belfius Bank are all managed in an OFP (Organism for Financing of Pensions).

Belfius Insurance and Corona also have defined contribution pension plans (branch 21) for their employees (internal insured plans).

For Belfius Insurance the guaranteed return on contributions is since 2018 based on the Belgian legal interest rates.

Belgian Law stipulates that for the defined contribution plans that are managed through a branch 21 group insurance contract, the so-called horizontal method is applicable. The contributions retain their initial employers guarantee until the final payout. This means that the accrued reserves as at 31 December 2015 are still subject to their guaranteed return of 3.75% on employee contributions and 3.25% on the employer contributions until departure. For contributions from 1 January 2016 onwards, the guarantee has become variable. This guarantee can change in the future in function of the OLO 10 years interest rate. Currently this guarantee is 1.75%.

For the defined contribution plans that are managed in an OFP the so-called vertical method is applicable. This means that the guarantee of 3.25% on employers contributions and 3.75% on employee contributions only applies until 31 December 2015. From 2016, a minimum return guarantee of 1.75% applies to the accrued reserves as well as to the new contributions.

The horizontal method applies to the defined contribution plans of Belfius Insurance and Corona, whereas the vertical method applies to Belfius Bank. Moreover, as soon as employees leave Belfius Bank, the minimum return guarantee changes to 0%.

The Belgian defined contribution plans are treated as defined benefit plans for the consolidated financial statements. This implies that the Projected Unit Credit method (with or without future contributions) has to be applied in order to determine the present value of the liability (i.e. the Defined Benefit Obligation of DBO).

Since the contribution rates of the main DC-plan for employees recruited before 1 July 2019 from Belfius Bank and the DC-plan of Corona increase with seniority, the determination of liabilities are calculated upon the "Projected Unit Credit" method with future contributions.

This means that the projected benefit at the end of the career is calculated taking into account the future contributions and the salary increases until payout.

The Defined Benefit Obligation (DBO) is obtained by using the ratio of past service time to the projected service time and by performing an actualisation using the applicable discount rate.

For the other DC-plans of Belfius, the calculation of the benefits for past service is only based on past contributions. In other words, the projected benefits already refers to the existing service time and the already paid contributions. The Defined Benefit Obligation is obtained by discounting these benefits using the appropriate discount rate.

In all cases, the calculated DBO is compared to the individual participants fair value of assets and the highest value is taken into account as Belfius' obligation.

A. Movement in the defined benefit liability (asset)

(in thousands of EUR)	Present value of obligation	Plan assets at fair value	Deficit/ (surplus)	Asset ceiling	Net liability/ (asset)
AS AT 1 JANUARY 2021	2,048,335	(1,797,582)	250,753	3,485	254,237
Service cost					
Current service cost	59,950	0	59,950	0	59,950
Past service cost and (gain)/loss on settlements	0	0	0	0	0
Administrative expenses	0	2,463	2,463	0	2,463
Interest income – Interest expense	14,970	(13,110)	1,861	33	1,894
(A) EXPENSE AND INCOME RECOGNISED IN P&L	74,921	(10,647)	64,274	33	64,308
Remeasurements (gain)/loss					
Effect of changes in demographic assumptions	14	0	14	0	14
Effect of changes in financial assumptions	(52,598)	0	(52,598)	0	(52,598)
Effect of experience adjustments	1,476	0	1,476	0	1,476
Return on plan assets (excl. interest income)	0	(61,243)	(61,243)	0	(61,243)
Changes in the effect of asset ceiling (excluding interest income/ expense)	0	0	0	28,745	28,745
(B) REMEASUREMENTS (GAIN)/LOSS RECOGNISED IN OCI[1]	(51,108)	(61,243)	(112,351)	28,745	(83,606)
DEFINED BENEFIT COST INCLUDED (A)+(B)	23,812	(71,889)	(48,077)	28,778	(19,299)
Contributions					
Employer	0	(45,747)	(45,747)	0	(45,747)
Plan participants	2,934	(2,934)	0	0	0
Benefit payments	(110,022)	100,554	(9,469)	0	(9,469)
Settlement payments	0	0	0	0	0
Effect of business combinations and disposals	(502)	0	(502)	0	(502)
Foreign exchange adjustments	2,776	(2,868)	(91)	79	(12)
AS AT 31 DECEMBER 2021[2][3]	1,967,333	(1,820,466)	146,867	32,342	179,209

(1) The remeasurement gain recognised in OCI is mainly due to the increase of the discount rate compared to 2020 (by an average of 0.33%) and the positive return of the assets of the pension plans in 2021, partially offset by a loss due to the increase of the inflation rate
(2) By the end of 2021,
→ 90.9% of the total pension liabilities are related to funded pension plans,
→ 7.2% are related to non-qualifying assets, and
→ 1.9% are related to unfunded pension liabilities.
(3) The net liability represents the total position of pension plans. EUR 194,465 thousand concerns "pension and other employment defined benefit obligations" and EUR 15,256 thousand concerns "other assets - plans assets" for the plans ending with a net asset balance as at end 2021.

(in thousands of EUR)	Present value of obligation	Plan assets at fair value	Deficit/ (surplus)	Asset ceiling	Net liability/ (asset)
AS AT 1 JANUARY 2022	1,967,333	(1,820,466)	146,867	32,342	179,209
Service cost					
Current service cost	60,347	0	60,347	0	60,347
Past service cost and (gain)/loss on settlements	0	0	0	0	0
Administrative expenses	0	2,394	2,394	0	2,394
Interest income – Interest expense	20,527	(19,138)	1,389	338	1,727
(A) EXPENSE AND INCOME RECOGNISED IN P&L	80,874	(16,744)	64,130	338	64,468
Remeasurements (gain)/loss					
Effect of changes in demographic assumptions	(13)	0	(13)	0	(13)
Effect of changes in financial assumptions	(392,596)	0	(392,596)	0	(392,596)
Effect of experience adjustments	119,273	0	119,273	0	119,273
Return on plan assets (excl. interest income)	0	313,453	313,453	0	313,453
Changes in the effect of asset ceiling (excluding interest income/ expense)	0	0	0	(22,397)	(22,397)
(B) REMEASUREMENTS (GAIN)/LOSS RECOGNISED IN OCI[1]	(273,336)	313,453	40,117	(22,397)	17,720
DEFINED BENEFIT COST INCLUDED (A)+(B)	(192,463)	296,710	104,247	(22,059)	82,188
Contributions					
Employer	0	(77,235)	(77,235)	0	(77,235)
Plan participants	3,007	(3,007)	0	0	0
Payments					
Benefit payments	(109,508)	103,817	(5,691)	0	(5,691)
Settlement payments	0	0	0	0	0
Other					
Effect of business combinations and disposals	(4,954)	3,717	(1,237)	0	(1,237)
Foreign exchange adjustments	(1,771)	2,059	288	(303)	(16)
AS AT 31 DECEMBER 2022[2][3]	1,661,644	(1,494,405)	167,239	9,980	177,218

(1) The remeasurement of defined benefit plans is mainly due to the negative return on plan assets, a higher than expected inflation rate, and the adjustment of the inflation hypothesis, partially offset by an increase of the discount rate.
(2) By the end of 2022,
→ 90.4% of the total pension liabilities are related to funded pension plans,
→ 7.9% are related to non-qualifying assets, and
→ 1.7% are related to unfunded pension liabilities.
(3) The net liability represents the total position of pension plans. EUR 185,413 thousand concerns “pension and other employment defined benefit obligations” and EUR 8,195 thousand concerns “other assets - plans assets” for the plans ending with a net asset balance as at end 2022.

B. Fair value of plan assets

(in thousands of EUR)	31/12/21	31/12/22
Plan assets at fair value		
Cash and cash equivalents	43,305	38,901
Equity instruments	307,011	214,311
Debt securities	1,373,898	1,170,789
Real estate	8,102	5,383
Insurance contracts	88,151	65,021
TOTAL	1,820,466	1,494,406

C. Assumptions for Belgian plans

	31/12/21	31/12/22
Discount rate	1.08%	4.15%
Inflation rate	1.75%	2.20%
Salary growth (age related)	0.35% - 3.00%	0.35% - 3.75%

The discount rate is based on the Mercer Yield Curve (which reflects the AA corporate bond yield curve).

The inflation parameter is based on an internally developed inflation model in which internal metrics and an external metric (i.e. the European Central Bank’s inflation target) are taken into account.

Belfius uses the Belgian mortality tables that through age corrections are adapted to the current generally longer service life.

D. Sensitivity[1] of the present value of the Defined Benefit Obligation at end of year to changes of assumptions

	-50 bps	+50 bps
Discount rate	3.55%	-3.08%
Inflation rate	-2.21%	2.41%
Real salary increase	-1.52%	1.81%

(1) If all other assumptions are held constant.

E. Weighted average duration of the benefit obligation

(in years)	31/12/21	31/12/22
Belgium	10.57	9.10

F. Risks and ALM

The key risks to which pension plans managed by the Belfius pension fund (OFP) are exposed, relate to interest rate, inflation, longevity and age of retirement. The management of the pension plans is monitored by an "Investment Committee" and falls under the supervision of the OFP's Board of Directors and is mainly liability driven in its investment policy. A formalised investment framework ("Statement of Investment Principles") ensures a well-diversified and dedicated investment portfolio. The pension liabilities are evaluated at least once a year. On a regular basis, an ALM study (with cash flow analysis and stress tests) is performed to determine and analyse the sensitivities of the plans to i.e. interest rate and inflation shocks. These form an important factor in the investment committee's advice to the Board of Directors for its deliberations on the strategic asset allocation of the investment portfolio. Day-to-day management of this portfolio and the plans' liquidity aspects have been entrusted to an external asset manager who, on a regular basis, delivers a report of its activities to the investment committee as well as to the OFP Board of Directors on an annual basis.

The pension plans managed as group insurance branch 21 have the same risks, but the risks of interest rate and longevity are partly covered by the insurer.

3. Contingent liabilities and legal litigations

A. Commitments to Single Resolution Fund

Belfius has opted in the past to pay part of its contribution of the Single Resolution Fund through an Irrevocable Payment Commitment. This payment commitment is fully covered by cash collateral. See also note 8.5. "Commitments to Single Resolution Fund".

B. Commitments to Belfius Bank Branches

As a result of the amended company legislation, the legal form of the Belfius branches has been converted from Cooperative Society (CVBA) to Limited Liability Company (Commanditaire Vennootschap (CommV)) as from 2020. In this context, as from 1 January 2020, Belfius Bank grants a guarantee to the managing partners of these limited partnerships for their unlimited liability.

C. Legal litigations

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

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

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

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

In the opinion of Belfius, the most important cases are listed below, regardless of whether a provision has been made or not[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.

Housing Fund of the Brussels Capital Region

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

On 27 March 2014, the Brussels Commercial Court accepted the claim application by the Housing Fund, but declared it unfounded.

The Housing Fund lodged an appeal against this judgement on 3 June 2014.

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

Arco - Cooperative shareholders

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

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

1. 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/shareholders). The case has been pleaded during several pleading sessions in June 2021. In its decision announced on 3 November 2021, the Dutch-speaking Commercial Court of Brussels rejected all the claims of the cooperative shareholders.

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

2. Procedure C.F.I. ArcoClaim 2018

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

There is not yet a pleading calendar in this case. In this procedure VZW Arcoclaim has requested the initiation of a mediation procedure before the court.

In a more recent update, ArcoClaim has declared that 7.258 new Arco-shareholders have joined ArcoClaim, on top of 5.334 Arco-shareholders who joined before.

3. Procedure C.F.I. Deminor 2022

On 14 December 2022, 10 Arco-shareholders have launched a new 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 court that defending parties 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 grand total of 13.678 shareholders have joined this procedure.

The introductory hearing in this case is currently planned for the first half of 2023.

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

Funding Loss

For several years, Belfius Bank has been confronted with legal proceedings regarding funding loss indemnities charged by the Bank for the early repayment of professional credits. These funding loss indemnities are intended to compensate for the financial loss incurred by the Bank following this early repayment.

Due to the increase of interest rates, the number of requests for early repayments of professional credits and the losses incurred by the Bank following such early repayments have substantially decreased. The scope and amounts of potential funding loss indemnities have as such become immaterial. Consequently, the provision that partially covered the potential global financial impact of the risk related to funding loss indemnity disputes and settlements has been reversed, since the risk has become remote and no longer needs to be covered, and the portfolio of ongoing funding loss disputes has materially decreased.

However, when relevant, specific provisions are still booked or kept on the balance sheet, in order to cover existing litigation cases. Those provisions are continuously re-evaluated in line with the evolution of the specific situation.

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

1. Not measured at fair value through profit or loss

	Amortised Cost	
(in thousands of EUR)	31/12/21	31/12/22
CONVERTIBLE SUBORDINATED DEBT	0	0
NON-CONVERTIBLE SUBORDINATED DEBT	1,642,749	1,547,204
Loan capital perpetual subordinated notes	159,380	141,877
Loan capital non-perpetual subordinated notes	1,483,370	1,405,327
TOTAL	1,642,749	1,547,204
HYBRID CAPITAL AND REDEEMABLE PREFERENCE SHARES	0	0

Subordinated debts decreased by EUR 96 million, or -5.8%, to EUR 1.5 billion (31 December 2021: EUR 1.6 billion) as a result of the reimbursement of two subordinated loans amounting to EUR 75 million that came at maturity in 1H 2022 and the call of a Tier 2 subordinated loan amounting to EUR 18 million in 2H 2022.

2. Measured at fair value through profit or loss

Nil.

3. Analysis cash flows and non-cash changes

(in thousands of EUR)	31/12/21	31/12/22
OPENING BALANCE	1,150,681	1,642,749
CASH FLOWS		
Issuance of subordinated debts	497,160	0
Repayments of subordinated debts	0	(92,219)
NON-CASH CHANGES		
Foreign exchange adjustments	(5,545)	(11,101)
Effective Interest rate	453	7,775
CLOSING BALANCE	1,642,749	1,547,204

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.

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

4. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

5. Analysis of the fair value

See note 9.1.

6. Data for each subordinated debt

Ref.no.	Currency	Amount in thousands of currency units	Maturity date or method for determining the duration	a) Circumstances for early redemption b) Conditions for subordination c) Conditions for convertibility	Conditions of compensations	Value in regulatory capital in thousands EUR
1.	EUR	17,500	undetermined (call date: 29/12/2023)	a) possible with the agreement of the ECB, from the date of the call, then at the end of each period of 12 years b) no specific conditions c) none	4.609% till 29/12/2023, then IRS 12y + 200 bp	17,500
2.	EUR	50,000	undetermined (call date: 15/07/2023)	a) possible with the agreement of the ECB, from the date of the call, then at the end of each period of 12 years b) no specific conditions c) none	5.348% till 15/07/2023, then IRS 12y + 200 bp	50,000
3.(1)	JPY	10,000,000	9/11/2025	a) not applicable b) no specific conditions c) none	6.1%, multicurrency	38,256
4.(1)	JPY	10,000,000	9/11/2025	a) not applicable b) no specific conditions c) none	6.05%, multicurrency	38,256
5.	EUR	72,000	undetermined (call date: 1/1/2025)	a) possible with the agreement of the ECB, from the date of the call, then at the end of each year b) no specific conditions c) none	6.25% till 01/01/2025, then Euribor 3m + 417 bp	72,000
6.	EUR	548,324	5/11/2026	a) not applicable b) no specific conditions c) none	3.125%	368,452
7.	EUR	199,455	3/15/2028 (call date: 15/3/2023)	a) possible with the agreement of the ECB, at the date of the call b) no specific conditions c) none	1.625% till 15/03/2023, then IRS 5y + 123 bp	199,455
8.(2)	EUR	497,083	undetermined (call date: 16/4/2025)	a) possible with the agreement of the ECB, from the date of the call, then semi-annually b) no specific conditions c) none	3.625% till 16/04/2025, then resettable every 5 years	497,083
9.	EUR	497,441	4/6/2034 (call date: from 6/1/2029 to 6/4/2029)	a) possible with the agreement of the ECB, at the date of the call b) no specific conditions c) none	1.25% till call date, then EUR Midswap 5y + 130 bp	497,441

(1) As the interest structure embedded in the contract is considered as not closely related to the host contract; it has been bifurcated and is presented as a separate derivative on the balance sheet.
(2) Issue of EUR 500 million (nominal value) Additional Tier-1 instruments (AT1), that qualify as additional equity under CRR/CRD IV. The AT1 security has been analysed in respect with IAS 32 and is considered as an equity instrument and is not included in the total of the disclosure 6.7. (subordinated debts).

6.8. Other liabilities

(in thousands of EUR)	31/12/21	31/12/22
OTHER LIABILITIES (NOT RELATING TO INSURANCE ACTIVITIES)	**1,217,092**	**1,317,374**
Accrued costs	68,180	65,153
Deferred income	23,278	49,513
Subsidies	0	0
Other granted amounts received	542	11
Salaries and social charges (payable)	147,264	169,341
Shareholder dividends payable	0	0
Operational taxes	70,016	71,334
Long-term construction contracts	0	0
Pending payments to clients and debts to service providers	543,964	541,552
Pending payments from lease contracts	105,381	95,007
Pending payments from factoring activities	258,469	325,463
Deferred DOP	0	0
OTHER LIABILITIES SPECIFIC TO INSURANCE ACTIVITIES	**159,940**	**155,982**
Debts for deposits from assignees	92,346	93,653
Debts resulting from direct insurance transactions	55,282	48,763
Debts resulting from reinsurance transactions	12,312	11,927
Other insurance liabilities	0	1,638
TOTAL	**1,377,031**	**1,473,356**

Other liabilities increased compared to 2021 mainly due to an increase in pending payments from factoring activities, deferred income and salaries and social charges, partially offset by a decrease in pending payments from lease contracts.

VII. Notes on the consolidated statement of income

(some amounts may not add up due to rounding)

Significant items included in the statement of income
We refer to the chapter "Financial results" in the management report.

7.1. Interest income – interest expense

(in thousands of EUR)	31/12/21	31/12/22
INTEREST INCOME	3,357,376	3,720,738
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT AMORTISED COST	**2,391,095**	**2,797,847**
Cash and balances with central banks	0	153,029
Loans and advances due from credit institutions	5,821	45,627
Loans and advances	1,885,729	2,124,640
Debt securities issued by public sector	327,057	280,061
Other debt securities	171,582	193,228
Other	905	1,261
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OCI	**87,145**	**88,210**
Loans and advances	1,211	6,339
Debt securities issued by public sector	59,174	56,203
Other debt securities	26,760	25,669
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**599,325**	**670,340**
Financial assets held for trading	8,454	860
Non-trading financial assets mandatorily measured at fair value	69,433	56,798
Loans and advances	40,611	34,908
Debt securities issued by public sector	479	189
Other debt securities	28,343	21,701
Derivatives held for trading	152,025	139,392
Derivatives as hedging instruments	369,415	473,290
INTEREST INCOME ON FINANCIAL LIABILITIES (NEGATIVE YIELD)	**279,811**	**164,341**
INTEREST EXPENSE	(1,356,009)	(1,640,450)
INTEREST EXPENSE OF FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**(272,063)**	**(445,701)**
Credit institutions borrowings and deposits	(3,366)	(37,452)
Customers borrowings and deposits	(95,139)	(161,826)
Debt securities issued	(140,283)	(201,987)
Lease liabilities	(703)	(674)
Subordinated debts	(31,474)	(42,306)
Other	(1,099)	(1,457)
INTEREST EXPENSE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**(877,857)**	**(1,067,686)**
Financial liabilities held for trading	(5,686)	(5,887)
Financial liabilities designated at fair value	(82,949)	(72,797)
Derivatives held for trading	(100,017)	(137,153)
Derivatives as hedging instruments	(689,205)	(851,848)
INTEREST EXPENSE ON FINANCIAL ASSETS (NEGATIVE YIELD)	**(206,089)**	**(127,063)**
NET INTEREST INCOME[1]	2,001,367	2,080,288

(1) Interest income and expense are recognised on an accrual basis in the statement of income for all interest bearing instruments using the effective interest rate method. We refer to chapter Accounting principles.

Net interest income increased by EUR 78.9 million, or 3.9%, to EUR 2,080 million (31 December 2021: EUR 2,001 million), mainly thanks to the increase in contribution from the Belfius Banking group (EUR +129 million) due to the combination of higher outstanding volumes in loans at a stabilizing average margin and deposit volumes at improving margins. The net interest income at Belfius Insurance decreased by EUR 50 million due to lower outstandings in Branch 21.

The interest received on TLTRO III funding from ECB/NBB central bank and accounted for in 2022 amounts to EUR 72 million (compared with EUR 155 million in 2021). The conditions of the TLTRO programme over the period from 24 June 2021 to 23 June 2022 have been met and therefore the effective interest rate includes the additional reduction of 50 basis points 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.

7.2. Dividend income

(in thousands of EUR)	31/12/21	31/12/22
Financial assets held for trading	11,625	20,508
Financial assets measured at fair value through other comprehensive income	61,229	51,103
Non-trading financial assets mandatorily measured at fair value through profit or loss	0	0
TOTAL	72,853	71,611

7.3. Net income from equity method companies

(in thousands of EUR)	31/12/21	31/12/22
Income from equity method companies before tax	3,558	4,568
Share of tax	(1,108)	(575)
Impairments on goodwill	0	0
TOTAL	2,449	3,993

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

(in thousands of EUR)	31/12/21	31/12/22
Net trading income	70,461	(2,379)
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	(30,379)	(90,022)
Loans and advances	(28,502)	(62,118)
Debt securities issued by public sector	540	(3,144)
Other Debt securities	(2,495)	(25,139)
Equity instruments	77	379
Net result of financial liabilities designated at fair value through profit or loss and result from the related derivatives (except own credit risk)	2,114	(1,093)
Net result of hedge accounting	(17,222)	118,317
TOTAL	24,973	24,822

Net income from financial instruments measured at fair value through profit or loss decreased by EUR 0.2 million to EUR 24.8 million (31 December 2021: EUR 25.0 million). Net trading income decreased by EUR 73 million to EUR -2 million end 2022. Note that this line includes the fair value changes of "economic hedges" (financial instruments that cannot be defined as accounting hedges under IFRS) for EUR -92 million, including EUR -151 million results on swaps economically hedging the hedge inefficiency. The net income from financial instruments mandatorily measured at fair value through profit or loss decreased by EUR 60 million to EUR -90 million end 2022 due mainly to the impact of increasing interest rates, widened credit spreads, and the decreased stock markets. The net income of hedge accounting increased by EUR 136 million to EUR 118 million end 2022 and was positively impacted, among other factors, by evolutions on certain basis spreads and basis risks. Note that the result on economic hedges of the "result of financial assets non-trading mandatorily measured at fair value through profit or loss", and the "net result of hedge accounting", are classified in the line "net trading income".

Net trading income

Net trading income decreased by EUR 73 million to EUR -2 million end December 2022, due mainly to widening credit spreads. The net trading income includes the fair value changes of economic hedges on the "result of financial assets non-trading mandatorily measured at fair value through profit or loss" for EUR 59 million, the "net result of hedge accounting" for EUR -151 million and the result of the swaps, hedging the foreign exchange risk, for EUR +50 million for which the expense is included in the "net interest income".

The total amount recorded on the balance sheet as credit value adjustments stands at EUR 52 million end 2022 (compared to EUR 51 million end 2021), whereas total amount on the balance sheet of the debit value adjustment amounts to EUR 11 million end 2022 (compared to EUR 3 million end 2021). The total amount on the balance sheet related to funding value adjustments amounts to EUR -35 million end 2022 (compared to EUR 61 million end 2021).

The total P&L impact in the line net trading income for credit value adjustments amounted to EUR -0.3 million in 2022 (compared to EUR 27 million in 2021), for debit value adjustments to EUR 9 million in 2022 (compared to EUR 0.6 million in 2021) and for funding value adjustments to EUR 26 million in 2022 (compared to EUR 9 million in 2021). The main drivers of the XVA changes are the marked increases in interest rates and higher credit spreads.

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

The net result from financial instruments decreased by EUR 60 million. The non-SPPI compliant structured loans as presented in the line "Loans and advances" were negatively impacted by higher interest rates resulting in negative fair value changes. The "Other Debt securities" decreased mainly due to negative fair value changes on funds at Belfius Insurance (considered as non-SPPI compliant bonds) as a result of deteriorated equity markets. Note that hedges of these instruments are classified in net trading income.

Net result of hedge accounting

The net result of hedge accounting amounts to EUR 118 million (2021: EUR -17 million) and was positively impacted, among other factors, by evolutions on certain basis spreads and basis risks.

Belfius is managing risks through additional derivatives (economic hedges) for which no hedge accounting is set up, the result of these hedges were recorded in the net trading income line for an amount of EUR -151 million (2021: EUR +7 million). It mainly relates to swaps hedging the hedge inefficiency.

Result of hedge accounting

(in thousands of EUR)	31/12/21	31/12/22
FAIR VALUE HEDGES	**(17,432)**	**94,411**
Fair value changes of the hedged item attributable to the hedged risk	(47,866)	(2,724,172)
Fair value changes of the hedging derivatives	30,434	2,818,582
CASH FLOW HEDGES	**0**	**0**
PORTFOLIO HEDGE	**210**	**23,906**
Fair value changes of the hedged item	(483,842)	(707,783)
Fair value changes of the hedging derivatives	484,052	731,689
TOTAL	**(17,222)**	**118,317**

(in thousands of EUR)	31/12/21	31/12/22
DISCONTINUATION OF CASH FLOW HEDGE ACCOUNTING (CASH FLOWS STILL EXPECTED TO OCCUR) – AMOUNTS RECORDED IN INTEREST MARGIN	152	93

All effectiveness tests were respected at all times.

For more details we refer to note 5.6. "derivatives".

7.5. Net income on investments and liabilities

(in thousands of EUR)	31/12/21	31/12/22
FINANCIAL ASSETS AT AMORTISED COST (NOT IMPAIRED)	**1,070**	**1,476**
Realised gains on other debt securities	1,070	1,475
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (NOT IMPAIRED)	**1,595**	**9,647**
Realised gains on loans and advances	26	165
Realised gains on debt securities issued by public sector	724	9,133
Realised gains on other debt securities	845	349
ASSETS HELD FOR SALE	**0**	**12,920**
Realised gains on assets held for sale	0	12,920
OTHER	**15,195**	**36,194**
Realised gains on tangible fixed assets	15,195	35,439
Other realised gains	0	755
FINANCIAL LIABILITIES AT AMORTISED COST	**15**	**4**
Realised gains on financial liabilities	15	4
TOTAL GAINS	**17,875**	**60,240**
FINANCIAL ASSETS AT AMORTISED COST (NOT IMPAIRED)	**(1,960)**	**(962)**
Realised losses on other debt securities	(1,960)	(962)
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (NOT IMPAIRED)	**(612)**	**(2,552)**
Realised losses on loans and advances	(111)	(1,097)
Realised losses on debt securities issued by public sector	(197)	(1,221)
Realised losses on other debt securities	(304)	(233)
ASSETS HELD FOR SALE	**(13)**	**(13)**
Realised losses on assets held for sale	(13)	(13)
OTHER	**(445)**	**(306)**
Realised losses on tangible fixed assets	(160)	(63)
Other realised losses	(285)	(243)
FINANCIAL LIABILITIES AT AMORTISED COST	**(3)**	**(6)**
Realised losses on financial liabilities	(3)	(6)
TOTAL LOSSES	**(3,033)**	**(3,838)**
TOTAL NET INCOME ON INVESTMENTS AND LIABILITIES	**14,842**	**56,401**

Net income on investments and liabilities increased by EUR 41.6 million, or 280.0%, to EUR 56 million (31 December 2021: EUR 15 million).

Belfius realised capital gains on the sale of tangible fixed assets (EUR 35.4 million), mainly on the partial sale of the Pacheco building (EUR 22.2 million) and on the sale of different buildings containing bank agencies (EUR 12.3 million). Note that capital gains of EUR 15 million were realised in 2021, mainly on the sale of different buildings containing bank agencies and of a building in Mechelen. Capital gains of EUR 12.9 million were also realised on the sale of Alysea, a subsidiary that invested in a retirement home building in Luxembourg.

Furthermore, Belfius Insurance realised capital gains on the sale of bonds in 2022, amounting to EUR 10 million, partially compensated by EUR 1 million capital losses (compared to no realised results from the sale of bonds in 2021).

The table below provides a summary of the realised gains and losses from derecognition on not impaired and impaired financial instruments. These realised gains and losses 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 (note 7.13.).

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

(in thousands of EUR)	31/12/21	31/12/22
REALISED GAINS FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**2,801**	**2,380**
Realised gains on loans and advances	759	499
Realised gains on debt securities issued by public sector	226	345
Realised gains on other debt securities	1,816	1,536
REALISED GAINS ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**10,890**	**12,477**
Realised gains on impaired loans and advances	10,890	12,477
REALISED LOSSES ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**(4,312)**	**(5,742)**
Realised losses on Loans and advances	(2,083)	(1,393)
Realised losses on debt securities issued by public sector	(70)	(3,062)
Realised losses on other debt securities	(2,159)	(1,287)
REALISED LOSSES ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**(10,759)**	**(12,757)**
Realised losses on impaired Loans and advances	(10,759)	(12,757)

2. Realised gains or losses arising from derecognition of debt instruments measured at fair value through other comprehensive income (impaired and not impaired)

(in thousands of EUR)	31/12/21	31/12/22
REALISED GAINS FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**1,595**	**9,647**
Realised gains on Loans and advances	26	165
Realised gains on debt securities issued by public sector	724	9,133
Realised gains on other debt securities	845	349
REALISED GAINS ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**0**	**0**
REALISED LOSSES ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**(612)**	**(2,552)**
Realised losses on Loans and advances	(111)	(1,097)
Realised losses on debt securities issued by public sector	(197)	(1,221)
Realised losses on other debt securities	(304)	(233)
REALISED LOSSES ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**0**	**0**

7.6. Fee and commission income – expense

	31/12/21			31/12/22		
(in thousands of EUR)	Income	Expense	Net	Income	Expense	Net
Commissions on unit trusts and mutual funds managed by third parties	380,380	(67,508)	312,872	386,893	(67,987)	318,906
Insurance activity	129,623	(4,042)	125,580	148,803	(4,546)	144,256
Credit activity	45,511	(5,579)	39,932	51,229	(6,826)	44,403
Purchase and sale of securities	16,324	(934)	15,391	17,489	(1,417)	16,072
Purchase and sale of unit trusts and mutual funds	58,920	(28)	58,892	43,212	(3)	43,209
Payment services	195,669	(66,654)	129,015	227,288	(72,891)	154,397
Commissions to not exclusive brokers	1,837	(12,476)	(10,639)	1,400	(13,287)	(11,887)
Services on securities other than safekeeping	5,909	(1,620)	4,289	5,641	(1,587)	4,054
Custody	32,605	(3,759)	28,847	31,694	(4,601)	27,093
Issues and placements of securities	9,965	(5,040)	4,926	7,471	(5,255)	2,216
Servicing fees of securitisation	177	0	177	160	0	160
Advisory services and discretionary management	42,144	(7,819)	34,325	42,417	(3,589)	38,828
Clearing and settlement	12,629	(5,076)	7,554	10,946	(6,164)	4,782
Securities lending	6,196	0	6,195	2,791	(7)	2,783
Financial guarantees	4,107	(4,199)	(92)	3,589	(3,250)	339
Beyond banking and insurance	253	(13)	240	1,835	(1,234)	601
TOTAL	942,249	(184,745)	757,504	982,858	(192,643)	790,215

Net fee and commission income increased by EUR 32.7 million, or 4.3%, to EUR 790 million (31 December 2021: EUR 758 million). The increase was mainly attributed to an increase in commission income on payment services (EUR +25 million) as a result of a rise in transactions and the implementation of the Private Membership, as well as on insurance activity (EUR +19 million), in line with commercial dynamics. Fee income on asset management services only slightly decreased (EUR -10 million), coping very well with the decline in outstanding due to financial markets' declines, and a decrease in investment transactions on mutual funds compared to 2021.

7.7. Insurance results

Note that Belfius has opted to present the figures on technical results from insurance activities including intragroup transactions between bank and insurance entities, as these mainly relate to insurance contracts concluded between the bank and insurance entities and distribution commissions that Belfius Insurance pays to Belfius Bank. Please refer to note 7.6. "Fee and commission income – expense" for more details on the commission income from insurance activities.

(in thousands of EUR)	31/12/21	31/12/22
GROSS EARNED PREMIUMS		
In the consolidated income statement (as presented on statement of income)	1,506,818	1,896,220
Intragroup transactions	6,315	7,209
Gross earned premiums including intragroup transactions	1,513,133	1,903,429

1. Overview per activity

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

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

A. Consolidated statement of income

	31/12/21				31/12/22			
(in thousands of EUR)	Life	Non-Life	Non-Technical	Total	Life	Non-Life	Non-Technical	Total
INCOME	302,312	210,575	26,320	539,207	337,664	226,245	2,920	566,829
Technical result[1]	(102,753)	175,669	0	72,916	(51,999)	202,110	0	150,111
Gross earned premiums	748,961	764,173	0	1,513,133	1,106,188	797,241	0	1,903,429
Other technical income and charges	(851,714)	(588,504)	0	(1,440,218)	(1,158,186)	(595,131)	0	(1,753,317)
Financial result	381,901	34,741	24,561	441,203	360,101	24,084	(391)	383,795
Interest income, Interest expense, Dividend income	371,800	35,070	20,684	427,554	326,762	27,944	16,286	370,992
Net income on investments and liabilities	1,202	6	(283)	925	40,166	76	(268)	39,974
Net income from equity method companies, Net income from financial instruments at fair value through profit or loss, Other income, Other expense	8,900	(335)	4,160	12,725	(6,827)	(3,935)	(16,410)	(27,171)
Fee and commission income, Fee and commission expense	23,164	165	1,759	25,088	29,562	51	3,311	32,923
EXPENSES	(74,847)	(158,625)	(23,166)	(256,638)	(81,970)	(177,589)	(23,284)	(282,844)
Impairments on loans and advances and provisions for credit commitments, Impairments on goodwill	(519)	233	247	(39)	(13,341)	(201)	(963)	(14,505)
Impairments on tangible and intangible assets	(3)	0	(847)	(850)	(12)	0	(1,323)	(1,335)
NET INCOME BEFORE TAX	226,944	52,183	2,554	281,681	242,342	48,455	(22,651)	268,146
Tax (expense) income	(49,906)	(11,137)	(1,086)	(62,130)	(49,770)	(9,951)	4,786	(54,935)
NET INCOME	177,037	41,046	1,467	219,551	192,572	38,504	(17,865)	213,211
Attributable to non-controlling interests	0	0	630	630	0	0	819	819
Attributable to equity holders of the parent	177,037	41,046	837	218,920	192,572	38,504	(18,684)	212,393

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

B. Consolidated balance sheet

(in thousands of EUR)	31/12/21				31/12/22			
	Life	Non-Life	Non-Technical	Total	Life	Non-Life	Non-Technical	Total
TECHNICAL PROVISIONS OF INSURANCE COMPANIES								
Technical provisions - insurance activities	10,727,342	1,470,179	0	12,197,521	10,051,018	1,452,454	0	11,503,472
Technical provisions unit-linked	4,245,672	0	0	4,245,672	3,969,934	0	0	3,969,934
Technical provisions - share of reinsurers	12,313	118,577	0	130,890	11,403	127,561	0	138,964

The technical result from insurance activities Life and Non-Life increased by EUR 77.2 million to a profit of EUR 150 million (31 December 2021: profit of EUR 73 million).

The technical result from insurance activities Life increased by EUR 51 million to a loss of EUR -52 million. The interest guarantees decreased by EUR 18 million due to the declining outstanding volume in Branch 21. Furthermore, the reassessment of the Life provisions resulted in a release of EUR 48 million in line with the risk appetite framework (compared to a release of EUR 15 million in 2021).

In Non-Life, the technical result increased by EUR 26 million to EUR 202 million. The Non-Life result was positively impacted by the increase of gross earned premiums and the realisation of boni on previous years claims (EUR 25 million). The cost for natural catastrophes (net of reinsurance) amounts to EUR 33.8 million in 2022, compared to EUR 27.5 million in 2021. The CatNat claims in 2022 mainly result from the storms Dudley, Eunice and Franklin in February 2022 (EUR 25 million); the reinsurance intervention for CatNat claims in 2022 amounts to EUR 30.5 million. Furthermore, the average claim charge increased following the impact of inflation. Following the reassessment of the technical provisions, a release of non-life claims provisions was recognised in 1H 2022 of EUR 8 million in line with the risk appetite framework (compared to no release in 2021).

2. Gross earned premiums Life

(in thousands of EUR)	31/12/21			31/12/22		
	Insurance contracts	Investment contracts with DPF	Total	Insurance contracts	Investment contracts with DPF	Total
Gross premiums written	538,241	210,719	748,961	494,118	612,070	1,106,188
Change in gross unearned premium reserves (UPR)	0	0	0	0	0	0
GROSS EARNED PREMIUMS	538,241	210,719	748,961	494,118	612,070	1,106,188

(in thousands of EUR)	31/12/2021	31/12/22
GROSS PREMIUMS WRITTEN LIFE	748,961	1,106,188
Direct business	748,961	1,106,188
Accepted reinsurance	0	0

(in thousands of EUR)	31/12/2021	31/12/22
GROSS PREMIUMS WRITTEN UNIT-LINKED	333,220	238,382

3. Non-Life insurance by product group

(in thousands of EUR)	Gross earned premiums	Claims incurred and other technical expenses	Acquisition commis-sions	Technical result from ceded reinsurance	Net income on capital	Operating expenses	Other	Net income before tax
TOTAL AS AT 31 DECEMBER 2021	764,173	(502,135)	(149,134)	62,664	34,741	(158,627)	498	52,181
ACCEPTED REINSURANCE	432	1,584	(46)	2,243	601	0	(15)	4,801
DIRECT BUSINESS	763,741	(503,719)	(149,088)	60,421	34,140	(158,627)	513	47,380
All risks/accidents	129,211	(51,161)	(27,271)	(2,737)	6,383	(28,902)	(115)	25,408
Cars/third party liability	184,760	(105,418)	(30,946)	(952)	14,122	(39,009)	(297)	22,259
Cars/other branches	115,226	(66,334)	(21,502)	3,680	1,100	(27,771)	(24)	4,375
Fire and other damage to property	273,596	(227,279)	(65,963)	62,140	7,392	(49,484)	(136)	266
Other(1)	60,949	(53,528)	(3,406)	(1,710)	5,144	(13,461)	1,085	(4,928)

(in thousands of EUR)	Gross earned premiums	Claims incurred and other technical expenses	Acquisition commis-sions	Technical result from ceded reinsurance	Net income on capital	Operating expenses	Other	Net income before tax
TOTAL AS AT 31 DECEMBER 2022	797,241	(450,438)	(156,420)	11,728	24,084	(177,589)	(150)	48,455
ACCEPTED REINSURANCE	395	(1,029)	(47)	1,947	497	0	(11)	1,753
DIRECT BUSINESS	796,846	(449,409)	(156,374)	9,781	23,588	(177,589)	(140)	46,702
All risks/accidents	137,433	(55,045)	(28,804)	(6,121)	4,233	(34,054)	(548)	17,094
Cars/third party liability	188,382	(94,518)	(31,935)	(5,832)	10,079	(42,722)	(99)	23,356
Cars/other branches	118,186	(66,303)	(21,663)	(218)	817	(29,780)	(15)	1,024
Fire and other damage to property	290,923	(175,702)	(70,582)	22,164	4,963	(55,918)	(210)	15,637
Other(1)	61,921	(57,840)	(3,390)	(213)	3,496	(15,115)	732	(10,408)

(1) Includes Credit and suretyship, non-life distribution, health and accidents at work.

7.8. Other income

(in thousands of EUR)	31/12/21	31/12/22
Rental income from investment property(1)	43,432	48,047
Other rental income	4,881	5,741
Other banking and insurance income(2)	1,748	4,909
Write-back of provisions for litigations(3)	14,757	41,644
Real estate projects	9,745	4,951
Asset Finance activities(4)	101,720	190,346
Other income on other activities	64,587	78,208
OTHER INCOME	240,869	373,847

(1) Rental income from investment property increased in line with real estate investments.
(2) In 2022, EUR 3.9 million tax on securities accounts on Branch 23 funds was recovered from clients compared with EUR 1.1 million in 2021.
(3) We refer to note 6.6. “Provisions and contingent liabilities” for a detailed description. Please note that the additional provisions for litigations are recorded in other expense (we refer to note 7.9.).
(4) The increase in other income from asset finance activities is stemming from the reclassification of the leasing contracts of Belfius Auto Lease to operating lease.

Other income increased by EUR 133 million compared to 2021 mainly as a result of an increase of the other income from asset finance activities (EUR +89 million), explained by the reclassification of the leasing contracts of Belfius Auto Lease to operating lease (moving the related income from net interest income to other income and expenses). Write-back of provisions for litigations increased (EUR +27 million) and are explained by interest rate movements.

7.9. Other expense

(in thousands of EUR)	31/12/21	31/12/22
Sector levies[1]	(269,071)	(276,809)
Other levies[2]	(8,546)	(6,263)
Expenses related to investment properties that generated income during the current financial year	(28,463)	(33,509)
Other banking expenses	(1,172)	(998)
Provisions for litigations	(7,305)	(8,845)
Real estate projects	(7,389)	(4,269)
Asset Finance activities[3]	(97,703)	(150,776)
Other expense on other activities[4]	(64,850)	(87,466)
OTHER EXPENSE	**(484,499)**	**(568,935)**

(1) Sector levies are specific taxes for financial institutions or insurers, it includes
→ the Deposit Guarantee Scheme contributions,
→ Subscription tax,
→ Financial Stability Contribution and
→ the contributions to the Single Resolution Fund.
Belfius has opted in the past to pay part of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment. This payment commitment was fully covered by cash collateral. Belfius has recorded EUR 30.5 million in its off-balance sheet accounts (compared to EUR 17.5 million in end 2021).
(2) Other levies include the tax on securities accounts, mainly on Branch 23 funds of Belfius Insurance for EUR 6.1 million.
(3) The increase in other expense from asset finance activities is stemming from the reclassification of the leasing contracts of Belfius Auto Lease to operating lease.
(4) “Other expenses on other activities” includes other operational expenses and other operational taxes.

Other expense increased by EUR 84 million compared to 2021 mainly as a result of an increase of the other expense from asset finance activities (EUR +53 million), explained by the reclassification of the leasing contracts of Belfius Auto Lease to operating lease. Sector levies increased by EUR 8 million compared to 2021 to a total of EUR 277 million.

7.10. Staff expense

(in thousands of EUR)	31/12/21	31/12/22
Wages and salaries	(447,065)	(492,487)
Social security and insurance costs	(125,475)	(136,342)
Pension costs-defined benefit plans(1)	(61,764)	(59,608)
Pension costs-defined contribution plans(1)	(399)	(385)
Other postretirement obligations (reversal / use)	69	(9)
Share-based payments	0	0
Other long-term employee benefits	504	3,073
Restructuring expenses (reversal / use)(1)	10,994	6,887
Other expense	(17,927)	(20,988)
TOTAL	(641,064)	(699,860)

(1) We refer to note 6.6. "Provisions and contingent liabilities" for a detailed description.

Staff expense increased by EUR 58.8 million, or 9.2%, to EUR 700 million (31 December 2021: EUR 641 million) due to an increase in the number of FTE and the general wagedrift in the 2022 inflationary context.

Average FTE as at 31 December 2021	Belgium	Luxembourg	Ireland	Fully consolidated
Senior Executives	154	1	1	156
Employees	6,045	5	6	6,056
TOTAL	6,199	6	7	6,212
of which banking group	4,911	4	7	4,922
of which Belins group	1,288	2	0	1,290

Average FTE as at 31 December 2022	Belgium	Luxembourg	Ireland	Fully consolidated
Senior Executives	180	1	1	182
Employees	6,151	5	5	6,161
TOTAL	6,331	6	6	6,343
of which banking group	5,037	4	6	5,047
of which Belins group	1,294	2	0	1,296

7.11. General and administrative expense

(in thousands of EUR)	31/12/21	31/12/22
Occupancy	(27,458)	(30,377)
Leases (except technology and system costs)	(1,958)	(3,680)
Professional fees	(89,282)	(129,673)
Marketing advertising and public relations	(40,091)	(48,088)
Technology and system costs	(184,628)	(208,288)
Software costs and research and development costs	(34,597)	(35,201)
Repair and maintenance expenses	(344)	(368)
Restructuring costs other than staff	2,603	0
Insurance (except related to pension)	(4,925)	(4,201)
Transportation of mail and valuable	(7,845)	(6,158)
Operational taxes	(13,494)	(14,014)
Other general and administrative expense	(80,623)	(92,399)
TOTAL	(482,642)	(572,446)

General and administrative expense increased by EUR 89.8 million, or 18.6%, to EUR 572 million (31 December 2021: EUR 483 million), impacted by the inflation and in line with our continued investments, supporting our continued commercial growth, in additional external workforce, digital and automatization, and our brand name. Professional fees also increased due to some consultancy services for some strategic projects. Marketing expenses increased as a result of several brand campaigns.

7.12. Depreciation and amortisation of fixed assets

(in thousands of EUR)	31/12/21	31/12/22
Depreciation of buildings	(23,560)	(23,094)
Depreciation of other tangible assets	(9,855)	(8,984)
Depreciation of right-of-use assets	(4,995)	(4,440)
Amortisation of intangible assets	(94,422)	(94,582)
TOTAL	(132,833)	(131,100)

Depreciation and amortisation of fixed assets decreased by EUR 1.7 million, or -1.3%, to EUR 131 million (31 December 2021: EUR 133 million) resulting from the accelerated depreciations of EUR 16 million accounted for end 2021, partially offset by the accelerated depreciations of EUR 19 million accounted for end 2022, in line with the revised useful life of internally developed software given the rapid changes in technology and the accelerated uptake of digital services.

7.13. Impairments on financial instruments and provisions for credit commitments

1. Summary Totals

(in thousands of EUR)	31/12/21	31/12/22
Impairment on financial instruments and off balance commitments - Stage 1	4,920	(64,156)
Impairment on financial instruments and off balance commitments - Stage 2	73,842	18,604
Impairment on financial instruments, other assets and off balance commitments - Stage 3	(77,401)	(60,137)
TOTAL	1,361	(105,689)

Impairments on financial instruments and provision for credit commitments increased by EUR 107.0 million to EUR -106 million (31 December 2021: EUR 1 million).

In 2021, Belfius updated the underlying macroeconomic scenarios due to the general macroeconomic improvement and reassessed the management overlays, resulting in partial reversals of the stage 1 and 2 impairments accounted for in 2020 that were set up in the context of the Covid pandemic. Impairments were also recognised on a limited number of defaulted (stage 3) exposures during 2021 and as a result of portfolio evolutions.

In 2022, Belfius updated the underlying macroeconomic scenarios to take into account the increased macroeconomic uncertainties (due amongst others to the second-round effects of the Covid-19 crisis, the inflationary environment and the geopolitical situation) resulting in an increase of the stage 1 and 2 impairments. The overlays for specific risk pockets and individual counterparts were also reassessed, resulting in partial reversals of the stage 2 impairments accounted for back in 2020. As customary, impairments were also recognised on a still, historically speaking, limited number of defaulted exposures (stage 3) during 2022. Overall, this resulted in a Cost of Risk of EUR -106 million in 2022. More detailed information is provided in the Credit Risk section of the management report.

2. Impairment on financial instruments and off balance commitments – Stage 1

	31/12/21				
(in thousands of EUR)	Allowances	Write-backs	Capital gains	Capital losses	Total
Loans and advances due from credit institutions	(783)	68	0	0	(715)
Loans and advances	(94,531)	97,445	0	0	2,914
Debt securities	(834)	2,048	0	0	1,214
Off balance commitments	(27,178)	28,685	0	0	1,507
TOTAL	(123,326)	128,246	0	0	4,920

	31/12/22				
(in thousands of EUR)	Allowances	Write-backs	Capital gains	Capital losses	Total
Loans and advances due from credit institutions	(547)	770	0	0	223
Loans and advances	(137,479)	90,877	0	0	(46,602)
Debt securities	(1,721)	729	0	0	(992)
Off balance commitments	(42,449)	25,664	0	0	(16,785)
TOTAL	(182,196)	118,040	0	0	(64,156)

Stage 1 impairments increased by EUR 64 million in 2022 mainly following the downward adjustment of the macro-economic scenarios and their weights in the second half of the year to take into account the increased macro-economic uncertainties (due amongst others to the second-round effects of the Covid crisis, inflationary environment, and the geopolitical situation). The overlays for vulnerable exposures and individual names were reassessed taking into account the increased risks related to energy, inflation and the Russia/Ukraine conflict, and the reduced Covid-19 impacts.

3. Impairment on financial instruments and off balance commitments - Stage 2

	31/12/21				
(in thousands of EUR)	Allowances	Write-backs	Capital gains	Capital losses	Total
Loans and advances due from credit institutions	(10)	320	0	0	310
Loans and advances	(283,617)	357,370	759	(2,083)	72,430
Debt securities	(23,618)	16,677	972	(269)	(6,238)
Off balance commitments	(74,890)	82,230	0	0	7,340
TOTAL	(382,135)	456,598	1,730	(2,352)	73,842

	31/12/22				
(in thousands of EUR)	Allowances	Write-backs	Capital gains	Capital losses	Total
Loans and advances due from credit institutions	(22)	89	0	0	67
Loans and advances	(319,168)	317,170	499	(1,393)	(2,893)
Debt securities	(48,625)	65,863	406	(3,387)	14,256
Off balance commitments	(69,737)	76,910	0	0	7,173
TOTAL	(437,552)	460,032	905	(4,780)	18,604

Stage 2 impairment decreased by EUR 19 million in 2022 mainly following the reassessment of the overlays for vulnerable exposures and individual names, taking into account the increased risks related to energy, inflation and the Russia/Ukraine conflict, and the reduced Covid-19 impacts. Stage 2 impairment on debt securities decreased by EUR 14 million. In 3Q 2022 Belfius has extended a number of credit protection contracts on certain utility and infrastructure bonds. This has led to a reversal of the related stage 2 impairments, resulting in a positive impact of EUR 49.8 million in “impairments on financial instruments and provisions for credit commitments”. Furthermore Belfius has added overlays on the bond portfolio for the increased risk related to certain UK sectors and inflation, resulting in additional impairments of EUR 30.1 million.

4. Impairment on financial instruments, other assets and off balance commitments - Stage 3

	31/12/21						
(in thousands of EUR)	Allowances	Write-backs	Write-offs	Capital gains	Capital losses	Recoveries	Total
Loans and advances due from credit institutions	0	0	0	0	0	0	0
Loans and advances	(257,527)	174,630	(5,466)	6,355	(10,759)	10,420	(82,348)
Debt securities	0	0	0	0	0	0	0
Off balance commitments	(5,781)	11,440	0	0	0	0	5,658
Other assets(1)	(1,343)	632	0	0	0	0	(711)
TOTAL	(264,652)	186,701	(5,466)	6,355	(10,759)	10,420	(77,401)

	31/12/22						
(in thousands of EUR)	Allowances	Write-backs	Write-offs	Capital gains	Capital losses	Recoveries	Total
Loans and advances due from credit institutions	0	0	0	0	0	0	0
Loans and advances	(219,850)	171,181	(9,608)	8,712	(12,757)	12,177	(50,144)
Debt securities	(8,000)	0	0	0	0	0	(8,000)
Off balance commitments	(4,644)	4,599	0	0	0	0	(44)
Other assets(1)	(2,075)	127	0	0	0	0	(1,948)
TOTAL	(234,569)	175,908	(9,608)	8,712	(12,757)	12,177	(60,137)

(1) This concerns impairments on mainly other insurance assets (i.e. reinsurance receivables), subject to impairment and reported under other assets on the balance sheet.

Stage 3 impairments increased by 60 MEUR in 2022. Impairments were also recognised on a still, historically speaking, limited number of defaulted exposures (stage 3).

7.14. Impairments on tangible and intangible assets

(in thousands of EUR)	31/12/21	31/12/22
Impairment on investment property	(6)	(12)
Impairment on land and buildings	(947)	(714)
Impairment on other tangible assets	0	0
Impairment on assets held for sale	0	0
Impairment on long-term construction contracts	0	0
Impairment on intangible assets	(844)	(1,323)
Impairment on right-of-use assets	0	0
TOTAL	(1,797)	(2,049)

Impairments on tangible and intangible assets increased by EUR 0.3 million to EUR 2.0 million (31 December 2021: EUR 1.8 million).

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

7.15. Impairments on goodwill

Nil

The annual impairment test did not require an impairment on goodwill. The impairment test was performed by comparing the equity value of Belfius Insurance with the "value in use". This value in use was determined based on a discounted cash flow model with the following inputs:

- financial plan for 5 years;
- discount rate: a cost of equity of 10%; and
- a long term growth rate for Belgium of 0.5%.

Note that the financial plan has only a limited impact on the impairment test. The main drivers are the discount curve and long term growth rate. Based on that scenario, a surplus could be identified, note that there have been no change in parameters compared to last year.

For 2021 and 2022, all scenarii (ranging from a growth rate from -2% to +2% and a discount rate of 6% to 12%) showed that no impairment was required. The assumptions for these scenarii are aligned with the expected evolution of the results in the financial plan and with the market conditions for capital costs.

7.16. Tax (expense) income

	31/12/21			31/12/22		
(in thousands of EUR)	Tax on current year result	Other Tax Expense	Total	Tax on current year result	Other Tax Expense	Total
Current tax expense / income: Income tax on current year	(245,558)		(245,558)	(281,766)		(281,766)
Current tax expense / income: Income tax on previous year		10,560	10,560		14,870	14,870
Current tax expense / income: Provision for tax litigations		0	0		0	0
TOTAL CURRENT TAXES			**(234,998)**			**(266,896)**
Deferred taxes on current year	(51,237)		(51,237)	(16,392)		(16,392)
Deferred taxes on previous year		(3,864)	(3,864)		4,569	4,569
TOTAL DEFERRED TAXES			**(55,100)**			**(11,823)**
GRAND TOTAL	(296,794)	6,697	(290,098)	(298,158)	19,439	(278,719)
TAX ON CURRENT YEAR RESULT			(296,794)			(298,158)
OTHER TAX EXPENSE			6,697			19,439
TOTAL			(290,098)			(278,719)
EFFECTIVE TAX RATE			23.67%			22.22%

Tax on current year result

(in thousands of EUR)	31/12/21	31/12/22
NET INCOME BEFORE TAX	**1,225,714**	**1,254,611**
Income and losses from companies accounted for by the equity method	2,449	3,993
TAX BASE	**1,223,265**	**1,250,618**
Statutory tax rate	25.00%	25.00%
TAX EXPENSE USING STATUTORY RATE	**305,816**	**312,655**
Tax effect of rates in other jurisdictions	3,486	(1,733)
Tax effect of non-taxable revenues(1)	(11,591)	(17,994)
Tax effect of non-tax deductible expenses	13,485	19,575
Tax effect of utilisation of previously unrecognised tax losses	0	(155)
Tax effect on tax benefit not previously recognised in profit or loss	0	0
Tax effect from reassessment of unrecognised deferred tax assets	5,244	(475)
Tax effect of change in tax rates	63	0
Items taxed at a reduced rate	0	0
Other increase (decrease) in statutory tax charge	(19,710)	(13,715)
TAX ON CURRENT YEAR RESULT	**(296,794)**	**(298,158)**

(1) Mainly definitively tax-exempted income (dividends and capital gains on shares).

The tax expense, including deferred taxes, decreased by EUR 11.4 million, or -3.9%, to EUR 279 million (31 December 2021: EUR 290 million) despite an increase in the overall profit before tax. This is mainly explained by an increase in non-taxable income elements, like dividends received, realised capital gains on real estate investments, and profit before tax in Belfius Ireland (that is leading to zero tax cost thanks to the recognition of formerly de recognised deferred tax assets).

As such, a decrease in the effective tax rate to 22.2% can be observed for 2022, compared with 23.7% for 2021.

Net deferred tax expense decreased by EUR 43.3 million to EUR -12 million (31 December 2021: deferred tax expense of EUR -55 million), due mainly to temporary differences for impairments and fair value adjustments.

Other notes to the consolidated annual financial statements

VIII. Notes on the consolidated off-balance sheet items

(some amounts may not add up due to roundings)

8.1. Regular way trade

(in thousands of EUR)	31/12/21	31/12/22
Loans to be delivered and purchases of assets	1,135,101	1,035,827
Borrowings to be received and sales of assets	10,567,084	8,014,006

8.2. Guarantees

(in thousands of EUR)	31/12/21	31/12/22
Guarantees given to credit institutions	1,172,459	700,579
Guarantees given to customers	4,981,480	5,330,847
Guarantees received from credit institutions(1)	902,652	495,630
Guarantees received from customers	27,394,940	27,841,080
Guarantees received from the Belgian State(2)	9,190,087	9,193,719

(1) This amount includes the personal guarantees and similar rights of recourse obtained for derivatives.
(2) This amount concerns the allocation to Belfius of the Belgian State guarantee scheme for loans to SME in the framework of the Covid-19 crisis. The allocation of EUR 9.2 billion is based on our market share.

8.3. Loan commitments

(in thousands of EUR)	31/12/21	31/12/22
Unused lines granted to credit institutions	7,456	8,153
Unused lines granted to customers	31,191,967	31,388,211
Unused lines obtained from credit institutions	22,907	1,324
Unused lines obtained from customers	0	0

8.4. Other commitments to financing activities

(in thousands of EUR)	31/12/21	31/12/22
Insurance activity – Commitments given	0	0
Insurance activity – Commitments received	75,797	76,214
Banking activity – Commitments given(1)	37,572,545	36,158,553
Banking activity – Commitments received	91,614,970	95,604,884

(1) Mainly related to repurchase agreements and collateralisation of loans with the European Central Bank and other central banks. Belfius' total TLTRO III participation amounts to EUR 6 billion as of end 2022 compared to EUR 15.7 billion as of end 2021.

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 2022 (compared to EUR 10.9 billion in 2021). See also note 6.4. "Debt securities issued and other financial liabilities".

8.5. Commitments – contingent liabilities

(in thousands of EUR)	31/12/21	31/12/22
Single Resolution Fund – Commitments given	17,473	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 (compared to EUR 17.5 million in 2021), of which EUR 13 million relates to the contribution of 2022.

8.6. Bond lending and bond borrowing transactions

(in thousands of EUR)	31/12/21	31/12/22
Securities lending	1,376,776	772,357
Securities borrowing	0	5,532

In the context of its liquidity management, Belfius enters from time to time into bond lending transactions against fees.

IX. Notes on risk exposure

(some amounts may not add up due to rounding)

9.1. Fair value

1. Fair value of financial instruments

A. Breakdown of fair value of assets

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

(in thousands of EUR)	31/12/22 Carrying amount	Fair value	Difference
Cash and balances with central banks	27,295,434	27,295,434	0
Loans and advances due from credit institutions	4,143,601	4,143,731	129
Measured at amortised cost	4,143,601	4,143,731	129
Measured at fair value through other comprehensive income	0	0	0
Measured at fair value through profit or loss	0	0	0
Loans and advances	110,310,792	103,031,030	(7,279,762)
Measured at amortised cost	109,343,655	102,063,893	(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 insurance activities	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	**175,813,599**	**166,837,802**	**(8,975,797)**

The decrease in fair value of the loan portfolio is linked to an increase of the interest rate compared to year-end 2021. Note that an internal estimate of the future potential prepayment rate has been considered in the determination of the fair value. The evolution of debt securities also reflects the impact of higher interest rates and higher credit spreads.

For some assets and liabilities, Belfius estimates that the fair value approximates the carrying value. Belfius estimates that the own credit risk has not changed significantly and has thus not taken into account a revaluation of the own credit risk.

B. Breakdown of fair value of liabilities

	31/12/21		
(in thousands of EUR)	**Carrying amount**	**Fair value**	**Difference**
Cash and balances from central banks	15,418,072	15,184,689	(233,383)
Borrowings and deposits	107,995,050	108,134,853	139,804
Measured at amortised cost	107,946,303	108,086,107	139,804
Measured at fair value through profit or loss	48,746	48,746	0
Debt securities issued and other financial liabilities	23,145,353	23,628,951	483,597
Measured at amortised cost	15,116,744	15,600,342	483,597
Measured at fair value through profit or loss	8,028,609	8,028,609	0
Unit linked products insurance activities	4,245,672	4,245,672	0
Derivatives	14,018,729	14,018,729	0
Gain/loss on the hedged item in portfolio hedge of interest rate risk	45,766	45,766	0
Subordinated debts	1,642,749	1,720,429	77,680
Measured at amortised cost	1,642,749	1,720,429	77,680
Measured at fair value through profit or loss	0	0	0
Liabilities included in disposal group and discontinued operations	0	0	0
TOTAL	**166,511,391**	**166,979,089**	**467,697**

	31/12/22		
(in thousands of EUR)	**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 insurance activities	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)**

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

	31/12/21			
(in thousands of EUR)	Level 1	Level 2	Level 3	Total
Loans and advances	0	25,664,311	90,954,715	116,619,026
Measured at amortised cost	0	25,564,212	89,916,978	115,481,190
Measured at fair value through other comprehensive income	0	99,119	0	99,119
Measured at fair value through profit or loss	0	980	1,037,737	1,038,717
Debt securities	18,114,270	4,314,794	3,939,880	26,368,944
Measured at amortised cost	14,777,201	4,084,926	3,035,186	21,897,312
Measured at fair value through other comprehensive income	2,993,542	205,198	337,420	3,536,160
Measured at fair value through profit or loss	343,527	24,671	567,274	935,472
Equity instruments	1,508,816	0	374,966	1,883,782
Measured at fair value through other comprehensive income	1,062,206	0	361,007	1,423,213
Measured at fair value through profit or loss	446,609	0	13,959	460,569
Unit linked products insurance activities	4,245,672	0	0	4,245,672
Derivatives	530	8,399,344	509,164	8,909,039
Non current assets (disposal group) held for sale and discontinued operations	0	38,541	2,236	40,777
TOTAL	23,869,287	38,416,991	95,780,962	158,067,240

	31/12/22			
(in thousands of EUR)	Level 1	Level 2	Level 3	Total
Loans and advances	0	22,258,778	84,915,983	107,174,761
Measured at amortised cost	0	22,086,152	84,121,472	106,207,624
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 insurance activities	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	88,305,700	138,408,042

A general decrease can be noted following the higher interest rates compared to year end 2021, having a negative impact on the fair value. Level 1 and Level 2 debt securities at amortised cost decreased following redemptions. Despite an increase in outstanding volume of mortgage loans, the fair value of Level 2 and Level 3 loans and advances measured at amortised cost decreased compared to 2021 due to negative fair value evolutions resulting from higher interest rates.

B. Liabilities

(in thousands of EUR)	31/12/21 Level 1	Level 2	Level 3	Total
Borrowings and deposits	0	107,986,656	148,197	108,134,853
Measured at amortised cost	0	107,937,910	148,197	108,086,107
Measured at fair value through profit or loss	0	48,746	0	48,746
Debt securities issued and other financial liabilities	10,482,630	6,181,391	6,964,930	23,628,951
Measured at amortised cost	10,239,322	667,706	4,693,314	15,600,342
Measured at fair value through profit or loss	243,308	5,513,685	2,271,616	8,028,609
Unit linked products insurance activities	4,245,672	0	0	4,245,672
Derivatives	349	13,497,350	521,029	14,018,729
Subordinated debts	1,432,589	87,008	200,832	1,720,429
measured at amortised cost	1,432,589	87,008	200,832	1,720,429
TOTAL	16,161,240	127,752,405	7,834,988	151,748,634

(in thousands of EUR)	31/12/22 Level 1	Level 2	Level 3	Total
Borrowings and deposits	0	108,165,528	2,134,477	110,300,005
measured at amortised cost	0	108,145,577	2,134,477	110,280,054
measured at fair value through profit or loss	0	19,951	0	19,951
Debt securities issued and other financial liabilities	9,735,369	5,069,436	10,085,075	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 insurance activities	3,969,934	0	0	3,969,934
Derivatives	4,151	7,716,625	527,732	8,248,509
Subordinated debts	1,201,795	77,173	141,818	1,420,786
measured at amortised cost	1,201,795	77,173	141,818	1,420,786
TOTAL	14,911,250	121,028,761	12,889,103	148,829,113

The increase in Level 2 borrowings and deposits is mainly related to the increase in demand deposits and saving accounts.

Note that seeing the very short term character of these deposits, no fair value is determined. The decrease in Level 2 derivatives is mainly due to fair value evolutions following higher interest rates (mainly inflation). Level 3 debt securities issued increased mainly resulting from new issuances of debt securities through Belfius Financing Company.

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

A. Assets at fair value in the balance sheet

(in thousands of EUR)	31/12/21 From level 1 to 2	31/12/21 From level 2 to 1	31/12/22 From level 1 to 2	31/12/22 From level 2 to 1
Debt securities	0	72,267	43,259	10,162
Measured at fair value through other comprehensive income	0	51,422	43,259	10,162
Measured at fair value through profit or loss	0	20,845	0	0
Derivatives	0	0	0	0
TOTAL	0	72,267	43,259	10,162

B. Liabilities at fair value in the balance sheet

(in thousands of EUR)	31/12/21 From level 1 to 2	31/12/21 From level 2 to 1	31/12/22 From level 1 to 2	31/12/22 From level 2 to 1
Debt securities issued and other financial liabilities	15,443	0	0	0
measured at fair value through profit or loss	15,443	0	0	0
TOTAL	15,443	0	0	0

4. Reconciliation Level 3

A. Assets

(in thousands of EUR)	31/12/21 Opening balance	Total of unrealised gains and losses in P&L	Total gains/ losses in other compre- hensive income	Purchases	Sales	Settle- ments	Transfer in Level 3	Transfer out of Level 3	Foreign exchange adjust- ments	Closing balance
Loans and advances	1,291,877	(182,927)		12,264	(81,971)	(1,506)	0	0	0	1,037,737
measured at fair value through other comprehensive income	0	0		100	0	(100)	0	0	0	0
measured at fair value through profit or loss	1,297,877	(182,927)		12,164	(81,971)	(1,406)	0	0	0	1,037,737
Debt securities	833,319	4,544	(9,449)	404,831	(158,494)	(158,975)	20,905	(31,989)	0	904,694
Measured at fair value through other comprehensive income	346,244	(153)	(9,449)	124,926	0	(126,757)	20,905	(18,297)	0	337,420
Measured at fair value through profit or loss	487,075	4,698		279,905	(158,494)	(32,218)	0	(13,692)	0	567,274
Equity instruments	352,293	23	3,387	28,019	(10,206)	(864)	2,314	0	0	374,966
measured at fair value through other comprehensive income	352,284	23	3,387	14,068	(10,204)	(864)	2,314	0	0	361,007
measured at fair value through profit or loss	9	0		13,951	(2)	0	0	0	0	13,959
Derivatives	759,318	(186,083)		52,003	0	(152,044)	44,058	(10,386)	2,297	509,164
TOTAL	3,236,808	(364,442)	(6,061)	497,116	(250,671)	(313,388)	67,278	(42,374)	2,297	2,826,561

(in thousands of EUR)	31/12/22 Opening balance	Total of unrealised gains and losses in P&L	Total gains/ losses in other compre- hensive income	Purchases	Sales	Settle- ments	Transfer in Level 3	Transfer out of Level 3	Foreign exchange adjust- ments	Closing balance
Loans and advances	1,037,737	(204,817)		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	(5)	0	0	(13,950)	0	4
Derivatives	509,164	(380,257)		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

B. Liabilities

(in thousands of EUR)	31/12/21 Opening balance	Total of unrealised gains and losses in P&L	Total gains/ losses in other compre-hensive income	Purchases	Sales	Direct origination	Settle-ments	Transfer in Level 3	Transfer out of Level 3	Closing balance
Debt securities issued and other financial liabilities	2,586,721	(56,650)		0	0	374,394	(490,158)	11,296	(153,987)	2,271,616
measured at fair value through profit or loss	2,586,721	(56,650)		0	0	374,394	(490,158)	11,296	(153,987)	2,271,616
Derivatives	620,674	(72,841)		146,881	0	0	(237,845)	68,675	(4,516)	521,029
TOTAL	3,207,395	(129,491)		146,881	0	374,394	(728,002)	79,971	(158,503)	2,792,646

(in thousands of EUR)	31/12/22 Opening balance	Total of unrealised gains and losses in P&L	Total gains/ losses in other compre-hensive income	Purchases	Sales	Direct origination	Settle-ments	Transfer in Level 3	Transfer out of Level 3	Closing balance
Debt securities issued and other financial liabilities	2,271,616	(234,661)		0	0	891,382	(239,491)	0	(17,026)	2,671,821
measured at fair value through profit or loss	2,271,616	(234,661)		0	0	891,382	(239,491)	0	(17,026)	2,671,821
Derivatives	521,029	(202,396)		361,752	0	0	(164,036)	12,048	(665)	527,732
TOTAL	2,792,646	(437,056)		361,752	0	891,382	(403,527)	12,048	(17,691)	3,199,553

The column “total of unrealised gains and losses in P&L” cannot be analysed on a stand alone basis, as some assets or liabilities classified at amortised cost or some assets and liabilities classified in level 1 or 2 may be hedged by derivatives classified in level 3. The column direct origination refers to the issuance of Belfius bonds.

5. Valuation techniques and data (level 1, 2 en 3)

Financial instruments measured at fair value (trading, designated at fair value through profit or loss, debt instruments and investments in equity instruments measured at fair value through other comprehensive income, non-trading financial assets mandatorily measured at fair value through profit or loss, derivatives)

Financial instruments measured at fair value for which reliable quoted market prices are available (level 1)

When the market is active – meaning that reliable bid-offer prices are available representing effective transactions for meaningful amounts concluded on an arm's length basis between willing counterparties – the market quotes provide for reliable evidence of fair value and are therefore used for fair value measurement (for example interest rate futures, liquid bonds, etc).

The use of market prices quoted in an active market for identical instruments with no adjustments qualifies for inclusion in level 1 within IFRS 13 fair value hierarchy, which is not the case for the use of quoted prices in inactive markets or the use of quoted spreads.

Financial instruments measured at fair value for which no reliable quoted market prices are available and for which valuations are obtained by means of valuation techniques (level 2 and 3)

Financial instruments for which no quoted market prices in active markets are available, are valued by means of valuation techniques. The determination whether or not there is an active market is based on criteria such as volume, bid- offer spread and the number of price/spread contributions. The models that Belfius uses range from standard models available in the market to in-house developed valuation models. Availability of some observable market prices and model inputs reduces the need for management judgement and estimation and the uncertainty associated with the determination of fair values. These availabilities vary depending on the products and markets and are subject to changes based on specific events and general conditions in the financial markets.

Once a financial instrument is not classified as level 1, Belfius requires that two conditions are met for inclusion in level 2 (e.g. currency swaps, swaptions, cap/floors, foreign exchange contracts/options, and less liquid bonds):

- the model must have either passed a successful validation by the Validation department or comply with the price reconciliation process run by the Market Risk department that has been installed to test the reliability of valuations.
- the data that Belfius incorporates in its valuation models are either directly or indirectly observable.

Fair value measurements that do not fall under level 1 and do not comply with the two conditions for level 2 mentioned above, are reported as part of the level 3 disclosure.Unobservable parameters are based on assumptions, not on active markets.

In that respect, within Belfius, the following parameters are not considered to be observable: Belgian inflation, CMS spread, equity correlations, illiquid bonds, credit default swaps).

For that reason, structured loans measured at fair value through profit and loss are classified as level 3. These financial assets are illiquid and not traded on an active market. The fair value is determined by a valuation model essentially based on non-observable data including additional value adjustments as described below.

Bonds traded in inactive markets are valued using valuation techniques. To price its portfolio of illiquid bonds, Belfius calculates spreads based on a cross section method using a large universe of bonds and CDS spreads. The calculated spreads are challenged 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. The discount interest rate curve takes account of any collateral agreements and value adjustments may apply.

Following value adjustments and so-called XVA's are applied within Belfius:

- Unearned credit spread: this value adjustment takes account of the possibility that a counterparty might default and part of the fair value cannot be recovered (Credit Value Adjustment) and of the creditworthiness of Belfius (Debit Value Adjustment). The Unearned credit spread is calculated both on collateralized and non-collateralized derivatives. For collateralized derivatives with standard ISDA/CSA agreements, the unearned credit spread is calculated taking into account the Margin Period of Risk and the collateral exchanged. For uncollateralized derivatives an estimation is made of the expected exposures, by forecasting the future fair value of the derivative in line with market practice. These expected exposures are then multiplied by an expected loss indication. Seeing that the majority of these expected losses are not directly observable in the market, Belfius uses market-derived spreads which are determined by means of a method based on cross-sections on a large universe of bonds and CDS spreads.
- Bid/ask 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 uncollateralized transactions. For all uncollateralized transactions, a correction is made for the funding value adjustment based on the average

funding cost of Belfius Bank. This funding cost is determined by ALM taking into account the different funding sources. For collateralized transactions where not only a variation margin but also an initial margin is posted, a correction is made for the funding of this margin.
- Market price uncertainty: value adjustment for uncertainty of market parameters.
- Model risk: this value adjustment is made if the assumptions used in a valuation model cannot be verified with sufficient accuracy.

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

The fair value of debt instruments held within the business model "hold to collect contractual cash flows", is determined using the following valuation principles.

General principles

- the carrying amount of loans maturing within 12 months is assumed to reflect their fair value;
- for bonds the valuation is done in the same way as bonds measured at fair value through other comprehensive income;

Interest-rate part

- the fair value of fixed-rate loans and mortgage loans reflects interest-rate movements since inception;
- loans with an adjustable rate are priced using the corresponding forward rates increased with the contractual margin;
- market or model values for caps, floors and prepayment options are included in the fair value of loans and receivables;
- the fair value of variable-rate loans (e.g. 3M-euribor) is assumed to be approximated by their carrying amounts;
- target net commercial margins of loans are also included in the fair value;
- the future potential prepayment rate has been approximated by taking into account an internal estimate.

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	0.01	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. Most parameters are updated daily. Secondly, the models used are validated by the Validation department which reports directly to the CRO. Validation reports and model change proposals are presented to the Financial Markets Fair Value committee for decision. This committee reports directly to the Financial Markets Committee which is led by three members of the Management Board (CRO, CFO, Head of WEP). For unquoted equities and participations, the fair values are challenged by the Participation Forum which presents the main fair value changes to the Financial Markets Fair Value committee for approval.

C. Transfers between valuation levels

The IFRS levels for bonds are dependent 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, level 2 or level 3. Some bonds are nevertheless close to the border of illiquidity and can change from level. Last year some movements in the liquidity scores were observed, without significant transfers between levels. Evolution of fair values by level were mainly impacted by the interest rate evolutions.

6. Disclosure of difference between transaction prices and model values (deferred day one profit)

No significant amounts are recognised as deferred Day One Profit or Loss (DOP) in 2022.

As Belfius principally treats plain vanilla products (like interest rate swaps), and some more complex products (like structured transactions) which are hedged in the market in line with market risk limits and framework, the resulting day one profit is recognised up-front. Only a few transactions of insignificant amounts have unobservable parameters, consequently the Deferred DOP is immaterial.

9.2. Credit risk exposure

1. The credit risk management practices - general principles

Maximum Credit Risk Exposure is expressed as Full Exposure At Default (FEAD), and is determined as follows:

- for balance sheet assets (except for derivatives): the gross carrying amounts (before impairment);
- for derivatives: the fair value of derivatives after netting, increased with the potential future exposure calculated under the current exposure method (add-on);
- for Securities Financing Transactions:
  - for reverse repo's: the amount of collateral up to the amount lent
  - for repo's: the collateral value in excess of the amount borrowed;
- for off-balance sheet commitments: either the undrawn part of liquidity facilities or the maximum commitment of Belfius for guarantees granted to third parties;

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

2. Inputs, assumptions and techniques used for estimating impairment

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

3. Analysis of total credit risk exposure

A. Exposure by geographical region

	31/12/21								
(in thousands of EUR)	Belgium	France	Luxembourg	Germany	Portugal	Ireland	Italy	Greece[1]	Spain
Cash and balances with central banks	0	0	0	0	0	0	0	0	0
Loans and advances	100,510,927	478,696	669,814	687,791	6,656	2,512	40,999	175	184,851
Measured at amortised cost	99,475,676	478,696	669,814	687,791	6,656	2,512	40,999	175	184,851
Measured at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0
Measured at fair value through profit or loss	1,035,251	0	0	0	0	0	0	0	0
Debt securities	7,169,533	4,285,768	179,868	323,661	296,040	291,696	1,493,692	0	1,200,986
Measured at amortised cost	5,919,122	3,683,209	75,507	204,112	62,238	154,571	953,801	0	743,341
Measured at fair value through other comprehensive income	935,456	592,405	104,072	119,550	233,802	137,124	539,892	0	457,580
Measured at fair value through profit or loss	314,955	10,153	289	0	0	0	0	0	66
Derivatives	961,827	527,271	66,314	273,652	0	12,359	9,745	0	189,750
Loan commitments and financial guarantees given	32,679,632	960,979	633,951	90,499	6,262	5,631	6,227	242	8,931
Other (of which mainly securities lending and margin calls) PF	7,962,456	1,959,119	242,972	267,436	541	1,521	43,118	0	27,856
TOTAL	149,284,375	8,211,834	1,792,920	1,643,039	309,500	313,719	1,593,782	417	1,612,375

(1) The exposure on Greece mainly concerns a small number of retail loans granted to residents in Greece having economical ties to Belgium and displaying good credit stance.

(in thousands of EUR)	31/12/21 Other EU countries[1]	Rest of Europe	United States and Canada	United Kingdom	South-east Asia	South and Central America	Turkey	Japan	Other	Total
Cash and balances with central banks	31,628,796	2,032	6,129	2,882	249	137	51	202	459	31,640,936
Loans and advances	806,735	323,315	22,395	148,514	13,030	4,253	2,005	5,265	41,600	103,949,536
Measured at amortised cost	806,735	323,315	22,395	148,514	13,030	4,253	2,005	5,265	41,600	102,914,285
Measured at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0	0
Measured at fair value through profit or loss	0	0	0	0	0	0	0	0	0	1,035,251
Debt securities	1,128,677	272,544	1,195,062	5,725,454	22,201	124,476	0	403,696	752,734	24,866,089
Measured at amortised cost	947,150	253,453	1,029,217	5,547,042	22,201	99,057	0	391,749	740,012	20,825,781
Measured at fair value through other comprehensive income	145,153	18,960	143,311	166,207	0	25,420	0	11,902	934	3,631,768
Measured at fair value through profit or loss	36,374	130	22,534	12,205	0	0	0	45	11,788	408,539
Derivatives	136,337	3,116	172,903	1,084,526	2,032	0	0	3,885	5,218	3,448,937
Loan commitments and financial guarantees given	283,892	36,839	958,194	352,670	243,402	253,330	42,321	131	300,184	36,863,318
Other (of which mainly securities lending and margin calls) PF	162,072	1,296,278	39,276	949,845	9	1	0	1,471	117,359	13,071,330
TOTAL	34,146,510	1,934,125	2,393,959	8,263,892	280,924	382,197	44,378	414,650	1,217,554	213,840,147

(1) Includes supranational entities, such as the European Central Bank.

(in thousands of EUR)	31/12/22 Belgium	France	Luxembourg	Germany	Portugal	Ireland	Italy	Greece	Spain
Cash and balances with central banks	0	0	0	0	0	0	0	0	0
Loans and advances	108,032,832	517,262	838,526	674,191	6,464	8,679	39,736	156	456,957
Measured at amortised cost	107,242,945	517,262	838,526	674,191	6,464	8,679	39,736	156	456,957
Measured at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0
Measured at fair value through profit or loss	789,887	0	0	0	0	0	0	0	0
Debt securities	6,415,716	3,980,735	193,700	347,527	276,440	270,997	1,219,732	0	1,169,174
Measured at amortised cost	5,400,212	3,373,499	87,277	236,238	71,401	156,911	895,784	0	801,942
Measured at fair value through other comprehensive income	880,829	596,865	106,267	111,226	205,039	114,086	323,948	0	367,118
Measured at fair value through profit or loss	134,676	10,370	157	63	0	0	0	0	113
Derivatives	418,717	190,014	19,003	135,097	0	13,343	10,037	0	67,321
Loan commitments and financial guarantees given	33,523,704	712,285	700,924	23,857	11,525	1,966	8,037	239	5,607
Other (of which mainly securities lending and margin calls)	5,635,126	2,003,192	331,957	432,483	4,863	9,385	45,347	2,268	34,332
TOTAL	154,026,096	7,403,487	2,084,110	1,613,155	299,291	304,370	1,322,889	2,662	1,733,390

(in thousands of EUR)	31/12/22 Other EU countries[1]	Rest of Europe	United States and Canada	United Kingdom	South-east Asia	South and Central America	Turkey	Japan	Other	Total
Cash and balances with central banks	27,284,027	1 918	7 301	1 310	283	163	34	258	648	27,295,943
Loans and advances	737,364	63,513	13,798	97,725	15,719	4 465	1 857	2 359	30,972	111,542,575
Measured at amortised cost	737,364	63,513	13,798	97,725	15,719	4 465	1 857	2 359	30,972	110,752,688
Measured at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0	0
Measured at fair value through profit or loss	0	0	0	0	0	0	0	0	0	789,887
Debt securities	1,321,921	269,043	1,336,076	2,860,535	23,652	92,168	0	399,438	646,419	20,823,274
Measured at amortised cost	1,134,546	265,324	1,177,992	2,766,297	23,652	70,585	0	382,021	645,728	17,489,408
Measured at fair value through other comprehensive income	160,760	3,675	157,602	83,487	0	21,584	0	17 381	678	3,150,544
Measured at fair value through profit or loss	26,615	44	483	10,751	0	0	0	36	13	183,322
Derivatives	76,022	10 181	153,515	927,388	3 268	0	0	22 169	6 623	2,052,695
Loan commitments and financial guarantees given	262,056	114,400	919,653	346,846	270,716	242,000	49,451	98	102,099	37,295,462
Other (of which mainly securities lending and margin calls)	72,019	558,155	38,355	797,318	0	1	0	1 312	102,328	10,068,442
TOTAL	29,753,410	1,017,209	2,468,698	5,031,121	313,638	338,798	51,341	425,635	889,089	209,078,391

(1) Includes supranational entities, such as the European Central Bank. Cash and balances with central banks decreased compared to 2021 due to the TLTRO III partial redemptions of EUR 9.7 million. Belfius deposits these TLTRO III drawings partly at the NBB, within the framework of its liquidity management.

B. Exposure by category of counterpart

(in thousands of EUR)	31/12/21 Central governments	Public sector entities	Corporate	Project finance	Individuals, SME, self-employed	Financial institutions	Total
Cash and balances with central banks	31,640,936	0	0	0	0	0	31,640,936
Loans and advances	678,884	24,672,800	24,962,250	1,241,516	51,197,674	1,196,412	103,949,536
Measured at amortised cost	678,884	23,642,299	24,957,499	1,241,516	51,197,674	1,196,412	102,914,285
Measured at fair value through other comprehensive income	0	0	0	0	0	0	0
Measured at fair value through profit or loss	0	1,030,501	4,750	0	0	0	1,035,251
Debt securities	9,534,286	3,125,859	5,604,873	998,424	0	5,602,647	24,866,089
Measured at amortised cost	7,404,601	2,517,859	4,632,403	998,424	0	5,272,495	20,825,781
Measured at fair value through other comprehensive income	2,023,591	391,013	957,597	0	0	259,567	3,631,768
Measured at fair value through profit or loss	106,094	216,987	14,873	0	0	70,586	408,539
Derivatives	60,464	506,139	980,181	389,306	0	1,512,848	3,448,937
Loan commitments and financial guarantees given	217,659	13,728,659	14,681,149	326,517	7,028,396	880,938	36,863,318
Other (of which mainly securities lending and margin calls)	309,988	203,313	8,046,177	0	1,919	4,509,932	13,071,330
TOTAL	42,442,217	42,236,770	54,274,630	2,955,763	58,227,989	13,702,778	213,840,147

(in thousands of EUR)	31/12/22 Central governments	Public sector entities	Corporate	Project finance	Individuals, SME, self-employed	Financial institutions	Total
Cash and balances with central banks	27,295,943	0	0	0	0	0	27,295,943
Loans and advances	646,956	24,481,604	29,604,658	1,232,919	54,810,880	765,558	111,542,575
Measured at amortised cost	646,956	23,699,280	29,597,096	1,232,919	54,810,880	765,558	110,752,688
Measured at fair value through other comprehensive income	0	0	0	0	0	0	0
Measured at fair value through profit or loss	0	782,325	7,562	0	0	0	789,887
Debt securities	8,395,451	3,250,693	3,249,150	734,311	0	5,193,669	20,823,274
Measured at amortised cost	6,821,827	2,728,538	2,192,247	734,311	0	5,012,485	17,489,408
Measured at fair value through other comprehensive income	1,549,854	406,189	1,035,760	0	0	158,740	3,150,544
Measured at fair value through profit or loss	23,770	115,966	21,143	0	0	22,444	183,322
Derivatives	44,109	133,581	792,745	141,709	573	939,979	2,052,695
Loan commitments and financial guarantees given	229,771	12,989,571	16,039,240	231,177	6,889,571	916,132	37,295,462
Other (of which mainly securities lending and margin calls)	624,022	228,943	5,171,443	912	2,107	4,041,015	10,068,442
TOTAL	37,236,252	41,084,392	54,857,237	2,341,028	61,703,130	11,856,352	209,078,391

Cash and balances with central banks decreased compared to 2021 due to the TLTRO III partial redemptions. Belfius deposits these TLTRO III drawings partly at the NBB, within the framework of its liquidity management. Exposures on financial institutions decreased as a result of a decrease in cash collateral paid, in line with the negative fair value adjustments of derivatives. On the other hand the exposure on individuals, SME and self employed increased thanks to the increased loan production in these segments, in line with Belfius' strategy.

C. Detail of most important countries per counterparty

(in thousands of EUR)	31/12/21 Central government bonds	Financial institutions	Public sector entities	Corporate - Project finance	Other	Total
Belgium	4,299,314	353,541	40,837,055	38,253,208	65,541,257	149,284,375
France	1,208,462	3,725,272	209,244	1,471,314	1,597,543	8,211,834
United Kingdom	0	1,590,448	0	5,607,187	1,066,256	8,263,892
Spain	834,734	492,804	128,211	146,463	10,163	1,612,375
Italy	1,474,963	42,176	0	71,015	5,627	1,593,782
United States and Canada	0	754,729	309,480	1,312,319	17,431	2,393,959
TOTAL	7,817,474	6,958,970	41,483,989	46,861,507	68,238,277	171,360,216

(in thousands of EUR)	31/12/22 Central government bonds	Financial institutions	Public sector entities	Corporate - Project finance	Other	Total
Belgium	3,592,035	416,899	39,736,822	43,652,098	66,628,241	154,026,096
France	1,133,328	3,120,616	225,674	1,292,755	1,631,113	7,403,487
United Kingdom	0	1,152,828	0	2,922,831	955,463	5,031,121
Spain	883,852	458,923	49,548	105,374	235,693	1,733,390
Italy	1,204,132	40,822	0	69,065	8,870	1,322,889
United States and Canada	0	751,938	337,644	1,294,326	84,789	2,468,698
TOTAL	6,813,348	5,942,026	40,349,689	49,336,450	69,544,169	171,985,682

4. Maximum Credit Risk exposure by categories of Financial Instruments subject to impairment

A. Financial Assets

(in thousands of EUR)	31/12/21 Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
CREDIT RATING GRADES				
Cash and balances with central banks	31,640,936	0	0	31,640,936
LOANS AND ADVANCES				
Measured at amortised cost	89,283,411	11,702,835	1,928,038	102,914,285
AAA to AA-	28,024,024	2,217,996	32,070	30,274,090
A+ to BBB-	41,109,657	4,480,303	418	45,590,378
Non investment grade	18,290,120	4,719,906	5,190	23,015,216
Default	0	0	1,889,862	1,889,862
Unrated	1,859,611	284,630	498	2,144,739
DEBT SECURITIES				
Measured at amortised cost	13,223,241	7,598,133	4,407	20,825,781
AAA to AA-	7,003,961	33,250	0	7,037,210
A+ to BBB-	6,157,976	7,260,282	1,784	13,420,042
Non investment grade	10,741	304,602	0	315,343
Default	0	0	2,623	2,623
Unrated	50,564	0	0	50,564
Measured at fair value through other comprehensive income	2,946,178	685,590	0	3,631,768
AAA to AA-	1,011,887	280	0	1,012,167
A+ to BBB-	1,638,802	575,724	0	2,214,526
Non investment grade	166,266	94,635	0	260,901
Default	0	0	0	0
Unrated	129,224	14,951	0	144,175

(in thousands of EUR)	31/12/22 Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
CREDIT RATING GRADES				
Cash and balances with central banks	27,295,943	0	0	27,295,943
LOANS AND ADVANCES				
Measured at amortised cost	95,963,654	12,837,364	1,951,670	110,752,688
AAA to AA-	31,983,961	2,123,592	84,579	34,192,132
A+ to BBB-	42,190,267	3,515,132	18	45,705,417
Non investment grade	19,853,160	6,960,480	825	26,814,465
Default	0	0	1,863,343	1,863,343
Unrated	1,936,265	238,161	2,905	2,177,331
DEBT SECURITIES				
Measured at amortised cost	12,521,119	4,963,881	4,407	17,489,408
AAA to AA-	6,358,962	0	0	6,358,962
A+ to BBB-	5,983,020	4,634,962	1,784	10,619,766
Non investment grade	128,574	328,919	0	457,493
Default	0	0	2,623	2,623
Unrated	50,564	0	0	50,564
Measured at fair value through other comprehensive income	2,705,752	434,783	10,010	3,150,544
AAA to AA-	700,888	0	0	700,888
A+ to BBB-	1,643,756	316,953	0	1,960,709
Non investment grade	148,274	72,461	0	220,734
Default	0	0	10,010	10,010
Unrated	212,834	45,369	0	258,203

The evolution of the stage 1 and 2 exposures reflects the downward adjustment of the macroeconomic scenarios and their weights in the second year half to take into account the increased macroeconomic uncertainties. The overlays for vulnerable exposures and individual names were reassessed taking into account the increased risks related to energy, inflation and the Russia/Ukraine conflict, and the reduced Covid-19 impacts. Furthermore, stage 1 exposures of loans and advances at amortised cost increased following the new production of loans and advances.

B. Off-Balance sheet exposure

(in thousands of EUR)	31/12/21 Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
CREDIT RATING GRADES				
Loan commitments and financial guarantees given	32,932,278	3,877,549	53,491	36,863,318
AAA to AA-	9,641,412	471,296	184	10,112,892
A+ to BBB-	16,816,139	1,416,079	0	18,232,218
Non investment grade	6,249,292	1,925,788	14	8,175,094
Default	0	0	53,292	53,292
Unrated	225,435	64,387	0	289,822

(in thousands of EUR)	31/12/22 Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
CREDIT RATING GRADES				
Loan commitments and financial guarantees given	33,734,221	3,464,104	97,136	37,295,462
AAA to AA-	4,721,639	528,362	51,434	5,301,434
A+ to BBB-	21,937,740	805,526	2	22,743,268
Non investment grade	6,796,011	2,088,307	118	8,884,436
Default	0	0	45,546	45,546
Unrated	278,831	41,910	37	320,778

The indicated ratings are either internal or external based. In fact, Belfius applies the AIRBA (Advanced Internal Ratings Based Approach) for the calculation of capital requirements for credit risk within the context of Pillar 1 of Basel III. Except for Asset Backed Securities (ABS) positions for which the credit risk is based on external ratings only (Fitch, Standard & Poors and/or Moody's).

C. Purchased at credit impaired

Nil

5. Maximum credit risk exposure by class of financial instruments and impact of collateral

Belfius receives the following types of collateral:

- Cash, debt securities, equities, gold, ...;
- immovable property collateral (for example in the form of mortgages or mortgage mandates on physical assets such as homes, commercial property or vessels);
- receivables;
- leasing;
- other physical collateral;
- guarantees;
- credit derivatives.

The main principle for valuing collateral is to determine and make use of the expected realisation value at the time of a possible future default when the Bank might have to realise the collateral. The valuation of collateral used in the credit origination and life-cycle is performed periodically during the credit life cycle in a risk-based and proportional manner (depending on the type of collateral, remaining level of credit exposure and evolution of the credit quality of the obligor).

The table below shows the impact of physical collateral:

(in thousands of EUR)	31/12/21 Maximum credit risk exposure	31/12/21 Effect of physical collateral	31/12/22 Maximum credit risk exposure	31/12/22 Effect of physical collateral
Cash and balances with central banks	31,640,936	0	27,295,942	0
Loans and advances	103,949,536	5,981,688	111,542,373	6,589,203
Measured at amortised cost	102,914,285	5,980,142	110,752,486	6,587,657
Measured at fair value through profit or loss	1,035,251	1,546	789,887	1,546
Debt securities	24,866,088	0	20,823,274	0
Measured at amortised cost	20,825,781	0	17,489,408	0
Measured at fair value through other comprehensive income	3,631,768	0	3,150,544	0
Measured at fair value through profit or loss	408,539	0	183,322	0
Derivatives	3,448,937	0	2,052,695	0
Loan commitments and financial guarantees given	36,863,318	409,252	37,295,463	460,213
Other (of which mainly securities lending and margin calls)	13,071,330	0	10,068,442	0
TOTAL	213,840,145	6,390,940	209,078,189	7,049,416

6. Financial assets subject to impairment that are past due

A financial asset is past due when the counterparty has failed to make a payment when contractually due. This is considered on a contract by contract basis. For example, if a counterpart fails to pay the required interests at due date, the entire loan is considered as past due.

31/12/21	Financial instruments without significant increase in credit risk since initial recognition (stage 1)			Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)			Carrying amount – Credit impaired financial assets (stage 3)		
(in thousands of EUR)	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Loans and advances due from credit institutions	0	0	0	0	0	0	0	0	0
Loans and advances	131,651	26,059	16,889	92,503	33,393	36,412	288,891	59,966	448,136
Debt securities	0	0	0	0	0	0	942	0	0
TOTAL	131,651	26,059	16,889	92,503	33,393	36,412	289,834	59,966	448,136

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)			Carrying amount – Credit impaired financial assets (stage 3)		
	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Loans and advances due from credit institutions	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

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

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

Refer to the section "The risk management process concerning Forbearance, Watchlist, Default and Impairments" in the Credit Risk chapter of the Management Report for further information.

7. Forbearance

(in thousands of EUR)	31/12/21 – Gross carrying amount of exposures with forbearance measures	Impairment	Collateral received and financial guarantees received – Collateral received on exposures with forbearance measures	Financial guarantees received on exposures with forbearance measures
Loans and advances due from credit institutions	0	0	0	0
Loans and advances	1,944,740	(270,571)	1,376,191	55,085
Debt securities	0	0	0	0
Off-Balance sheet exposure	45,560	0	16,960	408

(in thousands of EUR)	31/12/22 – Gross carrying amount of exposures with forbearance measures	Impairment	Collateral received and financial guarantees received – Collateral received on exposures with forbearance measures	Financial guarantees received on exposures with forbearance measures
Loans and advances due from credit institutions	0	0	0	0
Loans and advances	1,781,569	(249,044)	1,246,337	49,853
Debt securities	0	0	0	0
Off-Balance sheet exposure	43,958	0	23,441	377

Faced with the Covid-19 pandemic and its potential consequences on the financial situation of borrowers, Belfius has reviewed its forbearance policy in 2020-2021 in line with the EBA guidance: there is no automatic change in the forbearance classification for borrowers only based on the fact of a new loan granted under the state guarantee scheme or EBA compliant requested moratoria. Clients which were granted legislative, non-legislative and other moratoria during the Covid-19 pandemic continued to be assessed, taking into consideration the existing forbearance criteria and longer-term capacity to repay. In this context, the most vulnerable clients associated with high PD's and, with potentially longer-term use of moratoria (beyond the 9 months cap) are recognised as forborne. Contracts which have reached their probation period of 2 years are assessed to determine if they are eligible for deflagging and should no longer be considered as forbearance measures. Forbearance outflow linked to Covid started in the second quarter of 2022 and is expected to increase over the upcoming years.

Refer to the section "The risk management process concerning Forbearance, Watchlist, Default and Impairments" in the Credit Risk chapter of the Management Report for further information.

8. Movements in allowances for credit losses

(in thousands of EUR)	31/12/21			
	Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
LOANS AND ADVANCES DUE FROM CREDIT INSTITUTIONS				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(69)	(419)	0	(488)
Changes due to origination, acquisition and derecognition	(723)	0	0	(723)
Changes due to credit risk(1)	269	36	0	305
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(273)	273	0	0
Foreign exchange and other movements	582	(1)	0	582
BALANCE AT 31 DECEMBER	(213)	(110)	0	(323)
LOANS AND ADVANCES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(133,883)	(495,220)	(1,198,825)	(1,827,928)
Changes due to origination, acquisition and derecognition	(59,181)	0	15,344	(43,836)
Changes due to credit risk(1)	139,751	(6,646)	(81,853)	51,252
Transfer from stage 1 (12-month ECL) to stages 2 & 3	20,170	(19,373)	(797)	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(93,455)	118,450	(24,995)	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	(1,421)	(18,486)	19,907	0
Decrease in allowance due to write off	0	0	57,410	57,410
Foreign exchange and other movements	(102)	(1,223)	(1,084)	(2,408)
BALANCE AT 31 DECEMBER	(128,120)	(422,498)	(1,214,893)	(1,765,512)
LOANS AND ADVANCES				
Measured at fair value through other comprehensive income				
BALANCE AT 1 JANUARY	0	0	0	0
Changes due to origination, acquisition and derecognition	(765)	0	0	(765)
Changes due to credit risk(1)	(1,509)	(867)	0	(2,377)
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(677)	677	0	0
BALANCE AT 31 DECEMBER	(2,951)	(190)	0	(3,141)

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

(in thousands of EUR)	31/12/21 Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
DEBT SECURITIES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(2,165)	(153,455)	(3,325)	(158,946)
Changes due to origination, acquisition and derecognition	57	0	0	57
Changes due to credit risk[1]	1,860	(8,672)	0	(6,813)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	21	(21)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(1,314)	1,314	0	0
Foreign exchange and other movements	(27)	(8,526)	0	(8,553)
BALANCE AT 31 DECEMBER	(1,568)	(169,362)	(3,325)	(174,255)
Measured at fair value through other comprehensive income				
BALANCE AT 1 JANUARY	(2,554)	(17,565)	0	(20,119)
Changes due to origination, acquisition and derecognition	149	0	0	149
Changes due to credit risk[1]	1,178	(298)	0	880
Transfer from stage 1 (12-month ECL) to stages 2 & 3	2	(2)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(739)	739	0	0
BALANCE AT 31 DECEMBER	(1,964)	(17,126)	0	(19,090)
OFF-BALANCE SHEET EXPOSURE				
BALANCE AT 1 JANUARY	37,999	120,654	17,496	176,149
Changes due to origination, acquisition and derecognition	94,306	0	(9,624)	84,682
Changes due to credit risk[1]	(116,764)	9,219	8,356	(99,188)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	(5,046)	4,994	52	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	25,400	(26,550)	1,150	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	597	4,996	(5,593)	0
Foreign exchange and other movements	70	338	211	620
BALANCE AT 31 DECEMBER	36,562	113,652	12,049	162,263

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

A decrease in stage 1 and 2 impairment allowances can be noted following the macro-economic improvements in 2021. In particular, Belfius has updated the underlying macro-economic scenarios as well as reassessed the management overlays, resulting in reversals of part of the stage 1 and 2 impairments accounted for in 2020. As customary, impairments were also recognised on a limited number of defaulted (stage 3) exposures during 2021 and as a result of portfolio evolutions.

(in thousands of EUR)	31/12/22 Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
LOANS AND ADVANCES DUE FROM CREDIT INSTITUTIONS				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(213)	(110)	0	(323)
Changes due to origination, acquisition and derecognition	126	5	0	132
Changes due to credit risk(1)	28	50	0	78
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(12)	12	0	0
Foreign exchange and other movements	(4)	0	0	(4)
BALANCE AT 31 DECEMBER	(75)	(43)	0	(118)
LOANS AND ADVANCES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(128,120)	(422,498)	(1,214,893)	(1,765,512)
Changes due to origination, acquisition and derecognition	(145,301)	47,303	17,910	(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 macro-economic 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).

We refer to the section “Fundamentals of credit risk in 2022” in the Credit Risk chapter of the Management Report for further information on the Covid-19 measures taken at Belfius.

9. Credit risk information for loans designated at fair value through profit or loss

There are currently no financial assets designated at fair value through profit or loss. We refer to note 5.4. loans and advances and 5.5. Debt securities & Equity Instruments.

10. Credit risk information about financial liabilities designated at fair value through profit or loss

31/12/21 (in thousands of EUR)	Book value	Amount of change in the fair value attributable to changes in the credit risk of the liability		Difference between carrying amount of the financial liability and contractual amount required to be paid at maturity[1]
		Change of the period	Cumulative amount	
	7,849,956	0	0	114,895

31/12/22 (in thousands of EUR)	Book value	Amount of change in the fair value attributable to changes in the credit risk of the liability		Difference between carrying amount of the financial liability and contractual amount required to be paid at maturity[1]
		Change of the period	Cumulative amount	
	7,269,967	0	0	(657,355)

(1) This amount includes the premium/discount and the change in market value.

Belfius estimates that the own credit risk is nil and that there has been no significant change in own credit risk since issuance.

11. Writte-offs

The contractual amount outstanding on financial assets that were written off during the year and that are still subject to enforcement activity is nihil.

9.3. Information on asset encumbrance and collateral received

1.1. Assets

(in thousands of EUR)	As at 31 December 2021 Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Equity instruments	0	0	1,883,782	1,883,782
Debt securities	5,121,525	5,631,465	20,190,043	20,744,779
Loans and advances	36,634,114		66,044,701	
of which cash collateral given	10,147,076			

(in thousands of EUR)	As at 31 December 2022 Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Equity instruments	0	0	1,495,205	1,495,205
Debt securities	2,284,388	2,156,056	19,247,130	17,691,910
Loans and advances	21,920,234		88,390,558	
of which cash collateral given	4,046,273			

1.2. Collateral received

	As at 31 December 2021		As at 31 December 2022	
(in thousands of EUR)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	(452,288)	2,159,009	7,876	1,362,100
Debt securities	(452,288)	2,159,009	7,876	1,362,100
Other collateral received	0	0	0	0
Own debt securities issued other than own covered bonds or ABS	0	639,680	0	430,829

2. Summary encumbrance by source

As at 31 December 2021 (in thousands of EUR)	Encumbered assets						Total
	Loans and advances		Debt securities				
	Measured at amortised cost	Measured at fair value through profit or loss	Measured at amortised cost	Measured at fair value through other comprehen-sive income	Measured at fair value through profit or loss	Fair value of encumbered collateral received or own debt securities issued	
SOURCE OF ENCUMBRANCE							
Derivatives - collateral	10,147,076	0	1,242,736	0	0	(846,303)	10,543,510
Repurchase agreements	0	0	127,798	0	0	0	127,798
Collateralised deposits other than repurchase agreements	1,082,579	0	230,856	0	230,856	0	1,544,290
Central bank funding	17,190,463	0	2,110,851	0	0	22,899	19,324,213
Covered bonds issued	8,006,246	0	91,888	0	0	0	8,098,134
Securities lending	0	0	672,979	0	0	369,652	1,042,631
Other	481,376	0	238,077	0	200,312	1,463	921,228
TOTAL	36,907,741	0	4,715,185	0	431,167	(452,288)	41,601,805

As at 31 December 2022 (in thousands of EUR)	Encumbered assets						Total
	Loans and advances		Debt securities				
	Measured at amortised cost	Measured at fair value through profit or loss	Measured at amortised cost	Measured at fair value through other comprehen-sive income	Measured at fair value through profit or loss	Fair value of encumbered collateral received or own debt securities issued	
SOURCE OF ENCUMBRANCE							
Derivatives - collateral	3,978,095	0	760,430	0	0	3,414	4,741,939
Repurchase agreements	88,247	0	96,775	0	48	67	185,137
Collateralised deposits other than repurchase agreements	428,571	0	230,183	0	0	0	658,755
Central bank funding	8,203,470	0	310,649	0	0	4,395	8,518,514
Covered bonds issued	7,674,959	0	181,729	0	0	0	7,856,688
Asset-backed securities issued	0	0	0	0	0	0	0
Fair value of securities borrowed with non cash-collateral	0	0	429,829	0	0	0	429,829
Securities lending	0	0	274,443	0	0	0	274,443
Other	1,546,891	0	302	0	0	0	1,547,194
TOTAL	21,920,234	0	2,284,340	0	48	7,876	24,212,498

This information on asset encumbrance was determined on a consolidated basis of Belfius Bank and Belfius Insurance, according to the current Belfius interpretation of the EBA definition and scope.

Following the EBA definition, an asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn. This definition covers more than the IFRS requirements that focuses more on pledged assets. Among the encumbered assets the securities lending should not be considered as pledged. As a consequence, assets pledged according to IFRS 7 amount to 23.9 billion EUR. This represents a decrease of EUR 16.7 billion compared to 2021.

The definition of encumbered assets includes assets that were pledged as a result of repurchase agreements, loans granted by the central banks, guarantees for the issuance of covered bonds and securitisations, the assets given under bond lending transactions and collateral posted under the "Credit Support Annex" (CSA) or "Credit Support Deed" (CSD).

EBA disclosure requirements fit with IFRS 7 accounting standards disclosure requirements as it requests to report encumbered (and unencumbered) amounts of "own" assets both in carrying amount and in fair value, and encumbered (and unencumbered) amounts of received collateral in fair value.

Total collateral received amounts to EUR 1.4 billion end 2022. The Bank has the right to re-pledge this collateral that is fully available for encumbrance.

End 2022, an amount of EUR 4.7 billion of collateral is pledged for derivatives (cash + securities). Securities pledged amount to EUR 0.3 billion and are measured at amortised cost.

Belfius is active in the covered bond market since 2012. End 2022, the total notional amount issued was EUR 6.5 billion which represents a stable amount compared to 2021. End 2022, the assets encumbered for this funding source consist of commercial loans (public sector and mortgage loans) and amount to EUR 7.9 billion (decrease of EUR 0.2 billion compared to end 2021). Assets segregated in cover pools cannot be re-used by investors.

Since 2017 in the context of the management of its liquidity buffer, Belfius is active in bond lending transactions under the agreed Global Master Securities Lending Agreements (GMSLA) to manage its liquidity buffer. This activity generates EUR 0.3 billion of encumbered assets.

EUR 8.5 billion of the pledged collateral to the ECB is encumbered for TLTRO funding of EUR 6.0 billion. The assets pledged to collateralize the TLTRO funding are composed of EUR 8.2 billion public, SME and mortgage loans (through securitisation vehicle Mercurius) and EUR 0.3 billion of bonds. Credit claims pledged for ECB funding cannot be re-used by the ECB.

3. Encumbered assets/collateral received and associated liabilities

	As at 31 December 2021		As at 31 December 2022	
(in thousands of EUR)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABS encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABS encumbered
Carrying amount of selected financial liabilities	32,333,324	39,754,952	16,556,585	21,968,650

4. Transfer of financial assets that do not qualify for derecognition in the consolidated balance sheet

As at 31 December 2021	Carrying amount of transferred assets	Carrying amount of associated liabilities	For those liabilities that recourse only to the transferred asset		
(in thousands of EUR)			Fair value of transferred assets	Fair value of associated liabilities	Net position
Loans and advances due from credit institutions	0	0	0	0	0
Loans and advances	0	0	0	0	0
Debt securities	0	0	0	0	0
Equity instruments	0	0	0	0	0
Derivatives	0	0	0	0	0
TOTAL	0	0	0	0	0

As at 31 December 2022	Carrying amount of transferred assets	Carrying amount of associated liabilities	For those liabilities that recourse only to the transferred asset		
(in thousands of EUR)			Fair value of transferred assets	Fair value of associated liabilities	Net position
Loans and advances due from credit institutions	0	0	0	0	0
Loans and advances	0	0	0	0	0
Debt securities	249	246	0	0	0
Equity instruments	0	0	0	0	0
Derivatives	0	0	0	0	0
TOTAL	249	246	0	0	0

A. Repurchase agreements

Belfius uses repurchase agreements as financing transactions where securities are sold to a market counterparty in exchange for cash and where the transferred securities are repurchased at maturity date of the contract.

The repurchase agreements are conducted under the terms of the Global Master Repurchase Agreements. The market counterparties are subject to the credit risk process as described in the management report.

Since all significant risks and rewards associated with ownership of the transferred securities are retained, the securities remain on the balance sheet of Belfius. The cash obtained under this transaction is recognised as a liability.

Since the counterparty, in case of default, has not only a right on the transferred assets, but on the entire debt, the columns "for those liabilities that resort only to the transferred assets" are not applicable on this.

B. Securitisation of credits

Belfius has different securitisation vehicles that are consolidated as most of the risks and rewards remain for Belfius. The underlying financial assets continue to be recognised on the balance sheet and the liquid assets obtained through securitisation are represented by a debt instrument. We refer to note 12. "Securitisation" for further details.

5. Collateral and other credit enhancements obtained by taking possession of collateral

Amounts involved are immaterial.

6. Offsetting

Financial assets and financial liabilities are offset (and, consequently, only the net amount is reported) when Belfius has a legally or contractually enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

A. Financial assets subject to offsetting

As at 31 December 2021 (in thousands of EUR)	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off**	**Net amounts of financial assets presented in the balance sheet**	**Amounts not set off in the balance**		**Net amount**
				Financial instrument	**Securities + cash collateral received**	
Derivatives with London Clearing House[1]	8,549,625	8,547,068	2,557	0	0	2,557
Derivatives with master netting agreements[1]	7,943,850	0	7,943,850	4,079,980	3,087,854	776,016
Reverse repurchase agreements with London Clearing House	0	0	0	0	0	0
Reverse repurchase agreements with master netting agreements[2]	1,312,308	800,438	511,869	0	500,434	11,435
Securities borrowing	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0
TOTAL	**17,805,783**	**9,347,506**	**8,458,276**	**4,079,980**	**3,588,288**	**790,008**

As at 31 December 2022 (in thousands of EUR)	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off**	**Net amounts of financial assets presented in the balance sheet**	**Amounts not set off in the balance**		**Net amount**
				Financial instrument	**Securities + cash collateral received**	
Derivatives with London Clearing House[1]	8,039,284	8,037,731	1,554	0	0	1,554
Derivatives with master netting agreements[1]	3,972,762	0	3,972,762	2,847,881	901,870	223,011
Reverse repurchase agreements with London Clearing House	0	0	0	0	0	0
Reverse repurchase agreements with master netting agreements[2]	1,434,293	620,805	813,487	0	805,654	7,833
Securities borrowing	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0
TOTAL	**13,446,339**	**8,658,536**	**4,787,803**	**2,847,881**	**1,707,524**	**232,398**

(1) Derivatives are included on the balance sheet in line item VI. Derivatives.
(2) Reverse repurchase agreements are included on the balance sheet in line items II. Loans and advances due from credit institutions measured at amortised cost and III. Loans and advances measured at amortised cost.

B. Financial liabilities subject to offsetting

As at 31 December 2021 (in thousands of EUR)	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off	Net amounts of financial liabilities presented in the balance sheet	Amounts not set off in the balance		Net amount
				Financial instrument	Securities + cash collateral pledged	
Derivatives with London Clearing House	8,575,611	8,547,068	28,542	0	0	28,542
Derivatives with master netting agreements	13,537,060	0	13,537,060	4,079,980	9,401,946	55,134
Repurchase agreements with London Clearing House	0	0	0	0	0	0
Repurchase agreements with master netting agreements	800,517	800,438	79	0	(121)	200
Securities borrowing	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0
TOTAL	22,913,188	9,347,506	13,565,681	4,079,980	9,401,825	83,876

As at 31 December 2022 (in thousands of EUR)	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off	Net amounts of financial liabilities presented in the balance sheet	Amounts not set off in the balance		Net amount
				Financial instrument	Securities + cash collateral pledged	
Derivatives with London Clearing House	8,061,355	8,037,731	23,624	0	0	23,624
Derivatives with master netting agreements	6,692,967	0	6,692,967	2,847,881	3,310,158	534,928
Repurchase agreements with London Clearing House	0	0	0	0	0	0
Repurchase agreements with master netting agreements	621,541	620,805	735	0	735	0
Securities borrowing	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0
TOTAL	15,375,863	8,658,536	6,717,326	2,847,881	3,310,894	558,552

Belfius continues to reassign, where possible, derivatives to LCH for which offsetting is applied.

9.4. Interest-rate repricing risk: breakdown by remaining maturity until next refixing interest rate

Sight accounts and saving deposits are presented in the column "At sight and on demand" as the information presented below takes into account the residual maturity until the next interest-rate refixing date on the legal repayment date, rather than on the observed behavioral customer data. However, for the determination of the interest rate sensitivity of the net asset value or earnings, the observed behaviour of customers on these liabilities is taken into account (see note 9.5. "Market risk and ALM").

1. 2021

A. Assets

(in thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity	Acrrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
Cash and balances with central banks	31,641,371	0	0	0	0	0	(434)	0	(590)	31,640,347
Loans and advances due from credit institutions	9,432,485	921,626	37,250	4,622	0	18,080	(2,503)	0	(323)	10,411,237
Loans and advances	2,329,396	16,028,682	15,355,584	26,831,098	41,074,912	2,247,142	312,086	265,427	(1,765,512)	102,678,814
Debt securities & equity instruments	0	4,896,466	2,263,090	4,036,197	11,058,904	2,018,133	294,393	2,802,422	(174,255)	27,195,351
Derivatives							454,891	8,454,148	0	8,909,039
Unit linked products insurance activities						4,245,672				4,245,672
Gain/loss on the hedged item in portfolio hedge of interest rate risk								3,651,783		3,651,783
Investments in equity method companies						96,107				96,107
Tangible fixed assets						1,614,068				1,614,068
Intangible assets						214,928				214,928
Goodwill						103,966				103,966
Current tax assets						27,073				27,073
Deferred tax assets						328,704				328,704
Other assets	65,379	172,307	123,192	62,053	60,705	510,023	0	15,276	(1,985)	1,006,950
Non current assets (disposal group) held for sale and discontinued operations						31,810		0	(5,305)	26,505
TOTAL ASSETS	43,468,632	22,019,080	17,779,115	30,933,970	52,194,522	11,455,707	1,058,432	15,189,055	(1,947,970)	192,150,543
Regular way trade	0	891,052	468	70	20	243,491	0	0	0	1,135,101
Derivatives	0	112,314,562	61,123,398	53,251,467	57,103,827	2,323,914	0	0	0	286,117,168
OFF BALANCE SHEET	**0**	**113,205,614**	**61,123,866**	**53,251,536**	**57,103,847**	**2,567,406**	**0**	**0**	**0**	**287,252,269**
TOTAL FOR INTEREST RATE REPRICING RISK	43,468,632	135,224,694	78,902,981	84,185,506	109,298,369	14,023,112	1,058,432	15,189,055	(1,947,970)	479,402,813

B. Liabilities

(in thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity	Acrrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
Cash and balances from central banks	15,650,000	0	0	0	0	0	(231,928)	0	0	15,418,072
Credit institutions borrowings and deposits	3,141,485	402,950	10,772	33,849	3,626	0	(1,647)	0	0	3,591,036
Borrowings and deposits	87,467,562	15,674,584	642,580	138,042	419,921	9,466	49,320	2,538	0	104,404,013
Debt securities issued and other financial liabilities	0	3,450,135	4,735,340	9,392,244	5,325,949	646	129,828	111,211	0	23,145,353
Unit linked products insurance activities						4,245,672			0	4,245,672
Derivatives							1,036,919	12,981,810	0	14,018,729
Gain/loss on the hedged item in portfolio hedge of interest rate risk								45,766	0	45,766
Provisions for insurance activities	0	0	0	0	0	12,191,017			0	12,191,017
Provisions and contingent liabilities	0	0	0	0	0	366,909	0	0	162,263	529,173
Subordinated debts	0	223,221	129,966	700,826	497,214	72,000	19,522	0	0	1,642,749
Current tax liabilities						41,682			0	41,682
Deferred tax liabilities						7,502			0	7,502
Other liabilities	69,512	780,705	11,565	45,608	0	468,998	643	0	0	1,377,031
TOTAL LIABILITIES	106,328,559	20,531,595	5,530,224	10,310,569	6,246,710	17,403,891	1,002,657	13,141,326	162,263	180,657,795
Regular way trade	0	10,314,129	243	12,596	1,324	238,792	0	0	0	10,567,084
Derivatives	0	120,188,132	76,360,096	46,212,954	52,204,256	227,756	0	0	0	295,193,194
OFF BALANCE SHEET	**0**	**130,502,261**	**76,360,338**	**46,225,550**	**52,205,580**	**466,548**	**0**	**0**	**0**	**305,760,278**
TOTAL FOR INTEREST RATE REPRICING RISK	106,328,559	151,033,856	81,890,562	56,536,119	58,452,290	17,870,440	1,002,657	13,141,326	162,263	486,418,073

C. Net position

(in thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity
On-balance-sheet sensitivity gap	(62,859,927)	(15,809,162)	(2,987,581)	27,649,387	50,846,079	(3,847,327)

The actual interest rate risk of Belfius is managed based on more advanced assumptions. (See note 9.5. Market risk and ALM)

2. 2022
A. Assets

(in thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undeter-mined maturity	Acrrued interest	Changes in fair value and fair value of derivatives	Impair-ment	Total
Cash and balances with central banks	27,290,131	0	0	0	0	0	5,812	0	(509)	27,295,434
Loans and advances due from credit institutions	3,551,906	542,860	35,291	5,916	(81)	71	7,757	0	(118)	4,143,601
Loans and advances	2,241,469	21,120,534	12,449,850	28,706,154	44,937,989	2,360,810	380,866	(84,538)	(1,802,342)	110,310,792
Debt securities & equity instruments	0	3,919,931	2,075,882	4,068,001	11,152,226	2,293,774	255,958	(576,200)	(162,852)	23,026,722
Derivatives							(141,570)	6,034,675	0	5,893,105
Unit linked products insurance activities						3,969,934				3,969,934
Gain/loss on the hedged item in portfolio hedge of interest rate risk								1,134,326		1,134,326
Investments in equity method companies						94,019				94,019
Tangible fixed assets						1,672,048				1,672,048
Intangible assets						236,639				236,639
Goodwill						103,966				103,966
Current tax assets						27,115				27,115
Deferred tax assets						463,565				463,565
Other assets	154,499	163,153	67,458	75,407	59,498	530,271	0	8,195	(3,753)	1,054,728
Non current assets (disposal group) held for sale and discontinued operations						43,188	0	0	(3,504)	39,684
TOTAL ASSETS	33,238,005	25,746,477	14,628,481	32,855,478	56,149,633	11,795,400	508,824	6,516,459	(1,973,077)	179,465,679
Regular way trade	0	897,976	675	507	0	136,669	0	0	0	1,035,827
Derivatives	0	104,507,505	67,277,810	46,250,353	44,199,675	2,128,920	0	0	0	264,364,263
OFF BALANCE SHEET	0	105,405,480	67,278,485	46,250,860	44,199,675	2,265,589	0	0	0	265,400,090
TOTAL FOR INTEREST RATE REPRICING RISK	33,238,005	131,151,958	81,906,966	79,106,338	100,349,308	14,060,989	508,824	6,516,459	(1,973,077)	444,865,769

B. Liabilities

(in thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undeter-mined maturity	Acrrued interest	Changes in fair value and fair value of derivatives	Impair-ment	Total
Cash and balances from central banks	6,000,000	0	0	0	0	0	(95,887)	0	0	5,904,113
Credit institutions borrowings and deposits	1,078,498	730,644	12,420	32,282	3,027	10,890	1,880	0	0	1,869,641
Borrowings and deposits	90,693,489	15,595,325	1,571,145	105,895	394,742	13,044	77,120	(3,274)	0	108,447,486
Debt securities issued and other financial liabilities	0	5,939,165	6,546,102	9,718,690	4,286,485	497	123,904	(686,275)	0	25,928,567
Unit linked products insurance activities						3,969,934			0	3,969,934
Derivatives							443,284	7,805,225	0	8,248,509
Gain/loss on the hedged item in portfolio hedge of interest rate risk								(1,606,023)	0	(1,606,023)
Provisions for insurance activities	0	0	0	0	0	11,495,400			0	11,495,400
Provisions and contingent liabilities	0	0	0	0	0	325,437	0	0	172,222	497,660
Subordinated debts	0	199,455	67,500	690,163	497,441	72,000	20,646	0	0	1,547,204
Current tax liabilities						63,014			0	63,014
Deferred tax liabilities						6,165			0	6,165
Other liabilities	96,716	876,509	16,345	27,647	13	455,537	588	0	0	1,473,356
Liabilities included in disposal group and discontinued operations	0	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	97,868,704	23,341,098	8,213,512	10,574,677	5,181,708	16,411,918	571,535	5,509,653	172,222	167,845,027
Regular way trade	0	7,834,537	2,191	9,480	0	167,798	0	0	0	8,014,006
Derivatives	0	110,417,559	65,924,805	39,899,885	48,555,170	345,438	0	0	0	265,142,857
OFF BALANCE SHEET	**0**	**118,252,096**	**65,926,997**	**39,909,365**	**48,555,170**	**513,236**	**0**	**0**	**0**	**273,156,863**
TOTAL FOR INTEREST RATE REPRICING RISK	97,868,704	141,593,194	74,140,509	50,484,042	53,736,878	16,925,154	571,535	5,509,653	172,222	441,001,890

C. Net position

(in thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity
On-balance-sheet sensitivity gap	(64,630,699)	(10,441,236)	7,766,457	28,622,296	46,612,430	(2,864,165)

The actual interest rate risk of Belfius is managed based on more advanced assumptions. (See note 9.5. Market risk and ALM)

9.5. Market risk and ALM

1. Financial markets

Within Belfius Bank, the Financial Markets Services department (FM) is the central point of entry to the financial markets. In general aspect, the department does not negotiate positions for own account: all transactions are based on client transactions. Transactions made by external or internal clients, for instance ALM including liquidity management belonging to the last category, are hedged overall within a framework of limits that complies with Belfius's risk policies. As a result, the various market risks are kept within that framework, a.o. by hedging transactions. The VaR figures stated below reflect these residual positions.

The risks on client flow management activities include general interest rate (including inflation), foreign exchange, equity prices, credit spread and other risks (CO2). These risks are managed within Value at Risk limits and other appropriate risk limits.

Cash and Liquidity Management (CLM) is monitored by means of Value at Risk limits (VaR) and interest rate sensitivity limits.

The spread risk of credit derivatives, value adjustments (XVA) and client flow management activities are managed with spread limits.

The Value-at-Risk (VaR) concept is used as the principal metric for management of the market risk Belfius Bank is facing. The VaR measures the maximum loss in Net Present Value (NPV) the bank might be facing in historical market conditions over a period of 10 days with a confidence interval of 99%. The following risks are monitored at Belfius using a VaR computation:

- The interest rate, inflation and foreign-exchange (forex) rate risk: this category of risk is monitored via a historical VaR based on an internal model approved by the National Bank of Belgium and the European Central Bank. The historical simulation approach consists of managing the portfolio through a time series of historical asset yields. These revaluations generate a distribution of portfolio values (yield histogram) on the basis of which a VaR (% percentile) may be calculated.

The main advantages of this type of VaR are its simplicity and the fact that it does not assume a normal but a historical distribution of asset yields (distributions may be non-normal and the behaviour of the observations may be non-linear).

- The general and specific equity risks are measured on the basis of a historical VaR with full valuation based on 300 scenarios.
- The spread risk and the inflation risk are measured via a historical approach, applying 300 observed variations on the sensitivities.

Since the end of 2011, Belfius also computes a Stressed Value-at-Risk (S-VaR) on top of its regular VaR, which also enters into the computation of weighted risks for Market Risk. This S-VaR measure consists of calculating a historical VaR based on a 12 consecutive months observation period which generates the largest negative variations of Net Present Value in the bank's current portfolio of financial instruments.

VaR(1) (99%, 10 days) (in thousands of EUR)	**31/12/21**				**31/12/22**			
	IR & FX(2) & (3)	**Equity**	**Spread**	**Other risks(4)**	**IR & FX(2) & (3)**	**Equity**	**Spread**	**Other risks(4)**
By activity								
Average	5,371	4,715	633	333	7,457	4,620	1,092	433
EOY	3,916	2,643	220	470	6,269	5,792	823	395
Maximum	14,360	9,700	1,518	570	17,451	11,960	2,334	843
Minimum	2,371	2,429	118	291	3,653	2,245	194	365
Global								
Average	11,052				13,602			
EOY	7,250				13,279			
Maximum	25,418				25,270			
Minimum	5,862				7,802			
Limit	23,300				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. Value adjustments

A separate sensitivity based monitoring is in place for three blocks of activities that are not part of the VaR scope. For each type separately and for all three combined, limits are in place for interest rate, FX, inflation and credit spread sensitivities.

Firstly, the value adjustments (CVA/DVA/FVA) related to Belfius' derivative exposures are sensitive to market risk as well. While certain sensitivities can be hedged almost completely (interest rate, inflation and currency), other risks like credit spreads and funding spread can only be hedged with proxies (like ITRAXX).

Similarly for the credit derivatives, the IR, FX and inflation sensitivities are well hedged, and also credit spreads sensitivity is within limits.

Finally, the hedge inefficiency of the bond portfolio due to difference in discount curve for the bond and it's related swap is managed on a daily basis as well, with hedges in place for the resulting inflation, basis risk and directional IR exposure.

Basis Point Sensitivity	31/12/21					31/12/22				
(in thousands of EUR)	IR	Spread(1)	Tenor Basis	Cross currency	Inflation risk	IR	Spread(1)	Tenor Basis	Cross currency	Inflation risk
By activity										
EOY	(54)	(153)	0	(107)	7	(7)	(53)	(23)	(66)	2

(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 if interest rates move by 10 bps across the entire curve. The long-term sensitivity of the ALM perimeter was EUR -59 million per 10 bps on 31 December 2022 (compared to EUR -55 million per 10 bps at 31 December 2021), excluding interest positions of Belfius Insurance and of the pension funds of Belfius Bank.

Earnings at Risk indicators capture the shorter-term effect of the interest rate changes on the earnings of the Bank. Therefore, indirectly through profitability, interest rate changes can also have a shorter-term solvency effect. A 50 bps increase of interest rates has an estimated positive impact on net interest income (before tax) of EUR +32 million of the next book year and an estimated cumulative effect of EUR +87 million over a three year period, whereas a 50 bps decrease would lead to an estimated impact of EUR +8 million of the next book year and an estimated cumulative effect of EUR +2 million over a three year period (compared to EUR +31 million, resp. EUR +192 million and EUR -9 million, resp. EUR -103 million for similar rate shocks end of last year).

(in thousands of EUR)	31/12/21	31/12/22
Bank		
Economic value (+10 bps)	(54,950)	(58,734)
Earnings at risk (+50 bps)	31,335	31,980
Insurance		
Economic value (+10 bps)	8,332	382
Earnings at risk (+50 bps)	4,354	4,392

B. Real estate - direct property

	31/12/21	31/12/22
(in thousands of EUR)	Measured at amortised cost	Measured at amortised cost
Insurance		
Market value	763,202	720,198
Shock 15% (negative)	(114,480)	(108,030)

Sensitivities are only reported for the direct property investment portfolio of Belfius Insurance group. The direct property held by the Belfius bank mainly includes leasing contracts for the construction of property and property for own use.

4. Debt securities

A. Outstanding nominal amounts debt securities

	31/12/21			31/12/22		
(in thousands of EUR)	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss
Bank - bond portfolio (nominal value)	10,273,470		21,471	10,188,987		10,000
Insurance - bond portfolio (nominal value)	4,879,391	2,919,120	159,057	4,081,675	3,109,934	33,384
Insurance - investment funds (market value)			498,097			844,001

B. Interest-rate sensitivity

	31/12/21			31/12/22		
(in thousands of EUR)	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss
Bond portfolio	(5,063)	(3,040)	(140)	(2,958)	(1,860)	(27)

The interest rate risk of the bond portfolio of the bank is either micro-hedged (for the former Side portfolio; hence low net interest rate sensitivity) or is managed through the ALM-framework (hence net interest rate sensitivity part of global ALM interest rate sensitivity). Furthermore, for all debt securities measured at fair value through profit and loss within the banking book the interest rate is managed within the framework of the financial markets. The sensitivity to 1 bp interest rate increase of the value of the bond portfolio of the insurance companies amounted to EUR -4.8 million at the end of 2022, 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)	31/12/21			31/12/22		
	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss
Bank	(17,120)		(5)	(9,664)		(3)
Insurance	(5,138)	(3,055)	(133)	(3,149)	(2,111)	(92)

D. Shock Equity risk 30% (negative)

Concerns equity shock on investment funds within Belfius Insurance.

(in thousands of EUR)	31/12/21	31/12/22
	Measured at fair value through other comprehensive income	Measured at fair value through other comprehensive income
Insurance	(58,177)	(74,863)

5. Listed equity & real estate

(in thousands of EUR)	31/12/21	31/12/22
	Measured at fair value through other comprehensive income	Measured at fair value through other comprehensive income
Insurance		
Market value – quoted shares & assimilated	407,602	277,322
Market value – quoted real estate	255,182	97,448
Shock 30% (negative)	(198,835)	(112,431)
VaR (99%, 10 days)	57,916	47,999

9.6. Liquidity risk

Liquidity is managed with a view to comply with our Liquidity Risk Management guidelines and framework. We also refer to the management report for a detailed description.

We refer to the management report for more information on the Liquidity Coverage Ratio. The Liquidity Coverage Ratio forces financial institutions to maintain a sufficient stock of quality liquid assets to withstand a crisis that puts their cash flows under pressure. The liquid assets to hold must be equal to or greater than their net cash outflow over a 30-day period under stress (as such, having at least 100% coverage). The parameters of the stress scenario are defined under Basel III.

Belfius Insurance holds a significant amount of unencumbered assets that are eligible at the ECB. More specific, the company invests at least 40% of its bond portfolio in government bonds eligible for repos in the context of its liquidity management.

Breakdown residual maturity

We do not disclose amounts on the expected prepayment dates as such we have used the contractual maturity date for this table.

Current accounts and saving deposits are included in the column "At sight and on demand" even if they have no fixed repayment date.

All other assets and liabilities are split over the different periods according to the contractual cashflows caracteristics.

1. 2021

A. Assets

(in thousands of EUR)	Breakdown of gross amount and premium/discount						Acrrued interest	Changes in fair value and fair value of derivatives	Impair-ment	Total
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undeter-mined maturity				
Cash and balances with central banks	31,641,371	0	0	0	0	0	(434)	0	(590)	31,640,347
Loans and advances due from credit institutions	9,432,485	522,755	30,000	4,622	406,121	18,080	(2,503)	0	(323)	10,411,237
Loans and advances	2,329,396	12,567,710	10,379,567	28,330,188	48,012,810	2,247,142	312,086	265,427	(1,765,512)	102,678,814
Debt securities & equity instruments	0	1,545,391	1,029,403	4,203,878	15,453,184	2,040,934	294,393	2,802,422	(174,255)	27,195,351
Unit linked products insurance activities	0	0	0	0	0	4,245,672	0	0	0	4,245,672
Derivatives	0	0	0	0	0	0	454,891	8,454,148	0	8,909,039
Gain/loss on the hedged item in portfolio hedge of interest rate risk	0	0	0	0	0	0	0	3,651,783	0	3,651,783
Investments in equity method companies	0	0	0	0	0	96,107	0	0	0	96,107
Tangible fixed assets	0	0	0	0	0	1,614,068	0	0	0	1,614,068
Intangible assets	0	0	0	0	0	214,928	0	0	0	214,928
Goodwill	0	0	0	0	0	103,966	0	0	0	103,966
Current tax assets	0	0	0	0	0	27,073	0	0	0	27,073
Deferred tax assets	0	0	0	0	0	328,704	0	0	0	328,704
Other assets	65,447	171,455	123,192	62,090	60,876	510,599	0	15,276	(1,985)	1,006,950
Non current assets (disposal group) held for sale and discontinued operations	0	0	0	0	0	31,810	0	0	(5,305)	26,505
TOTAL ASSETS	43,468,700	14,807,311	11,562,162	32,600,778	63,932,991	11,479,084	1,058,432	15,189,055	(1,947,970)	192,150,543
Regular way trade	0	1,126,846	243	0	20	7,992	0	0	0	1,135,101
Foreign exchange derivatives	0	4,576,613	3,693,961	3,303,172	16,589,105	0	0	0	0	28,162,852
CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE	**0**	**5,703,459**	**3,694,204**	**3,303,172**	**16,589,125**	**7,992**	**0**	**0**	**0**	**29,297,953**
TOTAL	43,468,700	20,510,771	15,256,366	35,903,951	80,522,116	11,487,076	1,058,432	15,189,055	(1,947,970)	221,448,496

B. Liabilities

(in thousands of EUR)	Breakdown of gross amount and premium/discount						Acrrued interest	Changes in fair value and fair value of derivatives	Impair-ment	Total
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undeter-mined maturity				
Cash and balances from central banks	15,650,000	0	0	0	0	0	(231,928)	0	0	15,418,072
Credit institutions borrowings and deposits	3,141,485	402,950	3,522	33,849	10,876	0	(1,647)	0	0	3,591,036
Borrowings and deposits	87,467,562	15,337,850	652,580	404,776	479,921	9,466	49,320	2,538	0	104,404,013
Debt securities issued and other financial liabilities	0	1,240,958	2,400,790	12,278,955	6,983,460	151	129,828	111,211	0	23,145,353
Unit linked products insurance activities	0	0	0	0	0	4,245,672	0	0	0	4,245,672
Derivatives	0	0	0	0	0	0	1,036,919	12,981,810	0	14,018,729
Gain/loss on the hedged item in portfolio hedge of interest rate risk	0	0	0	0	0	0	0	45,766	0	45,766
Provisions and contingent liabilities	0	0	0	0	0	366,909	0	0	162,263	529,173
Provisions for insurance activities	0	332,337	990,207	3,658,040	7,210,433	0	0	0	0	12,191,017
Subordinated debts	0	29,999	44,966	700,826	690,437	157,000	19,522	0	0	1,642,749
Current tax liabilities	0	0	0	0	0	41,682	0	0	0	41,682
Deferred tax liabilities	0	0	0	0	0	7,502	0	0	0	7,502
Other liabilities	69,512	780,734	11,565	45,625	254	468,698	643	0	0	1,377,031
TOTAL LIABILITIES	106,328,559	18,124,829	4,103,630	17,122,072	15,375,381	5,297,079	1,002,657	13,141,326	162,263	180,657,795
Shareholders' core equity	0	0	0	0	0	10,560,172	0	0	0	10,560,172
Gains and losses not recognised in the statement of income	0	0	0	0	0	402,953	0	0	0	402,953
TOTAL SHAREHOLDERS' EQUITY	**0**	**0**	**0**	**0**	**0**	**10,963,126**	**0**	**0**	**0**	**10,963,126**
Additional Tier-1 instruments included in equity						497,083				497,083
Non-controlling interests						32,539				32,539
TOTAL EQUITY	0	0	0	0	0	11,492,748	0	0	0	11,492,748
TOTAL LIABILITIES AND EQUITY	106,328,559	18,124,829	4,103,630	17,122,072	15,375,381	16,789,827	1,002,657	13,141,326	162,263	192,150,543
Regular way trade	0	10,566,841	243	0	0	0	0	0	0	10,567,084
Foreign exchange derivatives	0	4,592,267	3,734,088	3,299,255	16,400,465	0	0	0	0	28,026,075
CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE	**0**	**15,159,109**	**3,734,331**	**3,299,255**	**16,400,465**	**0**	**0**	**0**	**0**	**38,593,159**
TOTAL	106,328,559	33,283,937	7,837,961	20,421,326	31,775,845	16,789,827	1,002,657	13,141,326	162,263	230,743,702

C. Total liquidity gap

(in thousands of EUR)	Breakdown of gross amount and premium/discount					
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity
Total liquidity gap	(62,859,859)	(12,773,167)	7,418,405	15,482,624	48,746,271	(5,302,752)

2. 2022

A. Assets

(in thousands of EUR)	Breakdown of gross amount and premium/discount: At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity	Acrrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
Cash and balances with central banks	27,290,131	0	0	0	0	0	5,812	0	(509)	27,295,434
Loans and advances due from credit institutions	3,551,906	165,142	27,541	5,916	385,387	71	7,757	0	(118)	4,143,601
Loans and advances	2,241,469	15,919,146	10,591,602	29,711,356	50,992,422	2,360,810	380,866	(84,538)	(1,802,342)	110,310,792
Debt securities & equity instruments	0	918,312	905,525	4,214,661	15,162,700	2,308,617	255,958	(576,200)	(162,852)	23,026,722
Unit linked products insurance activities	0	0	0	0	0	3,969,934	0	0	0	3,969,934
Derivatives	0	0	0	0	0	0	(141,570)	6,034,675	0	5,893,105
Gain/loss on the hedged item in portfolio hedge of interest rate risk	0	0	0	0	0	0	0	1,134,326	0	1,134,326
Investments in equity method companies	0	0	0	0	0	94,019	0	0	0	94,019
Tangible fixed assets	0	0	0	0	0	1,672,048	0	0	0	1,672,048
Intangible assets	0	0	0	0	0	236,639	0	0	0	236,639
Goodwill	0	0	0	0	0	103,966	0	0	0	103,966
Current tax assets	0	0	0	0	0	27,115	0	0	0	27,115
Deferred tax assets	0	0	0	0	0	463,565	0	0	0	463,565
Other assets	154,499	162,789	67,458	75,439	59,829	530,272	0	8,195	(3,753)	1,054,728
Non current assets (disposal group) held for sale and discontinued operations	0	0	0	0	0	43,188	0	0	(3,504)	39,684
TOTAL ASSETS	33,238,005	17,165,389	11,592,126	34,007,373	66,600,338	11,810,244	508,824	6,516,459	(1,973,077)	179,465,679
Regular way trade	0	1,035,728	0	0	0	99	0	0	0	1,035,827
Foreign exchange derivatives	0	3,263,048	2,284,363	6,292,869	19,599,346	0	0	0	0	31,439,627
CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE	0	4,298,776	2,284,363	6,292,869	19,599,346	99	0	0	0	32,475,454
TOTAL	33,238,005	21,464,165	13,876,490	40,300,242	86,199,684	11,810,342	508,824	6,516,459	(1,973,077)	211,941,133

B. Liabilities

(in thousands of EUR)	Breakdown of gross amount and premium/discount						Acrrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity				
Cash and balances from central banks	6,000,000	0	0	0	0	0	(95,887)	0	0	5,904,113
Credit institutions borrowings and deposits	1,078,498	730,644	4,670	32,282	10,777	10,890	1,880	0	0	1,869,641
Borrowings and deposits	90,693,489	15,475,225	1,585,645	151,495	454,742	13,044	77,120	(3,274)	0	108,447,486
Debt securities issued and other financial liabilities	0	3,659,511	3,427,552	13,752,214	5,651,563	99	123,904	(686,275)	0	25,928,567
Unit linked products insurance activities	0	0	0	0	0	3,969,934	0	0	0	3,969,934
Derivatives	0	0	0	0	0	0	443,284	7,805,225	0	8,248,509
Gain/loss on the hedged item in portfolio hedge of interest rate risk	0	0	0	0	0	0	0	(1,606,023)	0	(1,606,023)
Provisions and contingent liabilities	0	0	0	0	0	325,437	0	0	172,222	497,660
Provisions for insurance activities	0	271,725	808,724	3,098,331	7,316,620	0	0	0	0	11,495,400
Subordinated debts	0	0	0	690,163	696,896	139,500	20,646	0	0	1,547,204
Current tax liabilities	0	0	0	0	0	63,014	0	0	0	63,014
Deferred tax liabilities	0	0	0	0	0	6,165	0	0	0	6,165
Other liabilities	96,716	876,937	15,648	27,659	270	455,537	588	0	0	1,473,356
Liabilities included in disposal group and discontinued operations	0	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	97,868,704	21,014,041	5,842,239	17,752,144	14,130,868	4,983,620	571,535	5,509,653	172,222	167,845,027
shareholders' core equity	0	0	0	0	0	11,166,919	0	0	0	11,166,919
Gains and losses not recognised in the statement of income	0	0	0	0	0	(77,910)	0	0	0	(77,910)
TOTAL SHAREHOLDERS' EQUITY	**0**	**0**	**0**	**0**	**0**	**11,089,008**	**0**	**0**	**0**	**11,089,008**
Additional Tier-1 instruments included in equity						497,083				497,083
Non-controlling interests						34,561				34,561
TOTAL EQUITY	0	0	0	0	0	11,620,652	0	0	0	11,620,652
TOTAL LIABILITIES AND EQUITY	97,868,704	21,014,041	5,842,239	17,752,144	14,130,868	16,604,273	571,535	5,509,653	172,222	179,465,679
Regular way trade	0	8,011,869	2,138	0	0	0	0	0	0	8,014,006
Foreign exchange derivatives	0	3,278,171	2,262,160	6,277,126	19,171,293	0	0	0	0	30,988,750
CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE	**0**	**11,290,039**	**2,264,298**	**6,277,126**	**19,171,293**	**0**	**0**	**0**	**0**	**39,002,756**
TOTAL	97,868,704	32,304,081	8,106,537	24,029,270	33,302,161	16,604,273	571,535	5,509,653	172,222	218,468,435

C. Total liquidity gap

(in thousands of EUR)	Breakdown of gross amount and premium/discount					
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity
Total liquidity gap	(64,630,699)	(10,839,916)	5,769,953	16,270,972	52,897,523	(4,793,930)

9.7. Currency risk and foreign exchange

1. Currency risk

(in thousands of EUR)	31/12/21 GBP	USD	Other	EUR	Total
Total assets	11,387,458	1,878,746	1,887,331	176,997,009	192,150,543
Total liabilities	4,639,189	3,126,566	2,278,000	170,614,040	180,657,795
Total equity	(148,995)	49,544	19,422	11,572,777	11,492,748
Of which gains and losses not recognised in the statement of income	(148,995)	49,544	18,051	484,145	402,746
Of which other equity	0	0	1,371	11,088,631	11,090,002
NET ON BALANCE POSITION	**6,897,263**	**(1,297,364)**	**(410,091)**	**(5,189,808)**	**0**
Off balance sheet – to receive	1,463,544	12,400,714	3,456,773	10,736,766	28,057,797
Off balance sheet – to deliver	8,391,342	11,030,021	2,881,568	5,614,066	27,916,998
OFF BALANCE SHEET – NET POSITION	**(6,927,798)**	**1,370,693**	**575,205**	**5,122,699**	**140,799**
NET POSITION	(30,535)	73,328	165,114	(67,109)	

(in thousands of EUR)	31/12/22 GBP	USD	Other	EUR	Total
Total assets	6,553,393	1,742,921	856,285	170,313,081	179,465,679
Total liabilities	2,973,646	2,402,644	1,533,855	160,934,881	167,845,027
Total equity	(149,198)	13,703	31,420	11,724,727	11,620,652
Of which gains and losses not recognised in the statement of income	(149,198)	13,703	28,391	28,985	(78,118)
Of which other equity	0	0	3,029	11,695,742	11,698,771
NET ON BALANCE POSITION	**3,728,945**	**(673,427)**	**(708,991)**	**(2,346,527)**	**0**
Off balance sheet – to receive	3,462,560	14,416,984	3,013,899	10,154,012	31,047,454
Off balance sheet – to deliver	7,124,102	13,656,892	2,177,888	7,628,357	30,587,240
OFF BALANCE SHEET – NET POSITION	**(3,661,543)**	**760,091**	**836,011**	**2,525,655**	**460,214**
NET POSITION	67,402	86,665	127,020	179,127	

Depending on the measurement of the asset, foreign exchange gains and losses are recognised in profit or loss "Net income from financial instruments at fair value through profit or loss" or in other comprehensive income. We refer to the accounting policies for more information.

2. Foreign exchange

		31/12/21		31/12/22	
		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.5658	1.5775	1.5773	1.5178
Canadian dollar	CAD	1.4389	1.4786	1.4480	1.3702
Swiss franc	CHF	1.0369	1.0795	0.9862	1.0009
Koruna (Czech republic)	CZK	24.8595	25.6282	24.1480	24.5330
Danish krone	DKK	7.4366	7.4368	7.4364	7.4392
Euro	EUR	1.0000	1.0000	1.0000	1.0000
Pound sterling	GBP	0.8399	0.8581	0.8869	0.8543
Hong Kong dollar	HKD	8.8626	9.1790	8.3150	8.2264
Forint	HUF	369.0950	358.5446	400.6050	392.8638
Shekel	ILS	3.5250	3.8123	3.7588	3.5459
Yen	JPY	130.7700	130.3296	141.0050	138.2521
Mexican peso	MXN	23.2119	24.0423	20.7325	21.0577
Norwegian Krone	NOK	10.0256	10.1802	10.5326	10.1229
New Zealand dollar	NZD	1.6613	1.6729	1.6897	1.6628
Swedish krona	SEK	10.2894	10.1635	11.1187	10.6587
Singapore dollar	SGD	1.5329	1.5853	1.4317	1.4479
Turkish lira	TRY	15.1595	10.8164	19.9625	17.4756
US dollar	USD	1.1365	1.1807	1.0668	1.0505

9.8. Insurance Risk

1. Definition

Belfius Insurance, as a part of Belfius, takes up risk through the insurance contracts that it underwrites. The risks within the underwriting risk category are associated with both the exposure covered by the specific line of insurance (Life or Non-Life) and the specific processes associated with insurance business (claims processing, premium collection, pricing, selection, etc.).

The risks that apply to all lines of the insurance business can be globally categorised as follows:

Life underwriting risk: is the risk arising from the life insurance obligations, in relation to the perils covered and the processes used in the conduct of business. It is split up into seven sub segments:

- mortality risk, which is the risk that mortality increases. It applies to all undertakings for which the expected pay-outs increase when mortality increases;
- longevity risk is the opposite of the mortality risk. It applies to policies for which a fall in mortality would result in an increase in the expected payouts (e.g. pension policies). Improvements in medical treatments that prolong life without restoring the ability to work could cause these risks to materialise at a greater frequency than currently observed;
- morbidity or disability risk relates to the risk of loss or disadvantageous movement in expected benefits caused by changes in the level, nature, trend or volatility of the degree of disability;
- lapse risk for Life is described as the risk of loss or increase in pay-out caused to a difference between the effective exercise rate of the contractual options by the policyholder and the expected exercise rate. The term "options" should be viewed in the broad sense of the word: this submodule contains options in relation to redemption, cancellation or premium reduction, as well as the expansion of the guarantees. For some policies, exercise may be at the benefit of the insurance company, while for others it may result in a loss. As a result, this submodule features two scenarios: one in which the options are exercised more frequently than expected and another where they are exercised less frequently;
- expense risk corresponds with the risk that the expenses are higher than expected or that they subdue to higher inflation than expected;
- revision risk only applies for the annuities whose amounts may be valued negatively for the insurer as the result of a change in the statutory environment or in the policyholder's health situation;
- catastrophe risk is restricted to policies where an immediate and dramatic rise in mortality would result in an increase in benefits.

Non-Life underwriting risk: is the specific insurance risk arising from Non-Life insurance contracts. This uncertainty about the results of the insurer's underwriting could be split in three sub-segments:

- premium risk which is the risk where the amount of premiums received is not sufficient to pay claims that occur during the coverage period to which the premiums relate to;
- reserve risk is the risk of loss or unfavourable change in the value of the insurance undertakings arising from changes in the frequency and severity of the insured events, as well as in the date and amount of the claims to be paid;
- catastrophe risk is the risk arising from unpredictable events including, but not limited to, windstorms, coastal inundation, floods, severe winter weather, and other weather-related events, pandemics, large-scale fires, industrial explosions, earthquakes and other man-made disasters such as civil unrest and terrorist attacks, that is not covered by the premiums or reserves.

Product design risk: is the risk of loss resulting from features, options or guarantees that were unanticipated in the design and pricing of the insurance product.

2. Managing the insurance risk

The Risk & Underwriting Committee gives recommendations about strategy in the area of underwriting and reserving for the insurance companies within Belfius Insurance and the resulting policy, in particular with regard to the following points:

- types and characteristics of the insurance business that Belfius Insurance is willing to manage:
- selection criteria for the risks that match the risk appetite;
- the way in which the actual underwriting is monitored;
- the managing between, on the one hand, the insurance premiums collected and, on the other, the claims to be paid out when costs are borne;
- identification of the risks arising from the undertakings of Belf ius Insurance, including the implicit options and the capital that is guaranteed by the insurance products;
- making provisions for claims.

The overall strategy is developed by each concerned entity and is follow-up by the local persons in charge.

Reinsurance is one of the methods used to limit the insurance risk. The main objective of reinsurance is to reduce volatility in capital requirements and profits, and to diminish the uncertainty associated with the risk in the insurer's valuation.

The drivers of reinsurance are:

- capacity: reinsurance gives insurers greater flexibility in terms of scope, type of risk and business volume that they can safely accept. This enables insurers to embark on new business or to expand their activities for a short period;
- stability: structured reinsurance programmes enable insurers to stabilise their operating income;
- protection: reinsurance provides protection against cumulative financial losses caused by a succession of events (such as poor weather) or against significant financial losses arising from a single event;

- funding: reinsurance can be an alternative to a capital increase;
- expertise: reinsurers assist insurers in their area of expertise. The qualified staff of reinsurance companies offer their services, for instance in establishing a new business.

3. Sensitivities

Belfius Insurance evaluates the effect of sensitivities on available financial resources.

Given the low interest rates, the value of the technical reserves is higher than the redemption value, which results in a negative impact on capital in the event of a reduction in the lapse rate.

The review of cost assumptions has a negative impact on the available financial resources.

An increase of the mortality rates has a negative impact on available financial resources.

As for life activities, in non-life business, higher cost assumptions lead to a lower result. An increase of claims leads also to a lower result.

Underwriting risk Life: scenario that corresponds to[1]

	Impact on available financial resources before taxes	
(in millions of EUR)	31/12/21	31/12/22
An increase of 15% in mortality	(47)	(36)
An increase of 10% in costs + 1% inflation	(217)	(217)
A decrease of 10% in the redemption rate	(18)	4

(1) Scope: Belfius Insurance SA (= Belins solo), Branch 23 included.

Underwriting risk Non-Life: scenario that corresponds to[1]

	Impact on income before taxes	
(In millions of EUR)	31/12/21	31/12/22
An increase of 10% in administrative costs	(9)	(11)
An increase of 5% in claims made	(23)	(23)

(1) Scope: Belfius Insurance SA and Corona SA (= Belins conso).

4. Development of claims

The claims triangle is the usual method for expressing the settlement of non-life claims stretched out over a number of years. Inter alia it enables actuaries to assess the appropriateness of the non-life technical provisions. Between the event and closing date of a claim, the insurer assess the amount on total cost of the claim. During this period, the insurer establishes a reserve that equals to the estimated amount of future payments for the claim.

Given the reserve is an estimate, there is a risk that the amount effectively paid is different (higher or lower). To assess that risk, it is necessary to study the variation of two amounts:

- the total of payments made prior to that date;
- the reserve established on that date for future payments.

The sum of these two components is called the total incurred claims cost.

The table below shows the evolution for Belfius Insurance SA and Corona SA since 2012 of the sum at the end of each year, of the total incurred claims cost per year of occurrence.

Claims development (excluding reinsurance and internal costs)

(In thousands of EUR)	Year of occurrence										
Year of settlement	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Estimation at the end of the year of occurrence	366,403	365,798	415,445	389,632	427,822	417,069	441,459	452,780	394,673	597,457	496,612
1 year later	350,517	324,524	392,976	361,479	402,910	396,145	431,019	438,787	379,779	541,923	
2 years later	334,313	312,883	381,044	353,512	385,904	377,854	430,883	432,209	367,750		
3 years later	329,882	306,454	374,836	351,551	379,367	377,418	428,287	423,836			
4 years later	328,046	303,051	371,983	345,737	374,251	391,779	421,346				
5 years later	323,899	301,179	369,929	346,817	378,007	381,219					
6 years later	319,633	297,842	370,320	347,091	371,046						
7 years later	317,895	295,826	369,063	339,664							
8 years later	313,659	296,886	361,487								
9 years later	315,012	289,755									
10 years later	311,817										

(In thousands of EUR)											
Actual estimation	311,817	289,755	361,487	339,664	371,046	381,219	421,346	423,836	367,750	541,923	496,612
Cumulative payments	(281,491)	(263,789)	(326,005)	(291,216)	(312,748)	(303,247)	(332,745)	(334,496)	(277,650)	(362,769)	(230,325)
Actual provisions	30,327	25,966	35,482	48,448	58,298	77,972	88,602	89,341	90,100	179,153	266,287

(In thousands of EUR)	
Provisions (after 2012)	989,976
Provisions (before 2012)	194,181
Internal costs	49,028
Accepted deals	17,834
TOTAL[1]	**1,251,020**

(1) Claims reserves 31 December 2022 - note 6.5.2.

X. Notes on the significant changes in scope of consolidation and list of subsidiaries and affiliated enterprises of Belfius

10.1. Significant changes in scope of consolidation

(Only those changes that have a material impact (i.e. an impact of more than 1% of balance sheet total and/or P&L) have been reported).

1. As at 31 December 2021

Belfius acquired a 30% equity stake in Immovlan (alongside the Rossel Group (35%) and Roularta Group (35%)) with a view to create a reference real estate platform on the Belgian market. The aim is to combine digital expertise and diversify service offerings in residential real estate. The investment is consolidated using the equity method.

Belfius, together with BNP Paribas Fortis, ING and KBC, founded Batopin in March 2020. Batopin offers an independent neutral network of ATMs which will replace the existing ATMs. After a capital increase in September 2021, Belfius consolidates it's stake of 25% in Batopin via the equity method. Belfius' total investment amounts to EUR 4.5 million.

In 2021, Belfius Insurance injected additional capital of EUR 2 million into Jaimy, as such increasing its shareholding to 92.07%. Furthermore, in 2021 Belfius Insurance injected additional capital of EUR 3 million into Jane, as such increasing its shareholding to 92.67%. These investments ensure that the entities can further develop and commercially expand in their respective markets.

Belfius Insurance acquired a 100% stake in the real estate company, Alysea, in February 2021, for a total amount of EUR 37 million.

Belfius Insurance acquired a dedicated fund, Belfius Euro Loans as of June 2021 for an amount of EUR 10 million. Belfius Euro Loans invests in European leveraged loans. Belfius holds 99.99% of the parts, the investment is fully consolidated since June 2021.

M80 Capital, a participation consolidated via the equity method, was deconsolidated in March 2021 as our shareholders' interest got diluted to 18.7%.

Team Cyclis changed its name to Cyclis Bike Lease on 25 February 2021.

2. As at 31 December 2022

Belfius Insurance acquired a 100% stake in the real estate company MC^2 (investing in an office building in Belgium) in January 2022 for a total amount of EUR 18 million.

Belfius Insurance sold the subsidiary Alysea (a real estate company investing in a retirement home in Luxembourg) in June 2022 for a total amount of EUR 52 million.

The fully consolidated company The Studio was liquidated in June 2022.

At the end of June 2022 Belfius acquired a majority stake in CenEnergy. CenEnergy's offering consists of a complete package of services for e-mobility, ranging from charging infrastructure to all 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 at Belfius' consolidation level as at 31 December 2022.

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.

10.2. Acquisitions and disposals of consolidated companies

1. Main acquisitions

A. Year 2021

Belfius acquired a 30% equity stake in Immovlan. The investment is consolidated using the equity method.

After a capital increase in September 2021, Belfius consolidates its stake of 25% in Batopin via the equity method. Belfius' total investment amounts to EUR 4.5 million (of which EUR 1.9 million uncalled capital).

Belfius Insurance acquired a 100% stake in the real estate company, Alysea, in February 2021, for a total amount of EUR 37 million.

Belfius Insurance acquired a dedicated fund, Belfius Euro Loans, in which it holds 99.99% of the parts. The investment is fully consolidated since June 2021.

The assets and liabilities acquired were as follows:

	2021			
(in thousands of EUR)	Alysea	Immovlan	Belfius Euro Loans	Batopin
Loans and advances due from credit institutions	305	0	10,001	0
Loans and advances	0	0	8,638	0
Debt securities & equity instruments	0	0	0	0
Investments in equity method companies	0	6,600	0	2,625
Tangible fixed assets	46,878	0	0	0
Tax assets	0	0	3	0
Other assets	13	0	0	0
Borrowings and deposits	(10,020)	0	0	0
Tax liabilities	(8)	0	0	0
Other liabilities	(28)	0	(8,641)	0
NET ASSETS	**37,139**	**6,600**	**10,001**	**2,625**
Group share	37,139	6,600	10,000	2,625
Already in possession of the Group	0	0	0	(2,000)
Purchase price (in cash)	37,139	6,600	10,000	625
Less: cost of the transaction	0	0	0	0
Less: cash and cash equivalents in the subsidiary acquired	(305)	0	(10,001)	0
NET CASH OUTFLOW THROUGH ACQUISITION	**36,834**	**6,600**	**(1)**	**625**

B. 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
Debt securities & equity instruments	0	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	(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**

2. Main disposals

A. Year 2021

The Company M80 was deconsolidated since March 2021.

The assets and liabilities were as follows:

	2021
(in thousands of EUR)	M80
Investments in equity method companies	15,883
Other assets	
Other liabilities	
NET ASSETS	**15,883**

B. 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:

(in thousands of EUR)	2022 Alysea
Loans and advances due from credit institutions	692
Debt securities & equity instruments	0
Investments in equity method companies	0
Tangible fixed assets	45,396
Tax assets	1,178
Other assets	0
Borrowings and deposits	0
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

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

A. Year 2021

As at 31 December 2021 no subsidiaries were recorded as “Non current assets (disposal group) held for sale and discontinued operations”.

B. Year 2022

As at 31 December 2022 no subsidiaries were recorded as “Non current assets (disposal group) held for sale and discontinued operations”.

10.3. Subsidiaries, equity-accounted enterprises, affiliated enterprises and enterprises in which the group holds rights representing at least 20% of the issued capital

1. Fully-consolidated subsidiaries

Name	Head Office	% of capital held[1]	Business code
Belfius Asset Finance Holding SA	Place Charles Rogier 11 B-1210 Bruxelles	100	10
Belfius Auto Lease SA	Place Charles Rogier 11 B-1210 Bruxelles	100	5
Belfius Commercial Finance SA	Place Charles Rogier 11 B-1210 Bruxelles	100	15
Belfius Euro Loans	Avenue Kléber 5 F-75016 Paris	99.99	10
Belfius Financing Company SA	Rue de l'Industrie 20 L-8399 Windhof	100	49
Belfius Immo SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Belfius Insurance SA	Place Charles Rogier 11 B-1210 Bruxelles	100	28
Belfius Insurance Services Finance SA	Rue de l'Industrie 20 L-8399 Windhof	100	21
Belfius Investment Partners SA	Place Charles Rogier 11 B-1210 Bruxelles	100	19
Belfius Ireland Unltd	23 Shelbourne Road Ballsbridge Dublin 4 IE 4886676 P	100	49
Belfius Lease SA	Place Charles Rogier 11 B-1210 Bruxelles	100	5
Belfius Lease Services SA	Place Charles Rogier 11 B-1210 Bruxelles	100	5
Capline SA	Place Charles Rogier 11 B-1210 Bruxelles	74.99	10
Caring people SA	Place Charles Rogier 11 B-1210 Bruxelles	100	30
Coquelets SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Corona SA	Place Charles Rogier 11 B-1210 Bruxelles	100	28
Crefius SA	Place Charles Rogier 11 B-1210 Bruxelles	100	6
Dexia Secured Funding Belgium SA	Place Charles Rogier 11 B-1210 Bruxelles	10	49
Elantis SA	Rue des Clarisses 38 B-4000 Liège	100	6
ImmoActivity SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Immo Malvoz SRL	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Immo Saint-Michel SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Immo Trèfles SRL	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Immo Zeedrift SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Interfinance SCRL	Place Charles Rogier 11 B-1210 Bruxelles	74.99	10
Jaimy SA	Place Charles Rogier 11 B-1210 Bruxelles	91.08	47
Jane SA	Place Charles Rogier 11 B-1210 Bruxelles	92.67	47
Legros Renier - Les Amarantes Seigneurie de Loverval SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
LFB SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31

(1) Percentage of capital held by holding company.

Name	Head Office	% of capital held[1]	Business code
MC² Development SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Mercurius Funding SA	Place Charles Rogier 11 B-1210 Bruxelles	5	49
Offico Immo SRL	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Philadelphus SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31

(1) Percentage of capital held by holding company.

There are no significant restrictions on the subsidiaries, on their ability to access or use assets, and settle liabilities, of the group.

2. Non-consolidated subsidiaries

Name	Head Office	% of capital held[1]	Reason for exclusion	Business code
CenEnergy NV	Boomsesteenweg 12/unit 8 B-2630 Aartselaar	74.99	non-significant	41
Belfius Fiduciaire SA	Place Charles Rogier 11 B-1210 Bruxelles	100	non-significant	23
Belfius Part SA	Place Charles Rogier 11 B-1210 Bruxelles	100	non-significant	10
Bureau Laveaux & Martin SPRL	Esplanade Oscar Van de Voorde 1 B-9000 Gent	100	non-significant	30
Fixxer SA	Place Charles Rogier 11 B-1210 Bruxelles	100	non-significant	47
Fynergie SA	Place Charles Rogier 11 B-1210 Bruxelles	100	non-significant	32
Immo Tumulis SRL	Place Charles Rogier 11 B-1210 Bruxelles	100	non-significant	31
Qualitass NV	Vilvoordsesteenweg 166 B-1850 Grimbergen	100	non-significant	30
Service Communal de Belgique SCI	Avenue Louise 106 B-1050 Ixelles	63.59	in liquidation	47
VDL - Interass NV	Brusselsesteenweg 346C B-9090 Melle	100	non-significant	30

(1) Percentage of capital held by holding company.

3. Associated companies accounted for by the equity method

Name	Head Office	% of capital held[1]	Business code
Bancontact Payconiq Company SA	Rue d'Arlon 82 B-1040 Bruxelles	22.5	48
Batopin SA	Boulevard Saint-Lazare 10 B-1210 Bruxelles	25	21
Cyclis Bike Lease NV	Nieuwe Dijk 34 B-3920 Lommel	47.45	5
De Haan Vakantiehuizen NV	Woluwedal 46 B-1200 Woluwe-Saint-Lambert	25	31
EPC SCRL (Economie Populaire de Ciney)	Rue Edouard Dinot 32 B-5590 Ciney	61.37	33
Erasmus Gardens NV	Avenue Hermann-Debroux 42 B-1160 Bruxelles	50	31
Fairville NV	Steenweg Deinze 154 B-9810 Nazareth	33.33	34
Immovlan SRL	Raketstraat 50 B-1130 Bruxelles	30	32
Isabel SA	Boulevard de l'Impératrice 13-15 B-1000 Bruxelles	24	39
Land Investment Vehicle (LIVe) SA	Avenue Brugman 27A B-1060 Bruxelles	25	31
SKIPR NV	Rue du Belvédère 29 B-1050 Ixelles	27.20	34
Vicinity Affordable Housing Fund SComm	Rue du Gruyer 50 B-1170 Watermael-Boitsfort	28.52	12

(1) Percentage of capital held by holding company.

4. Associated companies not accounted for by the equity method

Name	Head Office	% of capital held(1)	Reason for exclusion	Business code
Accomoda NV	Beeldhouwerslaan 43 B-1180 Brussel	50	non-significant	31
Assurcard NV	Fonteinstraat 1A Bus 0301 B-3000 Leuven	20	non-significant	34
Batopar	Boulevard Saint-Lazare 10 1210 Bruxelles	25	non-significant	21
Bedrijvencentrum Regio Mechelen NV	De Regenboog 11 B-2800 Mechelen	24.33	non-significant	41
Beekcant BV	Fabrieksweg 13 B-3190 Boortmeerbeek	30	non-significant	31
Belwing SA	Avenue Maurice Destenay 13 B-4000 Liège	20	non-significant	10
BF3 Belgium SAS	Rue de Balzac 23 F-75008 Paris	33.33	non-significant	10
BIB Projects	Rue de la Paix 53 B-8790 Waregem	50	non-significant	31
Bizimmo SA	Boulevard du Souverain 68 bte 9 B-1170 Watermael-Boisfort	50	non-significant	31
Buildingnest SA	Boulevard du Souverain 68 bte 9 B-1170 Watermael-Boisfort	50	non-significant	31
Canius I CVA	Begijnhof 58 B-3800 Sint-Truiden	24.71	non-significant	16
Canius II CVA	Begijnhof 58 B-3800 Sint-Truiden	42.86	non-significant	16
Corfius Immo NV	Industrielaan 18 B-3730 Hoeselt	50	non-significant	31
Frunpark Parndorf GmbH	Rathen 20 A-4081 Hartkirchen	25	non-significant	32
Groene Poort Dreef NV	Westlaan 120 B-8800 Roeselare	50	non-significant	31
Grensstraat BV	Fabrieksweg 13 B-3190 Boortmeerbeek	50	non-significant	31
IDE Lux Finances SCRL	Drève de l'Arc-en-Ciel 98 B-6700 Arlon	36.87	non-significant	16
Imsol NV	Borsbeeksesteenweg 26 B-2000 Antwerpen	39.98	non-significant	31
Inforum G.I.E.	Rue d'Arlon 53 bte 4 B-1040 Bruxelles	50	non-significant	41
Justinvest NV	Heistraat 129 B-2610 Antwerpen	33.33	non-significant	32
Kuborn Real Estate NV	Avenue Maurice 8 B-1050 Bruxelles	20	non-significant	32
Letsgo City SA	Boulevard Piercot 44 B-4000 Liège	25.61	non-significant	34
Lummen SA	Avenue des statutaires 43 B-1180 Bruxelles	50	non-significant	31
NEB Foncière SA	Rue Louvrex 95 B-4000 Liège	20.49	non-significant	31
1App SRL	Rue Bois-Eloi 34 B-1380 Lasne	30	non-significant	62
Partners Through Innovation SA	Place Charles Rogier 11 B-1210 Bruxelles	25.10	non-significant	34
Rabot Invest NV	Heistraat 129 B-2610 Antwerpen	25	non-significant	32
R.E.D. Laboratories NV	Z1. Researchpark 100 B-1731 Zellik	22.20	non-significant	33
Société Mixte de Développement Immobilier SA	Avenue Maurice Destenay 13 B-4000 Liège	25.04	non-significant	32
Syneco Agence Conseil ASBL	Rue des Glaces Nationales 169 B-5060 Sambreville	20	non-significant	47
TDP NV	Karel Oomsstraat 37 B-2018 Antwerpen	50	non-significant	47
Tervuren Square SA	Franklin Rooseveltlaan 11 B-1150 Bruxelles	25	non-significant	31
The Birdhouse CVBA	Kortrijksesteenweg 1070 B-9051 Sint-Denijs-Westrem	22.3	non-significant	47
Trias Bel Souverain SA	Boulevard de la Woluwe 58 B-1200 Bruxelles	50	non-significant	13
Wandelaar Invest SA	Rue du Vieux Marché aux Grains 63 B-1000 Bruxelles	25	non-significant	5
Wood Gardens SA	Av. Hermann-Debrouxlaan 40-42 B-1160 Bruxelles	50	non-significant	31

(1) Percentage of capital held by holding company.

5. Belfius Bank Branches (not consolidated)

As a result of the amended company legislation, the legal form of the Belfius branches has been converted from Cooperative Society (CVBA/SCRL) to Limited Liability Company (Commanditaire Vennootschap (CommV)/ Société en commandite (SComm)) as from 2020. At the same time, the name Belfius was removed from the corporate name of each agent listed here.

Name	Head Office	% of capital held(1)	Business code
Agent de banque et d'assurances Ardenne et Famenne SComm	Avenue de Bouillon 16 B-6800 Libramont-Chevigny	25.67	4
Agent de banque et d'assurances Brussels City Center SComm	Place Stéphanie 8 B-1050 Bruxelles	25.16	4
Agent de banque et d'assurances Brussels East SComm	Rue des Champs 6 B-1040 Bruxelles	23.03	4
Agent de banque et d'assurances Brussels North SComm	Boulevard de Smet de Naeyer 2a B-1090 Bruxelles	26	4
Agent de banque et d'assurances Charleroi Métropole SComm	Place du Perron 23 B-6030 Charleroi	25.67	4
Agent de banque et d'assurances Coeur du Hainaut SComm	Rue Albert 1er 23 B-7100 La Louvière	26	4
Agent de banque et d'assurances Condroz-Famenne SComm	Rue Saint-Eloi 1 B-5590 Ciney	25.33	4
Agent de banque et d'assurances Entre Sambre & Meuse SComm	Rue de France 50-52 B-5600 Philippeville	24.44	4
Agent de banque et d'assurances Fléron - Visé SComm	Rue Saint-Hadelin 1 B-4600 Visé	26	4
Agent de banque et d'assurances Liège Ardenne Condroz SComm	Voie de l'Ardenne B-4053 Chaudfontaine	25.67	4
Agent de banque et d'assurances Liège Cité Ardente SComm	Chaussée du Roi Albert 50 B-4431	25.67	4
Agent de banque et d'assurances Namur Capitale SComm	Rue de Marchovelette 1 B-5030 Gembloux	26	4
Agent de banque et d'assurances Nivelles-Tubize SComm	Rue de Nivelles 30 B-1480 Tubize	25	4
Agent de banque et d'assurances Nord Picardie SComm	Rue de la Station 39 Boîte 41 B-7700 Mouscron	26	4
Agent de banque et d'assurances Hainaut Capitale SComm	Avenue Jean d'Avesnes 9 B-7000 Mons	26	4
Agent de banque et d'assurances Région Huy-Andenne SComm	Avenue du Bosquet 41 boîte 11 B-4500 Huy	26	4
Agent de banque et d'assurances Sille & Dendre SComm	Pavé de Soignies 31 B-7850 Enghien	26	4
Agent de banque et d'assurances Sud - Luxembourg SComm	Rue d'Alba 1 B-6700 Arlon	26	4
Agent de banque et d'assurances Tournai-Val de Verne SComm	Rue Royale 105/107/109 B-7500 Tournai	26	4
Agent de banque et d'assurances Val de Sambre SComm	Rue de Falisolle 401 B-5060 Sambreville	21.37	4
Agent de banque et d'assurances Hainaut Sud-Ouest SComm	Rue des Canadiens 11 B-7350 Thulin	26	4
Agent de banque et d'assurances Vallée de la Dyle SComm	Place Alphonse Bosch 15 B-1300 Wavre	21.39	4
Agent de banque et d'assurances Waterloo SComm	Chaussée de Bruxelles 306 B-1410 Waterloo	24.84	4
Bank- en verzekeringsagent Antwerpen Zuid CommV	Grote Steenweg 456 B-2600 Berchem	27.72	4
Bank- en verzekeringsagent Centrum - West CommV	Hendrik Consciencestraat 23 bus 6 B-8800 Roeselare	26	4
Bank- en verzekeringsagent Durmevallei CommV	Marktplein 3 B-9220 Hamme (O.-VL.)	26	4
Bank- en verzekeringsagent Hageland Noord CommV	Bogaardenstraat 26 B-3200 Aarschot	26	4
Bank- en verzekeringsagent Kempen Noord CommV	Bredabaan (Gooreind) 423 B-2990 Wuustwezel	26	4
Bank- en verzekeringsagent Kempen Oost CommV	Hertog Janplein 45 B-3920 Lommel	25.30	4
Bank- en verzekeringsagent Klein Brabant CommV	Nieuwstraat 21 B-2830 Willebroek	26	4

(1) Percentage of capital held by holding company.

Name	Head Office	% of capital held[1]	Business code
Bank- en verzekeringsagent Kortrijk - Menen - Ieper CommV	Wijngaardstraat 52 B-8500 Kortrijk	26	4
Bank- en verzekeringsagent Leuven CommV	Brusselsestraat 2 B-3000 Leuven	26	4
Bank- en verzekeringsagent Midden Limburg CommV	Dorpsstraat 1A B-3530 Houthalen-Helchteren	26	4
Bank- en verzekeringsagent Netevallei CommV	Grote Markt 13 B-2500 Lier	28.28	4
Bank- en verzekeringsagent Noord-Brabant CommV	Kattestraat 2 B-1730 Asse	24.06	4
Bank- en verzekeringsagent Regio Aalst CommV	Stationsstraat 4 B-9300 Aalst	26	4
Bank- en verzekeringsagent Regio Dendermonde-Buggenhout CommV	Kerkstraat 64-66 B-9200 Dendermonde	26.96	4
Bank- en verzekeringsagent Regio Zuid-Oost Vlaanderen CommV	Marktplein 36 B-9520 Sint-Lievens-Houtem	26	4
Bank- en verzekeringsagent Regio Genk-Hoge Kempen CommV	Fruitmarkt 7 B-3600 Genk	26	4
Bank- en verzekeringsagent Regio Gent CommV	Zonnestraat 23-25 B-9000 Gent	28.28	4
Bank- en verzekeringsagent Regio Hasselt CommV	Havermarkt 36-38 B-3500 Hasselt	26	4
Bank- en verzekeringsagent Regio Leie-Schipdonk CommV	Volhardingslaan 72 (bus 1) B-9800 Deinze	26	4
Bank- en verzekeringsagent Regio Mechelen CommV	Grote Markt 31 B-2800 Mechelen	26	4
Bank- en verzekeringsagent Regio Mortsel Kontich CommV	Mechelsesteenweg 56 B-2640 Mortsel	26	4
Bank- en verzekeringsagent Oost Limburg CommV	Fruitmarkt 7 B-3600 Genk	26	4
Bank- en verzekeringsagent Regio Oostende-Knokke CommV	Lippenslaan 74 B-8300 Knokke-Heist	26	4
Bank- en verzekeringsagent Regio Turnhout-Hoogstraten CommV	Vrijheid 109 B-2320 Hoogstraten	26	4
Bank- en verzekeringsagent Tienen - Sint-Truiden CommV	Clockemstraat 38 B-3800 Sint-Truiden	29.28	4
Bank- en verzekeringsagent Vilvoorde-Tervuren CommV	Portaelsplein 68 B-1800 Vilvoorde	26	4
Bank- en verzekeringsagent Waregem-Vlaamse Ardennen CommV	Nederstraat 17 B-9700 Oudenaarde	26	4
Bank- en verzekeringsagent Westkust CommV	Kerkstraat 58 B-8430 Middelkerke	26	4
Bank- en verzekeringsagent Zoniënwoud CommV	Brugmannlaan 247 B-1180 Brussel	23.77	4
Bank- en verzekeringsagent Zottegem-Zuidrand Gent CommV	Heldenlaan 22 B-9620 Zottegem	29.28	4
Bank- en verzekeringsagent Zuid-Brabant CommV	Pastorijstraat 17 B-1600 Sint-Pieters-Leeuw	26	4

(1) Percentage of capital held by holding company.

Business code

1.	Bank, credit institution	27.	Captive reinsurance
2.	Private savings bank	28.	General insurance
3.	Government credit institution	29.	Financial product agency and broking
4.	Banking agency	30.	Insurance agency and broking
5.	Leasing	31.	Real estate (proprietary portfolio)
6.	Home loans	32.	Real estate agency (third party)
7.	Development capital	33.	Health and welfare
8.	Consumer credits	34.	Computer business / Information Technology
9.	Other lending activities	35.	Banking associations
10.	Investment company	36.	Other associations
11.	Stock broking	37.	Sewage, road cleaning and maintenance and waste management
12.	Variable capital investment company		
13.	Mutual funds	38.	Recreation
14.	Fund manager	39.	Telecommunications
15.	Factoring	40.	Transportation
16.	Infrastructure and construction financing	41.	Other services
17.	Other specific financing	42.	Energy
18.	Financial market administration	43.	Economic development
19.	Asset and portfolio management, financial advisory services	44.	Water
20.	Financial engineering, consultancy, financial research	45.	Book publishing and multimedia
21.	Other professional services in financial sector	46.	Research and development
22.	Guarantee company	47.	Other service activities
23.	Trust company	48.	Production, management, distribution of computerized payment media
24.	Foreign currency exchange		
25.	Life insurance	49.	Financing
26.	Non-life insurance	50.	Merchant banking

10.4. Involvement with unconsolidated structured entities

1. The nature, purpose, and activities of a structured entity

Belfius' involvement with unconsolidated structured entities is mainly from an investor's perspective. The purpose is to generate a stable interest margin from these investments.

Belfius has the following types of exposures to unconsolidated structured entities in its portfolio (mainly stemming from the former Side portfolio):

- Mortgage backed securities (MBS): these structured entities invest in residential and/or commercial mortgage loans which are financed through the issue of notes. Belfius has invested in the most senior tranches.
- Asset Backed Securities (ABS): these entities invest in loans, debt securities, leases and/or receivables which are financed through the issue of notes. Belfius has invested in the most senior tranches.
- Multi issuer covered bonds: these structured entities are set up by several banks, each participating for a certain percentage in the covered pool.
- Derivatives: Belfius has some derivatives with unconsolidated structured entities such as Credit Default Swaps, Total Return Swaps and Interest Rate Swaps.

Refer to note 12. "Securitisation".

2. Amounts concerned

(in thousands of EUR)	2021 Carrying amount	2021 Maximum credit risk exposure
FINANCIAL ASSETS	**851,470**	**1,034,151**
Financial assets held for trading	423,105	639,142
Non-trading financial assets mandatorily at fair value through profit or loss	0	0
Financial assets designated at fair value through profit or loss	0	0
Financial assets at fair value through other comprehensive income	11,241	11,241
Financial assets at amortised cost	417,124	383,769
Derivatives – Hedge accounting	0	0
FINANCIAL LIABILITIES	**0**	**0**
Financial liabilities held for trading	0	0
Financial liabilities measured at fair value through profit or loss	0	0
Financial liabilities at amortised cost	0	0
Derivatives hedge accounting	0	0
OFF-BALANCE SHEET ITEMS – GIVEN	**0**	**0**
Loan commitments – given	0	0
Financial guarantees – given	0	0

(in thousands of EUR)	2022 Carrying amount	2022 Maximum credit risk exposure
FINANCIAL ASSETS	**817,633**	**1,009,270**
Financial assets held for trading	379,740	576,317
Non-trading financial assets mandatorily at fair value through profit or loss	0	0
Financial assets designated at fair value through profit or loss	0	0
Financial assets at fair value through other comprehensive income	49,061	49,061
Financial assets at amortised cost	388,832	383,892
Derivatives – Hedge accounting	0	0
FINANCIAL LIABILITIES	**0**	**0**
Financial liabilities held for trading	0	0
Financial liabilities measured at fair value through profit or loss	0	0
Financial liabilities at amortised cost	0	0
Derivatives hedge accounting	0	0
OFF-BALANCE SHEET ITEMS – GIVEN	**0**	**0**
Loan commitments – given	0	0
Financial guarantees – given	0	0

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)	31/12/21	31/12/22	31/12/21	31/12/22
Loans[3]	2,273	3,201	3,646	4,660
of which impaired loans stage 3	0	0	0	0
Interest income	27	37	248	157
Deposits and debt securities[3]	10,568	12,529	12,037	9,454
Interest expense	(3)	(4)	0	(2)
Net commission	0	0	235	155
Guarantees issued and commitments provided by the Group[4]	0	0	2,650	14
Guarantees and commitments received by the Group	5,041	5,215	28	973

	Associates		Joint ventures in which the entity is a venturer	
(in thousands of EUR)	31/12/21	31/12/22	31/12/21	31/12/22
Loans[3]	286,949	288,930	12,865	16,097
of which impaired loans stage 3	0	0	0	0
Interest income	4,921	5,180	273	420
Deposits and debt securities[3]	75,544	102,729	2,564	1,312
Interest expense	(2)	(8)	0	0
Net commission	(2,018)	(3,701)	221	284
Guarantees issued and commitments provided by the Group[4]	215,647	368,346	53,628	49,675
Guarantees and commitments received by the Group	113,328	133,743	83	83

(1) Key management includes the Board of Directors and the Managing Board, as well as these persons’ children and spouses or domestic partners and children of these persons’ spouses or domestic partners.
(2) The amounts reported relate to transactions with subsidiaries that are not consolidated due to immateriality.
(3) Transactions with related parties are concluded at general market conditions.
(4) Unused lines granted.

2. Key management compensations[1]

(in thousands of EUR)	31/12/21	31/12/22
Short-term benefits[2]	4,286	4,883
Post-employment benefits	0	0
Other long-term benefits	662	917
Termination benefits	0	0
Employee benefit expense	0	0

(1) Key management includes the Board of Directors and the Management Board.
(2) Short-term benefits include the salaries, bonuses and other advantages.

XII. Securitisation

Belfius currently has two traditional securitisation vehicles: DSFB[1] and Mercurius Funding. Another securitisation vehicle – Penates Funding – was liquidated over the course of 2022. The total assets of these companies amount to EUR 613 million at 31 December 2022 compared to EUR 3,875 million at 31 December 2021.

According to the definition of control under IFRS 10, DSFB, Penates Funding and Mercurius Funding are included in the consolidated financial statements. Belfius has:

- full power over its securitisation vehicles;
- exposure to their variable returns; and
- the ability to use its power to affect the amount of the returns.

DSFB is a Belgian securitisation vehicle (société d'investissement en créances (SIC) under Belgian Law) with currently six compartments, one of which with activity, namely DSFB-2.

DSFB-2 is a securitisation transaction of loans granted to Belgian entities (public and other). All the loans are 100% guaranteed by a Belgian regional government. Under this transaction a single tranche of floating rate notes, fully guaranteed by Belfius Bank, was issued 25 April 2008. On 31 December 2022, EUR 613 million were still outstanding. The DSFB-2 Notes are held by Belfius Bank and its subsidiary Belfius Ireland.

Penates Funding is a Belgian securitisation vehicle of which one compartment was active during part of 2022, namely Penates-6. On 23 May 2022, the redemption option for the Penates-6 Notes was exercised. As a consequence, Penates Funding no longer had any active compartment. On 13 December 2022, the legal entity Penates Funding NV/SA was liquidated.

Mercurius Funding is a Belgian securitisation vehicle of which one compartment was active during part of 2022, namely Mercurius-1. On 24 October 2022, the redemption option for the Mercurius-1 Notes was exercised. As a consequence, Mercurius Funding currently does not have any active compartments.

1 The securitisation vehicle Dexia Secured Funding Belgium was rebranded to DSFB over the course of 2021

Statutory auditor's report to the general meeting of Belfius Bank NV/SA on the consolidated financial statements as of and for the year ended 31 December 2022

In the context of the statutory audit of the consolidated financial statements of Belfius Bank NV/SA ("the Company") and its subsidiaries (jointly "the Group"), we provide you with our statutory auditor's report. This includes our report on the consolidated financial statements for the year ended 31 December 2022, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of 29 April 2020, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee and as presented by the workers' council. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended 31 December 2022. We have performed the statutory audit of the consolidated financial statements of the Group for 3 consecutive financial years.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the Group as of and for the year ended 31 December 2022, prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board and as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2022, the consolidated statements of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated balance sheet amounts to EUR ('000) 179,465,679 and the consolidated statement of income shows a profit for the year of EUR ('000) 975,892.

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and financial position as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board and as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB and applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairments on loans and advances and debt securities

We refer to headings III.A "Loans and advances measured at amortised cost", IV.A "Debt securities measured at amortised cost" and IV.B "Debt securities measured at fair value through other comprehensive income" of the consolidated balance sheet in the consolidated financial statements and to notes n° 5.4 "Loans and advances", n° 5.5 "Debt securities & Equity instruments" and 9.2 "Credit risk exposure" in which the impairment losses are disclosed.

Description

As at 31 December 2022, the Group has EUR ('000) 109,343,655 of loans and advances measured at amortised cost, EUR ('000) 17,494,927 of debt securities measured at amortised cost and EUR ('000) 2,997,612 of debt securities measured at fair value through other comprehensive income, representing 72% of total assets.

The measurement of the expected credit losses and the determination of the stage allocation contain subjective elements and require significant judgement from Management, such as the selection of macro-economic scenarios used in the determination of expected credit losses, the evaluation of deteriorating credit quality (including deterioration due to the impact of the risks related to energy price evolutions, inflation and the Russia/ Ukraine conflict), and the application of models for the determination of expected credit losses.

Given the significance of impairments on loans and advances and debt securities, and the related high degree of estimation uncertainty, we consider the determination and measurement of impairments on loans and advances and debt securities as a key audit matter.

Our audit procedures

With the assistance of our IT and Financial Risk Management specialists, we performed the following procedures:

- Evaluation of the design, implementation and operating effectiveness of key controls around the expected credit loss process.
- Performance of risk assessment procedures on the loan portfolio (sector focus, risk rating migration analysis).
- Inspection of the minutes of the relevant committees and rationale for conclusions made therein, as input to our risk analysis and support our selection and extent of audit procedures.
- Evaluation if key models are delivering a reliable output based on the assessment of the model validation process, including the assessment of the Macro-Economic Factors ("MEF") and the weights associated to the different economic scenarios.
- Evaluation of the reliability of significant inputs to the models such as loans and advances or debt securities data as well as collateral used to determine the collective impairment. For a sample of loans and advances and debt securities, comparison of data used in the models with underlying documentation such as contracts and other relevant documents.
- Evaluation of the reasonableness of the manual adjustments to the model-based expected credit loss.
- Inspection of a sample of credit files and debt securities in stage 3 to assess whether the stage classification used in the expected credit loss (including assessment of inputs and assumptions used, such as reasonableness of scenarios, scenario weighting, expected cash flows, collateral values, effective interest rates, etc, including assessment of compliance with IFRS 9) is reasonable.
- Inspection of a sample of credit files and debt securities in stage 1 and 2 to assess whether the stage classification used in the expected credit loss (including assessment of whether any events of default have occurred) is reasonable.
- Evaluation of the appropriateness of Management's rationale and documentation supporting the decision not to record a provision despite the occurrence of impairment triggers and/or indicators.
- Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

Fair value measurement of Level 2 and Level 3 financial instruments

We refer to headings III.B "Loans and advances measured at fair value through other comprehensive income", III.C "Loans and advances measured at fair value through profit or loss", IV.B "Debt securities & equity instruments measured at fair value through other comprehensive income", IV.C "Debt securities & equity instruments measured at fair value through profit or loss", VI "Derivatives" (assets and liabilities) and IV.B "Debt securities issued and other financial liabilities measured at fair value through profit or loss" of the consolidated balance sheet in the consolidated financial statements and to notes n° 5.4 "Loans and advances", n° 5.5 "Debt securities & Equity instruments", n° 5.6 "Derivatives", n° 6.4 "Debt securities issued and other financial liabilities" and to note n° 9.1 "Fair value" in which the fair value analysis of the financial instruments measured at amortized cost on the balance sheet is disclosed.

Description

As at 31 December 2022, the Group has:

- Loans and advances measured at fair value through other comprehensive income for EUR ('000) 171,152 Level 2;
- Loans and advances measured at fair value through profit or loss for EUR ('000) 1,474 Level 2 and EUR ('000) 794,511 Level 3;
- Debt securities measured at fair value through other comprehensive income for EUR ('000) 157,850 Level 2 and EUR ('000) 442,253 Level 3;
- Debt securities measured at fair value through profit or loss for EUR ('000) 10,756 Level 2 and EUR ('000) 589,185 Level 3;
- Equity instruments measured at fair value through other comprehensive income for EUR ('000) 443,038 Level 3;

- Equity instruments measured at fair value through profit or loss for EUR ('000) 4 Level 3;
- Derivatives for EUR ('000) 5,693,712 Level 2 and EUR ('000) 196,490 Level 3 recognized on the asset side and EUR ('000) 7,716,625 Level 2 and EUR ('000) 527,732 Level 3 recognized on the liability side;
- Debt securities issued and other financial liabilities measured at fair value through profit or loss for EUR ('000) 4,578,200 Level 2 and EUR ('000) 2,671,821 Level 3.

The determination of the fair value of Level 2 and 3 financial instruments is based on a range of inputs. Where observable market data is not readily available, estimates are developed based on complex valuation models and are subject to a higher level of judgment.

The determination of the fair value of Level 2 and 3 financial instruments, including complex financial instruments, represent a higher exposure to risk of incorrect valuation due to the absence of readily observable market data, the complexity of certain valuation models and the higher level of judgment involved.

Our audit procedures

With the assistance of our Financial Risk Management specialists, we performed the following procedures:

- Obtaining an understanding of the process regarding the valuation of financial instruments.
- Evaluation of the design and implementation of key controls around the valuation of financial instruments, e.g., controls over model development and independent pricing verification.
- Inspection of model validation reports from the independent validation function.
- Inspection of the minutes of the relevant committees and rationale for conclusions made therein for our risk assessment and to support our selection and extent of audit procedures.
- Independent determination of the fair value for the Level 2 and 3 financial instruments on a sample basis.
- Evaluation whether the model provisions, and adjustments to the model provisions, are adequately justified and supported.
- Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

Valuation of liabilities arising from life insurance contracts

We refer to the heading VIII "Provisions for insurance activities" of the consolidated balance sheet in the consolidated financial statements and to note n° 6.5.1 "Provisions for insurance activities – Insurance contracts Life".

Description

As at 31 December 2022, the Group has EUR ('000) 10,051,017 of technical provisions arising from life insurance contracts. These provisions are calculated based on actuarial techniques as determined by law, which are based on pre-specified mortality tables and other parameters derived from the contracts. These liabilities represent a significant component of the Group's balance sheet.

The adequacy of the liabilities arising from life insurance contracts is assessed based on a Liability Adequacy Test ("LAT"). These liabilities are increased with any insufficiency arising from the execution of the LAT. The actuarial models used for the calculation of the LAT are complex and the assumption setting process within these models contains judgment considering that best estimate/current assumptions are applied (and no longer the parameters embedded in the law and the contract conditions). The judgements made in the assumptions setting process may have a significant impact on the LAT outcome.

Our audit procedures

With the assistance of our actuarial and IT specialists, we have performed the following procedures:

- Assessment of the design and implementation and evaluation of the operating effectiveness of key controls relating to the actuarial processes for the determination of the technical provisions for life insurance contracts and Liability Adequacy Test ("LAT").
- Assessment of the appropriateness of the actuarial techniques used for the calculation of the technical provisions for life insurance contracts and the assumptions used.
- Assessment of the roll-forward analysis of the technical provisions for life insurance contracts prepared by Management ("Fouret analysis"), including analysis of reconciling items, if any.
- Recalculation of the technical provisions for a sample of life insurance contracts.
- Assessment of the consistency of the actuarial techniques applied for the LAT and whether changes made to the actuarial models are in line with our understanding of the business, and our expectations derived from market experience.
- Benchmarking the assumptions used in the LAT with market observable data.
- Assessment of the results of the LAT outcome, including a comparison of the results from one reporting period to another.
- Inspection of the reports issued by the actuarial function and rationale for conclusions made therein as input for our risk assessment.
- Testing the completeness and accuracy of data used in the calculation processes and output from key IT systems used for the calculation of the technical provisions for life insurance contracts.
- Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

Valuation of liabilities arising from non-life insurance contracts

We refer to the heading VIII "Provisions for insurance activities" of the consolidated balance sheet in the consolidated financial statements and to note n° 6.5.2 "Provisions for insurance activities – Insurance contracts Non-Life".

Description
As at 31 December 2022, the Group has EUR ('000) 1,452,454 of technical provisions arising from non-life insurance contracts. The estimation of these provisions involves actuarial techniques and requires judgement given that these are based on previous claims experience, existing knowledge of events, expectations about future developments and terms and conditions of the relevant insurance policies.

Estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date, and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the balance sheet date. These estimates are sensitive to various factors and uncertainties and require judgement in setting the underlying assumptions.

Our audit procedures
With the assistance of our actuarial and IT specialists, we have performed the following procedures:

- Assessment of the design and implementation and evaluation of the operating effectiveness of the controls relating to the actuarial processes for the determination of the technical claim provisions for non-life insurance contracts.
- Assessment of the consistency and appropriateness of the actuarial techniques applied for the most important business lines (including the underlying assumptions) and whether the actuarial models are in line with our understanding of business, and our expectations derived from market experience.
- Assessment whether the claim liabilities have been determined in accordance with the implemented reserving policies.
- Independent calculation of the claim provisions for the major business lines based on commonly used actuarial techniques. We compared the results of our independent calculation with the amounts determined by the Group, and we obtained evidence supporting any significant differences observed.
- Assessment of the adequacy of the technical claims provisions for non-life insurance contracts through an analysis of the run-off results of the claims and annuity liabilities.
- Assessment of the results of the Liability Adequacy Test ("LAT"), including a comparison of the results from one reporting period to another.
- Inspection of the reports issued by the actuarial function and rationale for conclusions made therein as input for our risk assessment.
- Testing the completeness and accuracy of data used in the calculation processes and output from key IT systems used for the calculation of the liabilities arising from non-life insurance contracts.
- Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

IT systems and controls over financial reporting
Description
We identified IT systems and controls over financial reporting as a key audit matter for the Group because its financial accounting and reporting systems are fundamentally reliant on IT systems and automated application controls to process significant transaction volumes. Automated application controls and general IT controls, which include IT governance, general IT controls over program development and changes, access to programs and data and computer operations, are required to be adequately designed and to operate effectively to ensure accurate financial reporting.

Our audit procedures
With the assistance of our IT specialists, we have performed the following procedures:

- Examination of the Group's framework of governance over its IT organisation.
- Assessment of the design, implementation, and evaluation of the operating effectiveness of general IT controls over program development and changes, access to programs and data and computer operations on relevant IT systems that support financial accounting and reporting also taking into consideration compensating controls and assessment of the impact on the extent and nature of other audit procedures whenever controls are not operating effectively.
- Assessment of the design and implementation and evaluation of the operating effectiveness of IT application controls in the relevant processes impacting the Group's financial reporting, including compensating controls and substantive procedures whenever supporting general IT controls are not operating effectively (e.g., access to programs and data).
- Assessment of the integrity of data transmission through the different IT systems to the financial reporting systems.
- Assessment of the design and implementation and evaluation of operating effectiveness of controls at the relevant service organization.

Board of directors' responsibilities for the preparation of the consolidated financial statements
The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with IFRS Standards as issued by the International Accounting Standards Board and as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

When performing our audit, we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium. The scope of the statutory audit of the consolidated financial statements does not extend to providing assurance on the future viability of the Group nor on the efficiency or effectivity of how the board of directors has conducted or will conduct the business of the Group. Our responsibilities regarding the going concern basis of accounting applied by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors;
- Conclude on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report on the consolidated financial statements and the other information included in the annual report.

Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in

Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report on the consolidated financial statements and the other information included in the annual report, and to report on these matters.

Aspects concerning the board of directors' annual report on the consolidated financial statements and other information included in the annual report

Based on specific work performed on the board of directors' annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements and other information included in the annual report:

- Profile of Belfius;
- Global Reporting Initiative (GRI) – table;
- Abbreviations; and
- Additional Information

contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

The non-financial information required by article 3:32 §2 of the Companies' and Associations' Code has been included in the board of directors' annual report on the consolidated financial statements, which is part of section "Management Report – Sustainability Report 2022" of the annual report. The Company has prepared this non-financial information based on the Global Reporting Initiative ("GRI") standards. In accordance with art 3:80 §1, 1st paragraph, 5° of the Companies' and Associations' Code, we do not comment on whether this non-financial information has been prepared in accordance with the mentioned GRI standards.

Information about the independence

Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated accounts and our audit firm remained independent of the Group during the term of our mandate.

The fees for the additional engagements which are compatible with the statutory audit referred to in article 3:65 of the Companies' and Associations' Code were correctly stated and disclosed in the notes to the consolidated financial statements.

European Single Electronic Format (ESEF)

In accordance with the draft standard on the audit of compliance of the Financial Statements with the European Single Electronic Format (hereafter "ESEF"), we have audited as well whether the ESEF-format is in accordance with the regulatory technical standards as laid down in the EU Delegated Regulation nr. 2019/815 of 17 December 2018 (hereafter "Delegated Regulation").

The board of Directors is responsible for the preparation, in accordance with the ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (hereafter "digital consolidated financial statements") included in the annual financial report.

It is our responsibility to obtain sufficient and appropriate information to conclude whether the format and the tagging of the digital consolidated financial statements comply, in all material respects, with the ESEF requirements under the Delegated Regulation.

In our opinion, based on our work performed, the format of and the tagging of information in the official English version of the digital consolidated financial statements as per 31 December 2022, included in the annual financial report of Belfius Bank NV/SA, are, in all material respects, prepared in compliance with the ESEF requirements under the Delegated Regulation.

Other aspect

This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Zaventem, 4 April 2023

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
Statutory Auditor
represented by

Olivier Macq
Réviseur d'Entreprises
Bedrijfsrevisor

Non-consolidated financial statements (BE GAAP) as at 31 December 2022

Balance (after appropriation)

Assets (In thousands of EUR)		31/12/21	31/12/22
I.	Cash in hand, balances with central banks and post office banks	31,641,370	26,162,089
II.	Treasury bills eligible for refinancing with central banks	0	0
III.	Loans and advances to credit institutions	10,297,942	5,177,717
	A. Repayable on demand	9,346,669	3,487,522
	B. Other loans and adv. (with agreed maturity dates)	951,273	1,690,195
IV.	Loans and advances to customers	99,612,439	109,530,004
V.	Debt securities and other fixed-income securities	12,026,749	8,886,224
	A. Issued by public bodies	4,568,673	4,868,495
	B. Issued by other borrowers	7,458,076	4,017,729
VI.	Shares and other variable-yield securities	518,277	508,257
VII.	Financial fixed assets	2,757,354	2,765,108
	A. Participating interests in affiliated enterprises	2,079,453	2,090,557
	B. Participating interests in other enterprises linked by participating interests	107,104	101,647
	C. Other shares held as financial fixed assets	50,797	52,904
	D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	520,000	520,000
VIII.	Formation expenses and intangible fixed assets	152,183	161,901
IX.	Tangible fixed assets	475,906	476,070
X.	Own shares	0	0
XI.	Other assets	1,050,905	1,050,548
XII.	Deferred charges and accrued income	14,068,219	7,788,667
TOTAL ASSETS		172,601,344	162,506,585

Liabilities

(In thousands of EUR)

		31/12/21	31/12/22
I.	Amounts owed to credit institutions	19,158,808	7,777,520
	A. Repayable on demand	3,081,684	1,010,183
	B. Amounts owed as a result of the rediscounting of trade bills	0	0
	C. Other debts with agreed maturity dates or periods of notice	16,077,124	6,767,337
II.	Amounts owed to customers	106,161,373	109,638,962
	A. Savings deposits	47,573,375	47,853,394
	B. Other debts	58,587,998	61,785,568
	1. Repayable on demand	42,612,706	44,917,556
	2. With agreed maturity dates or periods of notice	15,975,292	16,868,012
	3. As a result of the rediscounting of trade bills	0	0
III.	Debts evidenced by certificates	23,282,157	26,708,017
	A. Debt securities and other fixed-income securities in circul.	22,405,649	22,800,059
	B. Other	876,508	3,907,958
IV.	Other liabilities	1,569,209	1,457,521
V.	Accrued charges and deferred income	10,356,859	4,500,049
VI.	A. Provisions for liabilities and charges	156,921	105,179
	1. Pensions and similar obligations	96	91
	2. Taxation	41,850	30,700
	3. Other liabilities and charges	114,975	74,388
	B. Deferred taxes	4,237	3,748
VII.	Fund for general banking risks	988,737	988,737
VIII.	Subordinated liabilities	2,120,311	2,024,094
CAPITAL AND RESERVES		**8,802,732**	**9,302,758**
IX.	Capital	3,458,066	3,458,066
	A. Subscribed capital	3,458,066	3,458,066
	B. Uncalled capital (-)	0	0
X.	Share premium account	209,232	209,232
XI.	Revaluation surpluses	208	208
XII.	Reserves	5,135,226	5,635,252
	A. Legal reserve	345,807	345,807
	B. Reserves not available for distribution	2,344	2,344
	1. In respect of own shares held	0	0
	2. Other	2,344	2,344
	C. Untaxed reserves	37,800	36,963
	D. Reserves available for distribution	4,749,275	5,250,138
XIII.	Profits (losses (-)) brought forward	0	0
TOTAL LIABILITIES		**172,601,344**	**162,506,585**

Off-balance sheet

(In thousands of EUR)		31/12/21	31/12/22
I.	Contingent liabilities	15,835,140	17,467,291
	A. Non-negotiated acceptances	232,180	243,050
	B. Guarantees serving as direct credit substitutes	12,573,081	13,764,902
	C. Other guarantees	2,782,119	3,229,037
	D. Documentary credits	247,760	230,302
	E. Assets charged as collateral security on behalf of third parties	0	0
II.	Commitments which could give rise to a risk	32,073,447	34,279,818
	A. Firm credit commitments	146,623	1,741,067
	B. Commitments as a result of spot purchases of transferable or other securities	415,536	421,199
	C. Undrown margin on confirmed credit lines	30,985,373	31,607,552
	D. Underwriting and placing commitments	525,915	510,000
	E. Commitments as a result of open-ended sale and repurchase agreements	0	0
III.	Assets lodged with the credit institution	128,334,479	124,079,502
	A. Assets held by the credit institution for fiduciary purposes	0	0
	B. Safe custody and equivalent items	128,334,479	124,079,502
IV.	Uncalled amounts of share capital	21,385	34,360

Statement of income (presentation in list form)

(In thousands of EUR)		31/12/21	31/12/22
I.	Interest receivable and similar income	2,369,504	2,748,395
	of which: from fixed-income securities	228,390	219,031
II.	Interest payable and similar charges (-)	(910,650)	(1,100,381)
III.	Income from variable-yield securities	222,684	194,897
	A. From shares and other variable-yield securities	16,290	25,174
	B. From participating interests in affiliated enterprises	193,983	160,415
	C. From participating interests in other enterprises linked by participating interests	9,820	6,426
	D. From other shares held as financial fixed assets	2,591	2,882
IV.	Commissions receivable	812,238	847,561
	A. Brokerage and commissions	0	0
	B. Allowances for services of administration, advice and custody	0	0
	C. Other commissions receivable	812,238	847,561
V.	Commissions payable (-)	(403,044)	(417,608)
VI.	Profit (loss (-)) on financial transactions	157,710	171,641
	A. On trading of securities and other financial instruments	86,691	139,222
	B. On disposal of investment securities	71,019	32,419
VII.	General administrative expenses (-)	(1,077,631)	(1,214,675)
	A. Remuneration, social security costs and pensions	(513,304)	(586,177)
	B. Other administrative expenses	(564,327)	(628,498)
VIII.	Depreciation/Amortization of and other write-downs on (-) formation expenses, intangible and tangible fixed assets	(92,863)	(95,682)
IX.	Decrease/Increase (-) in write downs on receivables and in provisions for off-balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	(92,930)	(69,509)
X.	Decrease/Increase (-) in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	(29)	(6)
XI.	Utilization and write-backs of provisions for liabilities and charges other than those included in the off-balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	43,242	66,415
XII.	Provisions for liabilities and charges other than those included in the off-balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	(16,933)	(31,762)
XIII.	Transfer from (Transfer to) the fund for general banking risks	0	0
XIV.	Other operating income	149,196	163,749
XV.	Other operating charges	(154,098)	(168,429)
XVI.	Profits (Losses (-)) on ordinary activities before taxes	1,006,396	1,094,606
XVII.	Extraordinary income	14,682	15,167
	A. Adjustments to depreciation/amortization of and to other write-downs on intangible and tangible fixed assets	86	0
	B. Adjustments to write-downs on financial fixed assets	135	50
	C. Adjustments to provisions for extraordinary liabilities and charges	0	0
	D. Gain on disposal of fixed assets	14,461	15,117
	E. Other extraordinary income	0	0
XVIII.	Extraordinary charges (-)	(18,196)	(22,408)
	A. Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets	(17,264)	(16,927)
	B. Write-downs on financial fixed assets	(643)	(4,967)
	C. Provisions for extraordinary liabilities and charges	0	0
	D. Loss on disposal of fixed assets	(229)	(508)
	E. Other extraordinary charges	(60)	(6)
XIX.	Profits (Losses (-)) for the period before taxes	1,002,882	1,087,365
XIX*bis*.	A. Transfer to deferred taxes (-)	0	0
	B. Transfer from deferred taxes	6	332
XX.	Income taxes	(180,414)	(203,412)
	A. Income taxes (-)	(189,643)	(221,090)
	B. Adjustement of income taxes and write-back of tax provisions	9,229	17,678
XXI.	Profits (Losses (-)) for the period	822,474	884,285
XXII.	Transfer to untaxed reserves (-)	0	0
	Transfer from untaxed reserves	19	995
XXIII.	Profit (Losses (-)) for the period available for approbation	822,494	885,280

Approbation account

(In thousands of EUR)		31/12/21	31/12/22
A.	Profits (Losses (-)) to be appropriated	1,351,078	885,280
	1. Profits (Losses (-)) for the period available for approbation	822,493	885,280
	2. Profits (Losses (-)) brought forward	528,585	0
B.	Transfers from capital and reserves	0	0
	1. From capital and share premium account	0	0
	2. From reserves	0	0
C.	Appropriations to capital and reserves	0	0
	1. To capital and share premium account	0	0
	2. To legal reserve	0	0
	3. To other reserves	852,560	500,863
D.	Result to be carried forward	0	0
	1. Profits to be carried forward (-)	0	0
	2. Losses to be carried forward	0	0
E.	Shareholders' contribution in respect of losses	0	0
F.	Distribution of profits (-)	0	0
	1. Dividends(1)	498,518	384,417
	2. Director's entitlements(1)	0	0
	3. Other allocations(1)	0	0

(1) Only applicable to Belgian limited liability companies.

Belfius Bank NV/SA
Statutory auditor's report to the shareholders' meeting on the annual accounts for the year ended 31 December 2022

We refer to the annual report published in Dutch or French.

Global Reporting Initiative (GRI) – table

Statement of use	Belfius Bank NV/SA has reported in accordance with the GRI Standards for the period from 1 January 2022 to 31 December 2022
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	GRI Financial Sector Standards have not been released yet, Belfius used the previous GRI G4 Financial Sector Services disclosures when relevant

GRI standard/ other source	Disclosure		References/Information (hover over text for link)	Omissions	Sustainable Development Goals
GENERAL DISCLOSURES					
GRI 2: GENERAL DISCLOSURES 2021	2-1	Organisational details	Belfius Bank NV/SA Public limited company Place Charles Rogier 11, B-1210 Brussels Belgium		
	2-2	Entities included in the organisation's sustainability reporting	Annual Report 2022: • Profile of Belfius; • Financial results - Preliminary notes to the consolidated financial statements; Sustainability Report 2022: About this report		
	2-3	Reporting period, frequency and contact point	Annual Report 2022: Message from the chairmen; Sustainability Report 2022: About this report		
	2-4	Restatements of information	There are no substantial restatements for the Belfius Sustainability Report 2021.		
	2-5	External assurance	Sustainability Report 2022: About this report		
	2-6	Activities, value chain and other business relationships	Annual Report 2022: • Message from the chairmen; • Profile of Belfius; Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - Sustainable procurement		
	2-7	Employees	Annual Report 2022: Human Resources		#8 Decent work and economic growth; #10 Reduced inequalities
	2-8	Workers who are not employees	Omitted	Information unavailable/ incomplete(1)	#8 Decent work and economic growth; #10 Reduced inequalities

(1) Monitoring of workers who are not employees is being put in place.

GRI standard/ other source	Disclosure		References/Information (hover over text for link)	Omissions	Sustainable Development Goals
GRI 2: GENERAL DISCLOSURES 2021	2-9	Governance structure and composition	Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - ESG Governance		
	2-10	Nomination and selection of the highest governance body	Annual Report 2022: Corporate governance		#5 Gender equality
	2-11	Chair of the highest governance body	Annual Report 2022: Corporate governance		
	2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - ESG Governance		
	2-13	Delegation of responsibility for managing impacts	Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - ESG Governance		
	2-14	Role of the highest governance body in sustainability reporting	Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - ESG Governance		
	2-15	Conflicts of interest	Annual Report 2022: Corporate governance		
	2-16	Communication of critical concerns	Omitted	Information unavailable/ incomplete(1)	
	2-17	Collective knowledge of the highest governance body	Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - ESG Governance		#4 Quality education
	2-18	Evaluation of the performance of the highest governance body	Annual Report 2022: Corporate governance		
	2-19	Remuneration policies	Annual Report 2022: Human Resources - Remuneration at Belfius		
	2-20	Process to determine remuneration	Annual Report 2022: Human Resources - Remuneration at Belfius		
	2-21	Annual total compensation ratio	Omitted	Confidentiality constraints(2)	
	2-22	Statement on sustainable development strategy	Annual Report 2022: Message from the chairmen		
	2-23	Policy commitments	ESG Framework		
	2-24	Embedding policy commitments	Annual Report 2022: Message from the chairmen		
	2-25	Processes to remediate negative impacts	Omitted	Information unavailable/ incomplete(3)	
	2-26	Mechanisms for seeking advice and raising concerns	Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - Compliance & ethics		
	2-27	Compliance with laws and regulations	Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - Compliance & ethics		

(1) Critical concerns treated by Board of Directors on a case by case basis. Numbers not monitored.
(2) No legal obligation to publish.
(3) Whistleblowing mechanism in place, but does not cover all negative impacts.

GRI standard/ other source	Disclosure		References/Information (hover over text for link)	Omissions	Sustainable Development Goals
GRI 2: GENERAL DISCLOSURES 2021	2-28	Membership associations	Sustainability Report 2022: ESG fully embedded in the Belfius Strategy - Engaging with our stakeholders		#17 Partnerships to achieve the Goals
	2-29	Approach to stakeholder engagement	Sustainability Report 2022: ESG fully embedded in the Belfius Strategy - Engaging with our stakeholders		
	2-30	Collective bargaining agreements	Annual Report 2022: Human Resources - Human rights		#8 Decent work and economic growth;
MATERIAL TOPICS					
GRI 3: MATERIAL TOPICS 2021	3-1	Process to determine material topics	Sustainability Report 2022: ESG fully embedded in the Belfius Strategy - Materiality assessment		
	3-2	List of material topics	Sustainability Report 2022: ESG fully embedded in the Belfius Strategy - Materiality assessment		
INFORMATION SECURITY					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Annual Report 2022: Risk Management; Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - Data privacy & Information security		
TALENT MANAGEMENT					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Annual Report 2022: Human Resources; Sustainability Report 2022: ESG fully embedded in the Belfius Strategy		#3 Good health and well-being; #4 Quality education; #5 Gender equality; #8 Decent work and economic growth; #10 Reduced inequalities
GRI 401: EMPLOYMENT 2016	401-1	New employee hires and employee turnover	Annual Report 2022: Human Resources - Key figures/ Tailored talent acquisition strategy/Outflow		#3 Good health and well-being, #5 Gender equality; #8 Decent work and economic growth; #10 Reduced inequalities
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Annual Report 2022: Human Resources - Employee benefits/Senior management		
	401-3	Parental leave	Annual Report 2022: Human Resources - An active diversity, equitable opportunities and inclusion (DEI) approach/Employee benefits		
GRI 404: OCCUPATIONAL HEALTH AND SAFETY 2018	403-4	Worker participation, consultation, and communication on occupational health and safety	Annual Report 2022: Human Resources - Health and safety risk assessment and system		#3 Good health and well-being; #4 Quality education; #5 Gender equality #8 Decent work and economic growth; #10 Reduced inequalities
	403-9	Work-related injuries	Annual Report 2022: Human Resources - Health and safety risk assessment and system		
GRI 404: TRAINING AND EDUCATION 2016	404-1	Average hours of training per year per employee	Annual Report 2022: Human Resources - Lifelong learning		#4 Quality education; #5 Gender equality; #8 Decent work and economic growth; #10 Reduced inequalities
	404-3	Percentage of employees receiving regular performance and career development reviews	Annual Report 2022: Human Resources - A sustainable career policy	Information unavailable/ incomplete[1]	

(1) Although the main disclosure requirements in the Guidance have been reported on, due to data constraints certain granular data could not be disclosed.

GRI standard/ other source	Disclosure		References/Information (hover over text for link)	Omissions	Sustainable Development Goals
CUSTOMER EXPERIENCE AND SATISFACTION					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	ESG framework; Sustainability Report 2022: • ESG fully embedded in the Belfius Strategy; • Sound Corporate Governance - Responsible business conduct - Compliance & ethics; • Listening to our customers - For your Love, we do more/ Complaints management		#10 Reduced inequalities
PRIVACY AND DATA PROTECTION					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Annual Report 2022: Risk Management; Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - Data privacy & Information security		
GRI 418: CUSTOMER PRIVACY 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Report 2022: • Sound Corporate Governance - Responsible business conduct - Data privacy & Information security; • Listening to our customers - Complaints management		
CLIMATE CHANGE AND ENVIRONMENTAL RISKS					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	ESG framework; Sustainability Report 2022: • ESG fully embedded in the Belfius Strategy - ESG at the heart of everything we do; • Meaningful growth; • Sound corporate governance - Responsible business conduct - Sustainable procurement; • Focus on climate action - Decarbonisation trajectory/ Acknowledging emerging environmental challenges /Environmental and climate-related risks and opportunities		#3 Good health and well-being; #7 Affordable and clean energy; #12 Responsible consumption and production; #13 Climate action; #14 Life below water; #15 Life on land
GRI 305: EMISSIONS 2016	305-1	Direct (Scope 1) GHG emissions	Sustainability Report 2022: Focus on climate action - Decarbonisation trajectory		#3 Good health and well-being; #7 Affordable and clean energy; #8 Decent work and economic growth; #12 Responsible consumption and production; #13 Climate action
	305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Report 2022: Focus on climate action - Decarbonisation trajectory		
	305-3	Other indirect (Scope 3) GHG emissions	Sustainability Report 2022: Focus on climate action - Decarbonisation trajectory/Environmental and climate-related risks and opportunities - Metrics and targets		

GRI standard/ other source	Disclosure		References/Information (hover over text for link)	Omissions	Sustainable Development Goals
COMPLIANCE AND BUSINESS ETHICS					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Governance Memorandum; ESG framework; Sustainability Report 2022: Sound corporate governance - Responsible business conduct - Compliance & ethics		
GRI 205: ANTI-CORRUPTION 2016	205-3	Confirmed incidents of corruption and actions taken	Sustainability Report 2022: Sound corporate governance - Responsible business conduct - Compliance & ethics		
RESILIENCE AND LONG-TERM ORIENTED FINANCIAL PERFORMANCE					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Annual Report 2022: Financial results; Sustainability Report 2022: Community involvement		#8 Decent work and economic growth
GRI 201: ECONOMIC PERFORMANCE 2016	201-1	Direct economic value generated and distributed	Annual Report 2022: Financial results; Sustainability Report 2022: Community involvement		#8 Decent work and economic growth
GRI 207: TAX 2019	207-1	Approach to tax	Sustainability Report 2022: Sound corporate governance - Responsible business conduct - An honest taxpayer		#8 Decent work and economic growth
	207-2	Tax governance, control, and risk management	Annual Report 2022: Financial results; Sustainability Report 2022: Sound corporate governance - Responsible business conduct - An honest taxpayer		
	207-4	Country-by-country reporting	Annual Report 2022: Declaration of transparency, Country-by-country reporting		
HUMAN RIGHTS					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Human Rights Policy; Anti-Discrimination Policy; Sustainability Code of Conduct for Suppliers; Annual Report 2022: Human Resources, Human rights Sustainability Report 2022: • ESG fully embedded in the Belfius Strategy - ESG at the heart of everything we do; • Sound corporate governance - Responsible business conduct - Compliance & ethics/Human rights due diligence/Accelerating the transition/ Sustainable procurement		#5 Gender equality; #8 Decent work and economic growth; #10 Reduced inequalities
GRI 412: HUMAN RIGHTS ASSESSMENT 2016	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Sustainability Code of Conduct for Suppliers; Sustainability Report 2022: Sound corporate governance - Responsible business conduct - Sustainable procurement		#5 Gender equality; #8 Decent work and economic growth; #10 Reduced inequalities

GRI standard/ other source	Disclosure		References/Information (hover over text for link)	Omissions	Sustainable Development Goals
COMMUNITY INVOLVEMENT					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Annual Report 2022: Financial results; Sustainability Report 2022: • Meaningful growth - Sustainable financing solutions; • Community involvement		#1 No poverty; #8 Decent work and economic growth; #9 Industry, innovation and infrastructure; #10 Reduced inequalities; #11 Sustainable cities and communities
GRI 201: ECONOMIC PERFORMANCE 2016	201-1	Direct economic value generated and distributed	Annual Report 2022: Financial results; Sustainability Report 2022: Community involvement		#8 Decent work and economic growth
GRI 203: INDIRECT ECONOMIC IMPACTS 2016	203-2	Significant indirect economic impacts	Sustainability Report 2022: • Meaningful growth, Sustainable financing solutions; • Community involvement		#1 No poverty; #8 Decent work and economic growth; #10 Reduced inequalities; #11 Sustainable cities and communities
GRI G4 LOCAL COMMUNITIES	FS14	Initiatives to improve access to financial services for disadvantaged people	Sustainability Report 2022: Listening to our customers - Special attention to our vulnerable customers		#1 No poverty; #8 Decent work and economic growth; #10 Reduced inequalities
SUPPPORTING AND ACCELERATING THE SUSTAINABILITY TRANSITION					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Sustainability Report 2022: • ESG fully embedded in the Belfius Strategy - ESG at the heart of everything we do; • Meaningful growth; • Sound corporate governance - Responsible business conduct - Accelerating the transition; • Focus on climate action		#3 Good health and well-being; #7 Affordable and clean energy; #12 Responsible consumption and production; #13 Climate action
GRI G4 PRODUCT PORTFOLIO	FS7	Monetary value of products and services developed in order to obtain specific social benefits by business line and purpose	Sustainability Report 2022: • Meaningful growth - Meaningful investing; • Meaningful growth - Sustainable financing solutions		#3 Good health and well-being; #7 Affordable and clean energy; #12 Responsible consumption and production; #13 Climate action
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Sustainability Report 2022: • Meaningful growth - Meaningful investing; • Meaningful growth - Sustainable financing solutions; • Focus on climate action - Aligning with the EU Taxonomy		#3 Good health and well-being; #7 Affordable and clean energy; #12 Responsible consumption and production; #13 Climate action
GRI G4 ACTIVE OWNERSHIP	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Sustainability Report 2022: • Meaningful growth - Meaningful investing; • Meaningful growth - Sustainably managed proprietary portfolios - Sustainable management of insurance reserves (by Belfius Insurance)		#3 Good health and well-being; #7 Affordable and clean energy; #12 Responsible consumption and production; #13 Climate action

GRI standard/ other source	Disclosure		References/Information (hover over text for link)	Omissions	Sustainable Development Goals
DIVERSITY, EQUITABLE OPPORTUNITIES AND INCLUSION					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Human Rights Policy; Anti-Discrimination Policy; Annual Report 2022: Human Resources - Human rights/ An active diversity, equitable opportunities and inclusion (DEI) approach; Sustainability Report 2022: ESG fully embedded in the Belfius Strategy;		#5 Gender equality; #8 Decent work and economic growth; #10 Reduced inequalities
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	Diversity of governance bodies and employees	Annual Report 2022: Human Resources - Key figures/ An active diversity, equitable opportunities and inclusion (DEI) approach; Sustainability Report 2022: ESG fully embedded in the Belfius Strategy		#5 Gender equality; #8 Decent work and economic growth; #10 Reduced inequalities
FINANCIAL INCLUSION AND ACCESS TO FINANCIAL SERVICES					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Sustainability Report 2022: • ESG fully embedded in the Belfius Strategy; • Listening to our customers - Special attention for more vulnerable customers		#1 No poverty; #4 Quality education; #8 Decent work and economic growth; #10 Reduced inequalities
GRI G4 LOCAL COMMUNITIES	FS14	Initiatives to improve access to financial services for disadvantaged people	Sustainability Report 2022: Listening to our customers - Special attention for more vulnerable customers		#1 No poverty; #4 Quality education; #8 Decent work and economic growth; #10 Reduced inequalities
FUTURE-PROOF, INCLUSIVE AND RELEVANT INFRASTRUCTURE					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Sustainability Report 2022: • ESG fully embedded in the Belfius Strategy - ESG at the heart of everything we do; • Meaningful growth - Sustainable financing solutions; • Community involvement		#8 Decent work and economic growth; #11 Sustainable cities and communities
GRI 203: INDIRECT ECONOMIC IMPACTS 2016	203-1	Infrastructure investments and services supported	Sustainability Report 2022: • Meaningful growth - Sustainable financing solutions; • Community involvement		#8 Decent work and economic growth; #11 Sustainable cities and communities
TRANSPARENT COMMUNICATION ON PRODUCTS AND SERVICES					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Sustainability Report 2022: • ESG fully embedded in the Belfius Strategy; • Sound Corporate Governance - Responsible business conduct - Compliance & ethics; • Listening to our customers		

GRI standard/ other source	Disclosure		References/Information (hover over text for link)	Omissions	Sustainable Development Goals
LOCAL INNOVATION AND DIGITALIZATION					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Sustainability Report 2022: • ESG fully embedded in the Belfius Strategy, ESG at the heart of everything we do; • Meaningful growth, Innovative banking and insurance solutions		#9 Industry, innovation and infrastructure; #10 Reduced inequalities;
MANAGING DIRECT AND INDIRECT ENVIRONMENTAL IMPACTS OF BELFIUS GROUP					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Sustainability Report 2022: • Focus on climate action - Decarbonisation trajectory; • Towards more sustainability in our own operations, Reducing resource use and avoiding waste		#12 Responsible consumption and production; #13 Climate action
GRI 301: MATERIALS 2016	301-1	Materials used by weight or volume	Sustainability Report 2022: Towards more sustainability in our own operations - Reducing resource use and avoiding waste - Steadily decreasing waste		
GRI 302: ENERGY 2016	302-1	Energy consumption within the organisation	Sustainability Report 2022: Towards more sustainability in our own operations - Reducing resource use and avoiding waste - Saving energy		#12 Responsible consumption and production; #13 Climate action
GRI 303: WATER AND EFFLUENTS 2018	303-5	Water consumption	Sustainability Report 2022: Towards more sustainability in our own operations - Reducing resource use and avoiding waste - Water consumption		#12 Responsible consumption and production
GRI 305: EMISSIONS 2016	305-1	Direct (Scope 1) GHG emissions	Sustainability Report 2022: Focus on climate action - Decarbonisation trajectory		#12 Responsible consumption and production; #13 Climate action
	305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Report 2022: Focus on climate action - Decarbonisation trajectory		
	305-3	Other indirect (Scope 3) GHG emissions	Sustainability Report 2022: Focus on climate action - Decarbonisation trajectory		
GRI 306: WASTE 2020	306-1	Waste generation and significant waste-related impacts	Sustainability Report 2022: Towards more sustainability in our own operations - Reducing resource use and avoiding waste - Steadily decreasing waste		
	306-2	Management of significant waste-related impacts	Sustainability Report 2022: Towards more sustainability in our own operations - Reducing resource use and avoiding waste - Steadily decreasing waste		
	306-3	Waste generated	Sustainability Report 2022: Towards more sustainability in our own operations - Reducing resource use and avoiding waste - Steadily decreasing waste		

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Principles	References
HUMAN RIGHTS	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	Belfius Human Rights Policy Transition Acceleration Policy Sustainability Code of Conduct for suppliers Human Resources, Human rights
Principle 2: make sure that they are not complicit in human rights abuses.	Belfius Human Rights Policy Transition Acceleration Policy Sustainability Code of Conduct for suppliers Human Resources, Human rights
LABOUR	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Belfius Human Rights Policy Transition Acceleration Policy Sustainability Code of Conduct for suppliers Human Resources, Human rights
Principle 4: the elimination of all forms of forced and compulsory labour;	Belfius Human Rights Policy Transition Acceleration Policy Sustainability Code of Conduct for suppliers Human Resources, Human rights
Principle 5: the effective abolition of child labour; and	Belfius Human Rights Policy Transition Acceleration Policy Sustainability Code of Conduct for suppliers Human Resources, Human rights
Principle 6: the elimination of discrimination in respect of employment and occupation.	Belfius Human Rights Policy Belfius Anti-Discrimination Policy Sustainability Code of Conduct for suppliers Human Resources, An active diversity, equitable opportunities, and inclusion (DEI) approach Human Resources, Human rights Sound corporate governance, Responsible business conduct, Compliance & ethics

Principles	References
ENVIRONMENT	
Principle 7: Businesses should support a precautionary approach to environmental challenges;	Transition Acceleration Policy Sustainability Code of Conduct for suppliers Towards more sustainability in our own operations Focus on climate action, Environmental and climate-related risks and opportunities
Principle 8: undertake initiatives to promote greater environmental responsibility; and	Transition Acceleration Policy Sustainability Code of Conduct for suppliers Towards more sustainability in our own operations Focus on climate action, Environmental and climate-related risks and opportunities
Principle 9: encourage the development and diffusion of environmentally friendly technologies	Transition Acceleration Policy Sustainability Code of Conduct for suppliers Meaningful growth
ANTI-CORRUPTION	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Belfius Anti-Bribery Policy Belfius Anti-Fraud Policy Sustainability Code of Conduct for suppliers Sound corporate governance, Responsible business conduct, Compliance & ethics

UNEP FI Principles for Sustainable Insurance reporting

Principle 1: We will embed in our decision-making, environmental, social and governance issues relevant to our insurance business.

Company strategy

As society is facing growing environmental, social and governance (ESG) challenges, sustainability has increasingly become an indispensable component within Belfius' strategy. We work with regulators, brokers and customers to guarantee sustainable business practices and develop approaches to better manage underlying trends in the insurance industry. As part of our core purpose: "Meaningful & Inspiring for Belgian Society. Together", Belfius aspires to creating long-lasting value for all of its stakeholders. With this vision as our guiding principle, we have defined a clear sustainability strategy.

On the one hand we 'walk the talk': we do what we say in terms of sustainability and ensure a maximum positive contribution in everything we do. On the other, we put our customers in the driver's seat of their sustainability ambitions and support them through an adapted range of products and services. We also provide a strong framework through collaboration with sound partners who help lead the way in a complex and changing world.

Because the fight for climate is more than an environmental issue, we make daily efforts to not only support, but actively enable, the transition to a low-carbon, resilient Belgian society as it is a crucial social change that we seek to encourage. Belfius joined the Science Based Targets initiative (SBTi) in 2022 and is committed to setting emissions reduction targets in line with the Paris Climate Agreement.

We are also aware of the complexity of finding solutions that meet both the needs of our clients and our sustainability goals. Within this context, we heavily invest in improving the quality of our ESG data environment. As we understand that appropriate measurement and transparent reporting are keys to success, Belfius attaches great importance to having an open dialogue with stakeholders on ESG issues to understand and tackle those properly and efficiently.

Belfius has established an ESG governance structure with clear responsibilities at Board and executive management level, regular collaboration and interactions with Belfius' insurance shareholder (Belfius Bank), and explicit integration of sustainability-linked criteria into the variable compensation of senior management positions. Furthermore, various dedicated teams are responsible for ESG issues within the Group, although we continually ensure that all of our employees include sustainability in their decision-making. In 2022, a total of five awareness sessions and two conferences were organised, including on topics such as sustainable IT and sustainable buildings, amongst others. For additional information, see section 6.1.7. and 7.3.1. of the Sustainability Report and section 5.2. of the Human Resources chapter.

Risk Management and underwriting

Introduction

As managers of risk, the insurance sector is exposed to ESG concerns. Traditionally, climate risk was mainly considered from the perspective of the non-life insurance business. The risks related to climate events were primarily managed via an appropriate risk (re)pricing based on historical data and mitigated by reinsurance. For insurance products, the underwriting of life risks might be impacted however, with the possibility of pricing being increasingly based on a prospective rather than a historical basis and the insurability of some risks currently covered by insurance policies becoming uncertain in the longer run.

Now, due to the escalating challenges posed by climate change, climate-related risks also encompass assets (risks due to transition or physical events).

In response to the increase in the frequency and severity of extreme weather events, considerable efforts have been devoted to assessing the significant issues related to climate change. With the objective of managing our exposure to climate-related risks, Belfius Insurance closely follows up on climate and sustainability risks. To this end, we have also included ESG risks in our Risk Management Framework and have defined a dedicated Risk Appetite Framework and suitable risk indicators. The aim of our Risk Management Framework is to ensure that existing and emerging risks are eventually systematically and effectively identified, assessed, managed and monitored. For more information, see section 7.3.2. and 7.3.5. of the Sustainability Report.

Risk Roadmap

In order to ensure that ESG risks are gradually and systematically embedded into our governance, processes and the existing Risk Management Framework, a three-year ESG Risk Roadmap was designed and approved in 2021 by the Management Board. It focuses on three risk categories:

- ESG Regulatory requirements: risk of not respecting (ESG) regulatory requirements in due time
- ESG Strategy: risk that ambitions related to sustainability are deemed insufficient (by clients & other major stakeholders) or not reached on time
- Resilience Risk: risk that profitability and solvency are materially affected by ESG events

The implementation of the ESG Risk Roadmap was structured around different steps. We initially performed qualitative screening of our climate-related physical and transition risks ("Climate Risk Map"). Then, based on this risk map, we quantified the impact of such risks, convinced that measurement is key in efficient risk management. For more information, see section 7.3.5. of the Sustainability Report.

A first climate stress scenario at company level was calibrated and the impact on our solvency ratio was computed in 2021. In 2022, a second stress test as part of the 2022 ORSA was performed. It should be noted that Belfius also closely analysed the climate stress tests proposed by several European supervisors, with the aim to improve our internal Climate Stress Test. For more information on the insurance climate stress tests, see section 7.3.6. of the Sustainability Report.

As a result, sustainability-related risks have been embedded in the risk appetite policy with dedicated key risk indicators (KRIs). These indicators have been defined and have been in use in 2022. We have also started to collect energy performance information on assets linked to real estate properties (for both direct investment in Belgian real estate and mortgage loans) as a first step to measuring transition risks for these kinds of positions. The subsidence risk for Belfius Insurance's portfolio is now covered in our property insurance and the Transition Acceleration Policy (TAP) has been fully implemented in our financial assets and underwriting portfolio. For more information on KRIs and the TAP, see sections 6.1.3. and 7.3.3. of the Sustainability Report.

Embed ESG in our risk management practices

In addition, in line with the ESG Roadmap and strategy, we took initiatives to embed ESG in our decisions, policies, processes and organisation. We applied sustainability criteria to several risk processes:

- Sustainability risks were more accurately included in the Risk Taxonomy
- Sustainability risks were added to the Risk Charter
- ESG considerations were added to the Investment Risk Framework and Real Estate Risk Framework. These are now also taken into account during the investment process
- Sustainability-related risks were integrated into the Risk Charter, Actuarial Function Charter, Remuneration Policy and Risk Taxonomy, so as to comply with Solvency II regulation which requires the inclusion of sustainability risks in various aspects of risk management
- Sustainability elements have been embedded in the Risk and Control Self-Assessment (RCSA) for the Internal Control Report
- The identification, assessment, monitoring and management of these risks in now part of our Risk Identification and Control Assessment Process (RiCap) and several ESG reflections have been included in the (product) approval process
- A review of sustainability risks aspects is regularly organised to monitor both regulatory evolutions and the development of good risk practices
- In line with Belfius Group's Transition Acceleration Policy (TAP), these screening principles have gradually been embedded into our underwriting guidelines over the course of 2022.

Product and service development

By essence, an insurance company has an essential social role. It is our mission to protect and insure our clients against the financial risks related to serious life hazards (e.g. domestic or mobility accidents, natural catastrophes, illness, hospitalisation, unemployment, disability or death). Since life is unpredictable, we seek to help our clients prevent those risks, protect them and their loved ones and facilitate their access to insurance solutions. To this end, we embed environmental, social and governance factors into our products and services.

In terms of insurance products, Belfius has adapted its processes, leading to the development of products incorporating ESG criteria and has facilitated the development of innovative insurance solutions. Our aim is that each of our products and services should fully integrate our ambition and strategy.

For our non-life insurance products, we seize every opportunity to encourage our clients in their transition towards a net-zero economy and society. We offer a wide range of products and services that answer to the needs of a large number of people and have a positive effect on the environment:

- With regards to Property insurance, we have widened our coverage to insure all “smart” installations that have a positive impact on reducing the Green House Gas (GHG) emissions of buildings (heat pumps, solar panels, batteries, etc.) without an extra premium. As of 2022, drought risk is now embedded in our coverage. Furthermore, in order to support our customers in their transition towards energy-efficient housing, we offered pricing reductions for housing with EPC below 150kw/m^2/year in 2022. Our property coverage extends to customers looking for shared mobility solutions and thus who do not own the car that they drive. It is essential that we support shared and circular economy initiatives as they will help ensure the maintenance of economic growth, while minimising GHG proliferation.
- In terms of Mobility Insurance, we have adapted our pricing in relation to CO_2 emissions and kilometres driven, encouraging the transition to low-carbon mobility, as well as offering an Assistance budget instead of a replacement car. Moreover, when a vehicle is damaged or faulty, insurers can play a key role in ensuring that repairs are carried out in the most sustainable way possible. In this respect, together with other industry players, Belfius is contributing to the development of standards for the future certification of actors in the repair chain that operate in an environmentally sensitive way. Finally, in 2022 we developed a unique all-in bike insurance product covering theft, personal injury and repair.

With regards to our Life Insurance products, we adapted our Kite Invest products (Branch 23, EUR 25 Bn outstanding) to be fully compliant with the Belfius Transition Acceleration Policy. We are committed to offer products matching all SFDR criteria by 2025 (Art 8 from SFDR). In 2022, 95% of our promoted insurance-based investment products were at least Art 8.

Our aim to become a more sustainable organisation does not stop at offering insurance solutions. The underlying risk covered by insurance solutions should be universally understood, especially by our clients. That is why we invest in prevention and clear communication. In 2022, we developed a communication prevention kit sending alerts and prevention tips before a natural catastrophe. This kit was activated five times in 2022, mainly for the storms in February and March and droughts during the Summer period.

For more information on our underwriting offer, please see sections 5.3. and 7.3.7. of the Sustainability Report.

Claims management

We also believe that our efforts should carry on during the whole lifecycle of our product offerings. It is our part of our mission to serve our clients fairly, quickly and transparently. Our easy-to-use MyBo platform is a clear reference for our efforts to facilitate the claims management process. MyBo was the preferred tool when natural catastrophes occurred. For instance, in February 2022 after disasters due to storms, a total of 67% of claims were introduced through MyBo.

Even when we deploy many solutions however, complaints can always arise, and we handle these in line with the expectations of the related Service Level Agreement. Those complaints are essential to improve our processes and allow our offerings to become even more meaningful for our clients in the future.

For more information on complaints management and the insurance approach, please see sections 5.3. and 6.2.2. of the Sustainability Report.

Sales and marketing

As Belfius' values revolve around customer-orientation, establishing transparent relationships with customers is an integral part of our mission. In addition to the ethics policies in place, also covering client relations, Belfius adheres to Assuralia's code of conduct.

In 2022, our sales forces were educated through various trainings to increase their understanding of sustainability so as to better advise our clients. Following the implementation of the amended Insurance Distribution Directive (IDD) integrating customers' sustainable preferences, the different networks (Bank and DVV) followed a mandatory education programme related to changes implemented by the directive.

For more information on responsible and transparent customer relations, please see section 6.2. of the Sustainability Report.

Investment management

As an insurer with deep roots in Belgian society, a large part of Belfius Insurance's resources is invested in Belgian assets. Indeed, Belfius Insurance's contribution to the Belgian economy cannot be underestimated.

In 2022, more than EUR 3.4 billion was invested in bonds issued by the Belgian State and Regions. Thanks to this investment, Belfius Insurance thus provides the State, Regions and, consequently, Belgian society, with significant resources that make it possible to intensify societal commitments.

In addition, in 2022 EUR 6.2 billion was invested in other Belgian assets (corporate bonds, real estate, mortgages, loans, shares of Belgian companies, etc.) across various sectors. We are also investing in the start-ups of the future through W.I.N.G.S, a business incubator, and started a sponsorship with Do! Gent.

As of 2022, a total of EUR 14.2 billion has been invested in the real economy, mainly in Belgium. Our Engagement Report gives more details on this.

We also seek to limit our impact on the environment while maximising our impact on society and its resilience. Since October 2022, our Transition Acceleration Policy (TAP) has been fully integrated into our Investment strategy. For more information on the TAP, see section 6.1.3. of the Sustainability Report.

Finally, Belfius acts as a responsible investor through its engagement strategy. Following the end of the partnership with Portfolio21 on September 30, 2022, Belfius Investment Partners is now in charge of the screening and engagement approach.

For further details on Belfius' insurance management of proprietary assets, see section 5.5.1. of the Sustainability Report.

Principle 2: We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

Our clients

Belfius is aware of the increasing environmental, social and economic challenges that our society is facing. To this end, we integrate ESG considerations into our decision-making processes to prevent and manage sustainability risks that might impact our strategy. Our group also takes these considerations into account when engaging with our different stakeholders to understand their expectations, but also to ensure the path towards a sustainable future.

We continuously inform customers on ESG-related risks and, to support them with their daily operations, regularly develop a series of sustainable solutions to help them prepare for the potential negative effects of climate change (cf. Section 5.3.). Increasing our customers' awareness is a key priority for Belfius and to do so we provide additional information on our investment products (Life Invest products) to increase our clients' knowledge of ESG risks and to match their sustainability preferences with dedicated products. With regards to our property products and mortgages, we regularly inform clients on the different climate associated risks they may face (flooding and drought for instance) and how to help mitigate these.

In 2022 through market and peer analysis, we also updated our material topics list that had been assessed at Belfius Group level by various stakeholders in 2021. For more information on this, please refer to section 4.3. of the Sustainability Report.

Our suppliers

Our business partners also play an important role in our transition to a low-carbon economy. Belfius is aware of the need to manage its supply chain in a sustainable manner and to ensure that we maintain a constant dialogue with our suppliers so that they may take appropriate mitigating actions. This is crucial in terms of continuity, reputation and cost, as we have the ambition to make affordable insurance solutions available to all of our clients.

Within this context, we have selected EcoVadis as our partner to screen our most important existing and new suppliers and advocate for these changes. We believe it is not only important for Belfius Insurance to understand our suppliers' exposures related to ESG risks, but it is also considered by our suppliers as an opportunity to understand and improve their own processes. Modifications have been made accordingly, including to our tender process, to screen new suppliers so as to embark on the sustainability journey together from the very beginning. In 2022, 66%[1] of the total vendor spend was evaluated, prioritising High and Medium Risk suppliers. In the event that vendors did not immediately respond to the ESG assessment invitation, Belfius actively interacted with them. Finally, we reflected upon our own EcoVadis results related to the Sustainable Procurement theme and identified different areas that could be improved by the end of 2023.

For more information on sustainability within the supply chain, see section 6.1.6. of the Sustainability Report.

Insurers, reinsurers and intermediaries

In order to maintain the quality standards of the Insurance industry, we work together with other organisations to increase our expertise in the sector. To this effect, Belfius Insurance played a central role together with Assuralia members in the development of the ESG Action Plan aimed at helping the entire sector to endorse more sustainable behaviours. The Action Plan has been validated and we continue working with our peers to strengthen sustainability in the sector.

Furthermore, Belfius Insurance has always seen reinsurance as an indispensable risk mitigator. Reinsurers help us to measure and assess, amongst others, risks associated with natural catastrophes. In this regard, discussions with reinsurers on climate risks and impacts in Belgium remain essential.

Principle 3: We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

Governments, regulators and other policymakers

The EU Commission has developed an ambitious action plan that makes the European Union the first in the world to answer to the commitments made during the Paris Agreement in 2015. The first regulations that have been issued in that regard are the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy for sustainable activities. Other existing regulations have been amended, such as the Insurance Distribution Directive (IDD), Solvency II and the Non-Financial Reporting Directive (NFRD), which will be replaced by the Corporate Sustainability Reporting Directive (CSRD) in the future. This is mainly aimed at redirecting financial flows where they can have a positive impact, enhancing our risk management and increasing transparency in the financial sector, allowing for better investment decisions.

To this effect, Belfius developed a dedicated project to adequately respond to the different regulatory requirements it is subject to. A dedicated team operates the legal watch. Regular dialogue with different stakeholders, such as Assuralia, Insurance Europe, the European Insurance & Occupational Pensions Authority (EIOPA) and Financial Services & Markets Authority (FSMA) aims to facilitate the implementation of these regulations. In 2022 through Assuralia, we have been in discussion with the Government to ensure that 2nd and 3rd Pillar of pensions are invested as sustainably as possible.

Academia

One of the greatest environmental challenges Belgium is facing today is the energy issue, by far the primary driver of the ongoing climate change crisis. As a Belgian bank-insurer, we consider it our duty to come up with meaningful solutions to the energy issue for Belgium and to support the many investments needed from all citizens and public authorities related to climate and energy challenges.

(1) Belfius Group

Therefore, we contacted several professors (e.g. from UCL and ULiège) to better understand the energy specificities and climate challenges within Belgium. This led to the definition of Belfius' science-based Energy vision that was presented to the Board of Directors and which will guide the development of specific offers for our clients in terms of energy (financing, investment and insurance solutions).

Philanthropic Organisations

Belfius has a strong tradition of supporting social projects. Every year, Belfius staff actively support various charities and other initiatives. In line with our strategy, we work to create a favourable social atmosphere through meaningful and long-term partnerships with organisations in Belgium that work for those who have been given fewer opportunities in life. We implement projects and initiatives to support children, young people and the disadvantaged (such as Viva for Life and Jez!) and promote access to culture for all.

For more information on Belfius' philanthropic initiatives, see section 9 of the Sustainability Report.

Principle 4: We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

Once a year we publish an extended Sustainability Report, including the UNEP FI Principles for Sustainable Insurance (PSI), in which we provide further information on our annual accomplishments. All our reports and continuous progress are also available on the Belfius website. Our yearly engagement report with regards to our investment portfolio is also published. For more information on engagements, see section 5.5. of the Sustainability Report.

In 2022, the ESG Dashboard, which consists of a series of our Key Performance Indicators (KPIs) in line with our strategy, was discussed by the Board of Directors of Belfius Insurance on several occasions.

Additionally, Belfius collaborates with other external stakeholders, such as non-governmental associations or environmental, social & governance (ESG) rating agencies, with the ambition to enhance our existing policies and increase transparency within the insurance sector.

UNEP FI Principles for Responsible Banking reporting

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

1.1 Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies Belgium, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response

Belfius Bank is licensed as a credit institution in accordance with Belgian Banking Law. Belfius Bank, which has signed the United Nations Environmental Programme Finance Initiative (UNEP FI) Principles for Responsible Banking (PRB), is the parent company of the Belfius Group. Its major commercial subsidiaries operate in the Belgian market: Belfius Insurance (BI, insurer), Belfius Investment Partners (BIP, asset manager), Belfius Lease & Lease Services (leasing), Belfius Auto Lease (car leasing), Belfius Commercial Finance (factoring) and Crefius (servicing and managing mortgage loans).

For some very specific activities, entities are maintained in Luxembourg and Ireland:

- Belfius Financing Company SA issues certain securities to external investors. For technical and operational reasons, it has been decided that these issuances take place in Luxembourg. Belfius Insurance Finance manages a portfolio of shares and bonds there in full transparency vis-à-vis the Belgian tax authorities after receiving a positive ruling in Belgium.
- Ireland-based Belfius Ireland controls a historical long-term bond portfolio, however this portfolio is currently being wound down. Belfius' Irish presence does not constitute a case of tax optimisation as there is no shift of taxable base from Belgium to Ireland.

As of 31 December 2022, Belfius serves approximately 30% of the Belgian population and was positioned as the second largest retail bank-insurer in Belgium with 3.8 million customers. It is the third largest bank for small and medium enterprises (SMEs), with approximately 0.3 million professional customers, making it the largest bank in the public sector with almost 100% penetration. It is also the third largest bank for corporates, serving approximately 50% of the companies in the Belgian market with a turnover equal to or above EUR 10 million. Belfius' integrated business model is based on creating and leveraging synergies across these client segments, as well as its products and businesses, investing in all segments of society:

- The public and social sector, such as local and federal authorities, inter-municipal companies, hospitals, care homes, social housings and education centres are offered a wide and integrated range of products and services including, but not limited to, credit lending, treasury management and financial markets products.
- Belfius equally provides financing to entrepreneurs and enterprise clients ranging from the self-employed, liberal professions and small enterprises, to local corporates, and medium- and large-sized companies. . Belfius seeks to

Links and references

Annual Report 2022, Profile of Belfius
Annual Report 2022, Sustainability Report 2022, Section 3 About Belfius

Transition Acceleration Policy

Response		Links and references
support them throughout their entire lifecycle with a comprehensive package of products and services for both business and private needs (loans, transaction banking, financial market products, pension insurance, digital accessibility etc.). • Moreover, Belfius finances individuals, including private and wealth management clients. As a bank-insurer, Belfius helps customers protect and develop their assets through cross-selling along the whole product range, such as payments, savings, mortgages and consumer finance, non-life and life insurances, investments and insurance-investments.	With the exception of some actors that cannot meet our Transition Acceleration Policy, and a historic underrepresentation in agriculture, Belfius' portfolio mostly reflects Belgium's activity sectors. For further information, please see section 7.3.5. of the Sustainability Report . With an essentially Belgian balance sheet for its commercial activities, Belfius is committed to maximal customer satisfaction and added social value by offering products and services with added value through a modern omni-channel distribution model that includes branches, bankers, Belfius Connect and mobile and digital channels.	

1.2. Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

● Yes ○ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

● UN Guiding Principles on Business and Human Rights ● International Labour Organization fundamental conventions ● UN Global Compact ○ UN Declaration on the Rights of Indigenous Peoples ○ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones ○ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones ○ None of the above

Response		Links and references
Believing in its role in Belgium's sustainable development, Belfius' value and corporate sustainability strategy are aligned with the Sustainable Development Goals (SDGs). Considering its business context and core activities, Belfius prioritises SDG 7-Affordable and Clean Energy, SDG 8-Decent Work and Economic Growth, SDG 9-Industry, Innovation & Infrastructure and SDG 11-Sustainable Cities and Communities, where we believe we can (and aim to) create the greatest positive impact. In this regard, Belfius strives to contribute to the SDGs through its product and service offering wherever possible. Belfius has historically been a bank that is active in the public and social sector in Belgium, financing core infrastructure investments in the country for an inclusive and prosperous society. While many of Belfius' banking activities contribute to the SDGs, Belfius first launched in 2019, investment products where Belfius invests in different social and environmental themes that contribute to at least one of the Global Goals. Acknowledging the urgency of the climate crisis, Belfius also actively participates in local and international initiatives to better align its business with the objectives of the Paris Climate Agreement. At Belgian level, in 2020 Belfius participated in the launch of the Belgian Alliance for Climate Action (BACA), a joint initiative of the Belgian sustainable development network (The Shift) and WWF Belgium.	The alliance brings together companies and organisations with a strong intention to pave the way to a low carbon economy by increasing their climate ambitions in line with the Paris Climate Agreement. To this end, Belfius has committed to set targets aligned with climate science as part of its decarbonisation strategy, in line with the Science-based Targets initiative (SBTi). In 2022, we have gathered and disclosed the first estimates of financed emissions. For more details, please see section 7.1. of the Sustainability Report. Finally, Belfius respects and integrates additional international frameworks into its strategy and actions. In particular, we incorporated the International Bill of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work (ILO), the UN Guiding Principles on Business and Human Rights and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the recommendations for Responsible Business Conduct in the Financial Sector into our Human Rights policy. Belfius has also been a participant to the UN Global Compact since 2020, the principles of which are consolidated into both the Transition Acceleration Policy (TAP) and the Human Rights Policy. In 2002, we took part in the trial for the enhanced Communication on Progress of the UNGC.	Annual Report 2022, Sustainability Report 2022 section 3 About Belfius and section 7.1. Decarbonisation Trajectory Transition Acceleration Policy Human Rights Policy

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1. Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):

a) Scope

What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response		Links and references
Serving approximately one third of the population, Belfius is a major player in the Belgian financial sector and is continuously monitoring the social, economic and environmental impacts resulting from its activities. In order to assess and understand its positive and negative impacts, as part of our impact analysis assessment, we used the UNEP FI Portfolio Impact Analysis Tool for Banks ("the Tool") in 2021, where Belfius' consumer, investment, business, corporate and public banking activities in Belgium were considered in the scope of the analysis which ran on the loan portfolio per 30 June 2021.	Although no update to our impact analysis was carried out in 2022, we will reassess our impact during the next reporting cycle through the latest version of the Portfolio Impact Analysis Tool for Banks. As we do so, the scope will also be re-evaluated.	Annual Report 2022, Belfius Profile

b) Portfolio composition

Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition your portfolio globally and per geographical scope

- by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Response		Links and references
For each business line, data containing main sectors, allocation of financing within these sectors and a breakdown of products and services, were entered as an input to the Tool. This allowed Belfius to identify its scale of exposure where sector impact mapping is built-in within the Tool. The most important sectors in Belfius' portfolios are public administration, construction and real estate, holding company activities and retail.	Although no update to our impact analysis was carried out in 2022, we will reassess our impact during the next reporting cycle through the latest version of the Portfolio Impact Analysis Tool for Banks. As we do so, the portfolio composition will also be re-evaluated.	

c) Context

What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

Response		Links and references
Considering Belgium's country needs (as pre-defined in the UNEP FI Impact Analysis Tool) and Belfius' portfolio exposure, the analysis conducted through the Portfolio Impact Analysis Tool generated the following results: • The potential positive impact areas associated with Belfius' portfolios include access to decent housing, public debt management, quality and availability of water, waste management, the efficient use of resources (water, energy, raw materials etc.) and climate change. • The potential negative impact areas associated with Belfius' portfolios include public debt management, quality and availability of water, waste management, the efficient use of resources (water, energy, raw materials etc.) and climate change.	Additionally, the Tool facilitated the identification of the most relevant challenges and priorities related to sustainable development in Belgium, where almost all of Belfius' activities are located. For that purpose, the Tool has a scoring system where most relevant challenges and priorities related to sustainable development for Belgium are highlighted based on data retrieved from national or international statistics related to relevant sustainable development areas. We complemented the findings with our research and assessment regarding the Belgium national context to gather the most representative and up to date overview based on external data. Although no update to our impact analysis was carried out in 2022, we will reassess our impact during the next reporting cycle through the latest version of the Portfolio Impact Analysis Tool for Banks. As we do so, the context will also be re-evaluated.	Annual Report 2022, Sustainability Report 2022, section 4.3. Materiality Assessment

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.

Response		Links and references
Following UNEP FI's PRB guidance, when selecting and prioritising areas of most significant impact, Belfius considered the scope, scale of exposure, context and relevance and scale and intensity/salience of the social, economic and environmental impacts resulting from its activities. Among the potential positive and negative impact areas that were generated by the tool and supported by our internal research on the national context in Belgium, we have identified climate and affordable energy-efficient housing as our most significant impact areas. In this identification process, we looked into our business activities and their contribution to impacts to determine the scale and intensity/salience of the impacts. The fact that construction, real estate and electricity represented the major sectors in our business and corporate portfolios, and the fact that mortgages constituted the bulk of loans to individuals, played a role in our assessment.	**Affordable energy-efficient housing** Considering the outcomes of the Tool and salient issues in Belgium related to sustainable development, we decided to combine two potential impact areas, namely resource efficiency from the perspective of energy efficiency and affordable housing. Both concentrations of our portfolios in certain sectors (construction and real estate represent the major sectors in our business and corporate portfolio and mortgages constitute the bulk of loans to individuals) and the priority of the agenda of affordable energy-efficient housing in Belgium, played a role in our selection. According to figures published by the King Baudouin Foundation, the share of Belgian households considered energy-poor has on average increased by 0.8% over the 2019-2020 period, from 20.7% in 2019 to 21.5% in 2020, with regional disparities (2020: Wallonia Region – 29.5%, Brussels-Capital Region – 26.5%, Flanders Region - 15.9%). "The energy efficiency of Belgium's housing stock is 72 % lower than the European average,"[1] which confirms that it is of utmost importance to address this issue. In fact, the majority of dwellings in Belgium were built before 1981, which explains the need for housing renovation in Belgium. Accordingly, the renovation of buildings is one of the major action plans highlighted in Belgium's National Energy and Climate Action Plan (NECP, 2019) mandated by and submitted to the European Union.	Figures published by the King Baudouin Foundation

(1) https://ec.europa.eu/regional_policy/en/projects/europe/innovative-belgian-funding-scheme-helps-vulnerable-homeowners-renovate-their-houses

Response | **Links and references**

For Belgium to reach its goals regarding energy-efficient housing, Belfius believes it is crucial to tackle the underlying challenge of the target, which is the affordability of energy-efficient housing. In Europe, lowest-income households live in the most energy-inefficient houses and face major difficulties in renovating their houses[1]. Based on a survey on income and living conditions in Belgium in 2022, 5.1% of the Belgian population struggled to keep their home adequately warm due to financial reasons[2]. Thereby, energy-saving renovations are rapidly becoming a social necessity.

We believe it is important that public sector efforts towards affordability should be complemented by private-sector initiatives that will address the challenge at the country-level. As the number one bank for the public and social sector, we want to leverage our position in affordable energy-efficient housing for our retail clients, as well as for social housing entities in our client portfolio. We want to help our impacted clients to escape the affordability trap, where renovation investment prices stay high and energy expenditures become a burden. By focusing on affordable energy-efficient housing, our ambition is not only to contribute to actions towards the NECP commitments of Belgium, but also to support the Belgian population's welfare through renovation investment, which will both increase the value of owners' properties and lower the energy expenditures of households.

Climate

At a time of unprecedented global awareness regarding the importance of climate and given the concentration of our portfolio in the construction, real estate, production and distribution of electricity sectors, we have identified climate as our second area of most significant impact.

Natural disasters and severe weather conditions continue to disrupt economic activities in both developed and developing countries, heightening the need to focus on the challenge of achieving sustainable development goals and transitioning towards a climate-resilient society. In addition, the growing interest in climate change policy across political debates and the increased level of awareness amongst the younger generations, have placed environmental challenges at the heart of the EU's agenda. The impact of climate change on human and natural systems also poses serious challenges to Belgian society, as witnessed by the July 2021 floods and 2022 European heatwaves.

Following the Paris Agreement, the European Union has been taking actions to fight climate change by developing a series of policies and measures to implement concrete climate solutions. As part of the European Green Deal's ambitions, the EU has put forward a plan to further cut emissions by at least 55% by 2030. As part of its National Energy and Climate Plan (NECP), Belgium has endorsed EU ambitions by aiming to reach a GHG emissions reduction of 35% by 2030 compared to 2005 (for non-ET sectors). Alongside reducing greenhouse gas emissions, the EU is also taking action to adapt to the impacts of climate change.

Having a key role in the Belgian private sector, Belfius is aware of the importance of taking concerted actions in order to mitigate the negative impacts of climate change and minimise potentially devastating consequences. We are committed to setting our emissions reduction targets in line with the Paris Climate Agreement to limit global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C. Our objective is also to accompany our clients in their ambitions to reduce their carbon impact and to implement necessary climate adaptation actions. Finally, Belfius seeks to positively support Belgium towards the implementation of national commitments and ambitions by making climate a strategic priority in our sustainability strategy. We believe that effectively confronting climate change starts with collaborative efforts and shared responsibility.

(1) https://www.feantsa.org/public/user/Resources/reports/Targeting_Energy_Efficiency_Renovation_Report.pdf
(2) https://statbel.fgov.be/en/themes/households/poverty-and-living-conditions/material-and-social-deprivation / Material and social deprivation | Statbel (fgov.be)

d) For these (min. two prioritized impact areas)

Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

Response	Links and references
As a financial services institution, our impact depends on the structure of our portfolios, client profiles, or the types of services and products offered. Although no update to our impact analysis was carried out in 2022, we will reassess our impact during the next reporting cycle through the latest version of the Portfolio Impact Analysis Tool for Banks. As we do so, performance measurement will also be evaluated. Nevertheless, Belfius has already started measuring its impact. In this regard, in 2022 we updated the heat maps aimed at detecting sensitivities to climate-related risks within loans and advances to non-financial corporations. The definition used by Belfius to identify climate sensitive sectors takes into account definitions provided by CPRS, but also the climate stress methodology provided by the ECB (list of carbon intensive industries) and Pillar III ESG standards (list of sectors that highly contribute to climate change). It includes exposures on NACE codes A to H and L. It should be noted that no huge sectorial concentration is observed in the balance sheet, neither in climate sensitive nor other sectors, with no single sector representing more than 14% of loans to non-financial corporations. The climate sensitive sectors that each compose more than 10% of this portfolio are "wholesale and retail", "construction" and "real estate". Exposure to the most vulnerable sectors, such as agriculture and mining, are particularly small (0.3% and 0.1% respectively). Moreover, in 2022 Belfius has already started developing measurements of relevant data, more specifically financed emissions for all asset classes defined in the first edition of the Partnership for Carbon Accounting Financials (PCAF)[1]. We tested methodologies and calculated 46% of the total Group balance sheet, or 100% of the five asset classes covered by a PCAF methodology despite remaining data challenges. A detailed action plan will be established following the update of the impact analysis and the targets definition planned for the next reporting cycle.	Annual Report 2022, Sustainability Report 2022, section 7.1. Decarbonisation Trajectory and section 7.3.5. Risk Identification and Assessment

SELF-ASSESSMENT SUMMARY

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

- Scope: Yes ●, In progress ○, No ○
- Portfolio composition: Yes ●, In progress ○, No ○
- Context: Yes ●, In progress ○, No ○
- Performance measurement: Yes ○, In progress ○, No ●

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation and Affordable energy-efficient housing

How recent is the data used for and disclosed in the impact analysis?

○ Up to 6 months prior to publication ○ Up to 12 months prior to publication ○ Up to 18 months prior to publication ● longer than 18 months prior to publication

Following formal discussions with UNEP FI representatives, Belfius prioritised the implementation of measures over further analysis. We are confident that an update of the impact analysis using the novel tool throughout the next reporting cycle will confirm prior results.

(1) According to PCAF (2020). The Global GHG Accounting and Reporting Standard for the Financial Industry. First edition. November 18, 2020

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis. The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment

Which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

Response		Links and references
Following the completion of the updated portfolio impact analysis exercise as part of Belfius' engagement with the PRB through the novel tool, Belfius Bank will review its assessment and develop targets accordingly. In the meantime, Belfius joined the PCAF in 2021, a collaboration between banks and investors from all around the world to enable harmonised assessments and disclosures of greenhouse gas emissions financed by loans and investments to compute its carbon baseline.	Moreover, as mentioned in section 2.1. of the PRB Report, following our selection of climate change mitigation and affordable energy-efficient housing as impact areas, we have taken into consideration Belgium's National Energy and Climate Action Plans (NECPs) mandated by and submitted to the European Union, in addition to the European Green Deal and the Paris Agreement's ambitions.	Annual Report 2022, Sustainability Report 2022, section 7.1. Decarbonisation Trajectory

b) Baseline

Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

Response		Links and references
A baseline for targets will be disclosed as soon as we have established SMART targets addressing climate change mitigation and affordable energy-efficient housing.	We aim to address this development throughout the next reporting cycle.	

c) SMART targets (incl. key performance indicators (KPIs))

Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

Response		Links and references
Belfius has not set targets yet. However, in 2022 we strengthened our climate action by joining the SBTi and publicly committing to establishing concrete objectives for both our own operations and our financed emissions in line with the Paris Climate Agreement to limit global warming to well below 2°C above preindustrial levels and pursue efforts to limit temperature increase to 1.5°C.	Although SMART targets linked to our impact analysis are yet to be set, Belfius has already made ESG-related commitments according to its 2025 strategy. For more information, please see section 4.1. ESG at the heart of everything we do.	Annual Report 2022, Sustainability Report 2022, 7.1. Decarbonisation Trajectory and 4.1. ESG at the heart of everything we do

d) Action plan

Which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Response	Links and references
We aim to formalise Belfius' Action plan towards its climate and affordable energy-efficient housing targets throughout the next reporting cycle. However, to mitigate climate risks, Belfius has already put in place some measures, such as the Transition Acceleration Policy or the development of offerings to help customers reduce their carbon footprint (Ambition loans & lease, energy renovation loans etc.)	Annual Report 2022, Sustainability Report 2022, section 5. Meaningful Growth and section 7.3.7. Environmental and Climate Risk Mitigation

SELF-ASSESSMENT SUMMARY

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your…

	… first area of most significant impact: Climate mitigation	… second area of most significant impact: Affordable energy-efficient housing	(If you are setting targets in more impact areas) … your third (and subsequent) area(s) of impact: … (please name it)
Alignment	○ Yes ● In progress ○ No	○ Yes ○ In progress ● No	○ Yes ○ In progress ○ No
Baseline	○ Yes ● In progress ○ No	○ Yes ○ In progress ● No	○ Yes ○ In progress ○ No
SMART targets	○ Yes ○ In progress ● No	○ Yes ○ In progress ● No	○ Yes ○ In progress ○ No
Action plan	○ Yes ● In progress ○ No	○ Yes ● In progress ○ No	○ Yes ○ In progress ○ No

2.3. Target implementation and monitoring (Key Step 2)

For each target separately: show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response	Links and references
Implementation and monitoring of plans will be developed as soon as we have established SMART targets addressing climate change mitigation and affordable energy-efficient housing.	

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1. Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

○ Yes ● In progress ○ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

● Yes ○ In progress ○ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

Response		Links and references
Customers are at the heart of Belfius' business strategy. Establishing a lasting relationship with customers and engaging with them in a responsible and transparent way is a key factor in building long-term relationships. The Belfius Customer Acceptance Policy and Transition Acceleration Policy (TAP) are the cornerstones of Belfius' responsible engagements with its clients. Belfius aims to ensure that sustainable and responsible business practices are adopted and implemented by all business lines and customers. In line with its values as a responsible bank-insurer, Belfius expects that its principles of responsibility, honesty and professionalism are adopted and embraced by all of its employees.	Belfius' TAP aims to both exclude certain activities that are controversial (e.g. tobacco production and gambling) and support clients' transition to a low-carbon and just economy, while respecting the United Nations Global Compact principles. The scope of the policy covers all processes of Belfius Group, such as client onboarding, loan and leasing origination and investment offer, amongst others. It is Belfius' ambition to further develop the TAP's reach over time, addressing emerging societal or market evolutions in a timely manner, as well as covering voluntary commitments (e.g. SBTi, Principles for Responsible Banking) and upcoming legislations (e.g. the EU taxonomy, Corporate Sustainability Due Diligence Directive).	ESG Framework Policies & Charter website Annual Report 2022, Sustainability Report 2022, section 6. Sound Corporate Governance

3.2. Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services , information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Response	Links and references
As a key bank-insurer in Belgium, Belfius believes that it has a crucial role within society to facilitate and promote the transition of the Belgian economy to sustainable economic activities in line with the vision of the European Green Deal. To achieve this, Belfius relies on the TAP and the development of a product and service offering that supports customers in the accomplishment of their sustainability ambitions. The majority of funds distributed by Belfius are produced and managed by either its subsidiary Belfius Investment Partners (IP), or one of its preferred Asset Management Partners (Candriam, Blackrock, JP Morgan). As a signatory to the United Nations Principles for Responsible Investment (PRI), BIP constantly monitors its investment portfolios and integrates ESG criteria when selecting underlying instruments (funds, trackers). All preferred partners are encouraged to actively engage with the companies in which investments are made. Furthermore, Belfius Bank actively participates in sustainable lending programmes offered by European institutions such as the European Investment Bank (EIB) or European Investment Fund (EIF), to contribute to the sustainable economic activities of its clients and customers e.g. the European Local Energy Assistance (ELENA) initiative and the preferential credit partnership with the EIB on projects/investments related to smart cities, climate action and circular economy. Additionally, Belfius supports green and sustainability bond issuances of its clients through the entire process. In 2022, Belfius launched Ambition Loans and Lease dedicated to financing projects with environmental and climate targets as defined by Belfius. With CO_2rporate ESG Ambition, we aim to accompany all our Corporate and Local Corporate customers through their entire ESG journey from definition to financing the implementation of their ESG strategy. Belfius also offers its retail customers an Energy Renovation Loan for financing construction and renovation projects that contribute to energy-savings in Belgian households, as well as Energy (Plus) Car loans, bicycle loans and reductions in Belfius Car premiums for customers who limit their mobility ecological footprint.	Annual Report 2022, Sustainability Report 2022, 5.1. Meaningful Investing; 7.3.5 Risk identification and assessment; 7.3.7. Environmental and climate risk mitigation. 5.2. Sustainable financing solutions

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1. Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

○ Yes ● In progress ○ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response

Belfius regularly consults and engages with its stakeholders, more specifically its customers, employees and unions, civil society, shareholder, sectorial organisations and prudential supervisors, as well as rating agencies and sustainability analysts. The aforementioned stakeholders were identified considering relevant stakeholders that are impacted by Belfius' activities, as well as their impact on Belfius. These interactions with stakeholders take place on a regular basis through different channels depending on the nature of Belfius' relationship with the stakeholder in question. Dialogue with stakeholders allows Belfius to understand their expectations regarding Belfius' environmental and social impact, as well as inform them about Belfius' sustainability strategy, objectives and risk management.

Belfius first conducted a materiality analysis in 2017, which contributed to the development of sustainability policies and the integration of ESG into Belfius' Inspire 2025 strategy. At the end of 2021, Belfius once again engaged with stakeholders (a selection of customers, suppliers, partners, NGO's, academics, trade unions and employees) through a questionnaire with a double objective: to confirm that Belfius' group-wide strategy and sustainability commitments tackle issues that stakeholders consider relevant and to identify any additional topics that are material to Belfius' stakeholders that might not have been included in Belfius' strategy yet. The results of this assessment were published in the 2021 Sustainability Report and were reviewed in 2022 to reflect the changing world around Belfius.

In order to implement the Principles and improve Belfius' impact on society and the environment, Belfius actively engages with several sustainability initiatives and sectoral organisations, both at local and international level. Acknowledging the United Nations' role, in addition to being a signatory to the PRB initiative, Belfius is also a signatory to the United Nations Global Compact, the UN Principles for Sustainable Insurance (Belfius Insurance) and the UN Principles for Responsible Investment (Belfius Investment Partners). Our participation in these initiatives allows us to be part of a collective action and share experiences around sustainable finance.

Concerning sectoral organisations, Belfius Bank actively participates in and contributes to workgroup activities organised around sustainability by Febelfin.

In 2020, as part of its commitment to climate action and to better align with the objectives of the Paris Climate Agreement, Belfius participated in the launch of the Belgian Alliance for Climate Action (BACA). This participation underscores Belfius' ambition to better fulfil expectations of the Principles. Accordingly, Belfius is also a member of PCAF (since 2021) and also joined SBTi (2022).

At the local level, Belfius is a member of the sustainability community the Shift, as well as the Belgian Institute for Sustainable IT (ISIT-BE), a think and do tank bringing together Belgian companies, organisations and individuals to help them succeed in their digital transition while reducing the environmental and social footprint of their IT services and usages. Further confirming Belfius' commitment to SDG 5 on gender equality, Belfius is also a signatory to the Women in Finance Diversity Charter for a more balanced and fair financial service industry. In 2022, Belfius took another step towards diversity and inclusion by officially becoming a partner of Open@Work to bring together and connect people from the LGBTQIA+ community within Belfius.

Our upcoming PRB impact assessment exercise should allow us to engage with stakeholders on selected impact areas in the future.

Links and references

Annual Report 2022, Sustainability Report 2022
4.2. Engaging with our Stakeholders
4.3. Materiality Assessment

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1. Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

● Yes ○ In progress ○ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Response	Links and references
All ESG-related themes (e.g. climate and environmental risks, or voluntary commitments such as SBTi or the Principles of Responsible Banking) are integrated into the various governance layers of Belfius Group. For further details on the responsibilities of the Board of Directors, Management Board and Joint Management Committee, please see the 2022 Annual Report. Moreover, the novel Strategic Sustainability Committee (SSC), established in 2022, drives and oversees the execution of our ESG strategy, ESG Framework and the Transition Acceleration Policy, while acting as the central hub for operational ESG Governance in line with Joint Management Committee and Board of Directors expectations, including reporting requirements and adherence to voluntary commitments. As the sponsor of the ESG strategy, the Belfius Bank CEO regularly confers with the Sustainability Manager, who coordinates the implementation of the Principles of Responsible Banking, amongst other ESG duties.	Annual report 2022, Corporate Governance Annual Report 2022, Sustainability Report 2022, section 6.1.7. ESG Governance

5.2. Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response	Links and references
Belfius' corporate culture relies on four overarching values: customer orientation, authenticity, fairness and entrepreneurial spirit. These values ensure that customer expectations are at the centre of Belfius' business and that each person's individuality and differences are respected. Belfius seeks a fair balance between the interests of all stakeholders to create sustainable long-term value for its customers, society as a whole, the environment and the Belfius organisation. In line with its core values, sustainability lies at the heart of Belfius' business strategy. The Belfius Inspire 2025 Strategy, shared across the organisation, puts forward the need to integrate sustainability into all aspects of the business. This is an aspect that is fundamental to Belfius' purpose: "Belfius, Meaningful and Inspiring for Belgian Society. Together." Belfius also integrates ESG-related objectives into senior managers' variable remuneration. ESG-related objectives cover topics related to customer satisfaction, employee engagement & wellbeing, diversity, leadership development and Belfius' carbon footprint for its own operations. Moreover, Belfius strives to integrate and adopt all aspects of sustainability into its work environment. Belfius actively promotes a diverse and inclusive work environment and encourages employees with an interest in sustainability to share this passion through "Train Your Colleagues sessions". Belfius broadcasted a webinar on the Transition Acceleration Policy (accessible to all employees) and invited some inspiring speakers. For instance, we organised a conference on the impact of digital technologies on the environment with Aurore Stéphant (a mining geologist, specialising in the health and environmental impacts of minerals) and Olivier Vergeynst (director of the Belgian Institute for Sustainable IT). We also Invited Vincent Callebaut (Archibiotect[1] who designs and builds with the future in mind) to give a presentation to our colleagues on how cities face the challenges of the 21st century where climate and environmental impact and resilience were addressed.	Belfius Annual Report 2022, Human Resources chapter, section 2. Talent Management and section 3. Inclusive Company Culture

(1) Archibiotect is a word combining the prefixes of the words ARCHItecture + BIOtechnologies + Technologies of Information and Communication.

5.3. Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your banks has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Response	Links and references
In 2022, Belfius' overall ESG approach was cast into a new ESG framework for the benefit of our customers, partners, employees and other stakeholders to inform them of Belfius' commitment to addressing climate, environmental, social and governance issues. It summarises Belfius' ambitions, strategy, commitments and governance in the area of sustainable development (ESG) in terms of responsible business, the conduct of its core business, the management of its internal operations and its dealings with its counterparties. The framework also provides access to all of Belfius' underlying policies linked to ESG, such as the Customer Acceptance Policy, the Transition Acceleration Policy, the Human Rights Policy, Anti-discrimination Policy and Whistleblowing Policy. Over the course of 2022, an Environmental Policy was developed. In 2022, we conducted a gap analysis on our value chain to identify areas for improvement in our due diligence processes on Human Rights. The identification of potential ESG risks associated with a new product, service or process is done from inception (New Product Approval procedure). Environmental, social and governance questions on customer activities are also included in the loan origination process (internal rating system and credit note).	Annual Report 2022, Sustainability Report 2022, Section 6.1. Responsible Business Conduct ESG-Framework-EN - final for publication.pdf (belfius.be)

SELF-ASSESSMENT SUMMARY

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

● Yes ○ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

● Yes ○ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

○ Yes ● In progress ○ No

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1. Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

○ Yes ○ Partially ● No

If applicable, please include the link or description of the assurance statement.

Response	Links and references
-	

6.2. Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

● GRI ○ SASB ○ CDP ○ IFRS Sustainability Disclosure Standards (to be published) ● TCFD ○ Other

Response	Links and references
We have been reporting sustainability-related information in line with the Global Reporting Initiative (GRI) Standards since 2017. Although we only became a TCFD supporter in 2022, Belfius already reported on climate risk following the TCFD recommendations in its 2021 Sustainability Report. Finally, Belfius intends to begin reporting to the CDP in 2023.	Annual Report 2022, Sustainability Report 2022 Section 1. About this report Section 7.3. Environmental and Climate-related Risks and Opportunities Appendix – GRI index

6.3. Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

Response	Links and references
Over the next reporting cycle, we will update our impact analysis through the latest version of the Portfolio Impact Analysis Tool for Banks. As we do so, we will continue to consider the scope of our impact, the Belgian context and the composition of our portfolio, while measuring our performance. We are planning to set SMART targets addressing climate change in line with the Paris Climate Agreement and affordable, energy-efficient housing.	

6.4. Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months.

○ Embedding PRB oversight into governance
○ Gaining or maintaining momentum in the bank
○ Getting started: where to start and what to focus on in the beginning
○ Conducting an impact analysis
○ Assessing negative environmental and social impacts
○ Choosing the right performance measurement methodology/ies
○ Setting targets
○ Customer engagement
○ Stakeholder engagement
● Data availability
● Data quality
○ Access to resources
○ Reporting
○ Assurance
● Prioritizing actions internally
○ Other

If desired, you can elaborate on challenges and how you are tackling these.

Appendix – Financed emissions methodology

The calculation of financed emissions starts from Belfius balance sheet data, so all financial numbers and asset class definitions are set in line with financial accounting definitions to align with Belfius' financial statements:

The calculations of financed Scope 3 GHG emissions are performed by internally developed calculation engines. The engines are built to allow maximal flexibility and will select the calculation option with highest data quality depending on data availability. Belfius is expecting to increase data availability over the next years, so the engines are built to integrate these data points.

Real estate loans

Scope of the portfolio

The portfolio of mortgages includes all mortgage loans of Belfius consolidated Group (i.e. covering Belfius Bank and Insurance balance sheet). Construction and renovation loans are excluded from the calculations, as per the PCAF Standard, since it is often unfeasible for financial institutions to obtain the necessary emissions data. For loans including both the purchasing and the renovation of the building, it is currently not possible to split the loan amount in the different purposes of the loan. In these cases, the full outstanding amount is included as a mortgage loan in the financed GHG emissions calculations.

The portfolio of Commercial Real Estate (CRE) includes all loans of Belfius Bank serviced by the letting of one or more properties. Development loans that are serviced by the eventual sale of one or more finished buildings that are currently under development are excluded from the calculations under the PCAF Standard because it is often unfeasible for financial institutions to obtain the necessary emissions data. Other commercial real estate loans that are not defined under the CRE asset class according to the PCAF Methodology are classified as business loans in the financed GHG emissions calculations. Loans to regulated real estate investment companies are classified as business loans.

Methodology

$$\text{Financed emissions} = \sum_{b,e} \frac{\text{outstanding amount}_b}{\text{Property value at origination}_b} \times \text{Building emissions}_{b,e}$$

(with b = building, e = energy carrier)

Our calculations of the attribution factor are based on the valuation of the real estate collateral, since no information on the financed building is available. In cases where no information on real estate collateral is available, the most conservative approach of 100% attribution is used.

Our calculations of the building scope 1 and 2 emissions for the real estate loan portfolio are obtained in two different ways:

First, for mortgage loans, Belfius started structurally collecting energy performance certificates (EPC) of real estate assets in the loan origination process since 2021. Building emissions are estimated through the building energy consumption based on the EPC score (kWh/m^2) and the estimated surface area. Since information on the surface area in our systems is lacking at the moment, this data is approximated based on statistical sector prices for flats and houses per municipality.

Second, if no information on the EPC label is available, country-specific emission intensities per building type are used from the PCAF European building emission factor database. For Commercial Real Estate loans, Belfius uses this estimation option as Belgium's three regions do not require EPCs on all commercial buildings.

General purpose asset classes

Scope of the portfolio

The general purpose asset class includes all listed and unlisted equity, corporate bonds investments and business loans of Belfius Bank and Belfius Insurance.

Methodology

For listed companies:

$$\text{Financed emissions} = \sum_{c} \frac{\text{Outstanding amount}_{\mathrm{c}}}{\text{Enterprise Value Including Cash}_{\mathrm{c}}} \times \text{Company emissions}_{c}$$

(with c = borrower or investee company)

For unlisted companies:

$$\text{Financed emissions} = \sum_{c} \frac{\text{Outstanding amount}_{\mathrm{c}}}{\text{Total } equity_{c} + \text{Total debt}_{\mathrm{c}}} \times \text{Company emissions}_{c}$$

(with c = borrower or investee company)

The **company emissions** are obtained and prioritised in five different ways, depending on data availability:

First, through reported emissions data from our ESG data provider.

Second, through estimated emissions data from our ESG data provider.

Third, specifically for loans and investments to counterparties active in the power generation sector, the counterparty's emissions are approximated by using physical activity data of the company. This production data was collected manually by screening the annual report or website of large power generation companies in our portfolio, resulting in a data quality score of three. The production data of the counterparty is multiplied with a PCAF physical activity-based emission factor to obtain the company emissions.

Fourth, in case the counterparty is active in other sectors than power generation, an economic activity-based emission factor per sectoral revenue from the PCAF emission factor database is used to estimate revenue-based emissions. Graydon databases are used to obtain financial information of Belgian counterparties in the Belfius portfolio, our ESG data provider for foreign companies.

Fifth and lastly, the GHG emission intensity per sectoral total assets is used from the PCAF emission factor database and multiplied with the outstanding amount to obtain the financed emissions.

There is an inconsistency between scope 3 emissions reported and estimated by our ESG data provider and scope 3 emissions estimated from PCAF emission factors. PCAF emission factors only include scope 3 upstream emissions whereas our ESG data provider takes into account both upstream and downstream scope 3 emissions. Consequently, to obtain consistency in reporting from both emission sources, where company scope 3 emissions are missing, estimations of continental and sectoral averages are performed using our ESG data provider estimated and reported emissions.

Project Finance

Scope of the portfolio

In line with PCAF, the project finance portfolio includes scope 1 and scope 2 emissions from all financing of projects in the power generation sector of Belfius Bank. Project finance of other types are currently out of scope of these calculations and will be considered in the future. The scope of the methodology covers projects contributing to electricity generation from fuels including biomass and waste, wind and solar photovoltaics.

Methodology

$$\text{Financed emissions} = \sum_{p} \frac{\text{Oustanding amount}_{\mathrm{p}}}{\text{Total equity}_{\mathrm{p}} + \text{Total Debt}_{\mathrm{p}}} \times \text{Project emissions}_{p}$$

(with p = project)

The **project emissions** are approximated by using physical activity data of the project in the power generation sector. This production data was collected using the P50[1] value (as recommended by PCAF) of the projects in the commercial files. This production data is multiplied with a PCAF physical activity-based emission factor to obtain the project's

(1) P50 is only used for renewable energy sources where the actual energy production varies depending on external factors. To give a best estimate of emissions, we use the P50 which is a statistical level of confidence suggesting that we expect the predicted energy yield may be exceeded with 50% probability.

emissions. Since all financed power generation projects in the Belfius portfolio are renewable energy projects, the financed emissions using this calculation method is zero as the PCAF emission factor for renewable energy projects is also set at zero emissions.

Motor vehicle loans

Scope of the portfolio

The portfolio of motor vehicle loans includes all loans for specific purposes, i.e. financing of motor vehicles. The portfolio includes consumer lending for motor vehicles, to purchase a motor vehicle for private use, as well as corporate loans that include financing of motor vehicles for a business.

Operational and financial leasing of motor vehicles are not included in this asset class as emissions of these are respectively classified as Scope 3 Category 13 Downstream Leased Assets, or as a separate asset class financial lease.

Methodology

$$\text{Financed emissions} = \sum_{v} \frac{\text{Oustanding amount}_{\text{v}}}{\text{Total value at origination}_{\text{v}}} \times \text{Vehicle emissions}_{\text{v}}$$

(with v = vehicle or vehicle fleet)

For all motor vehicle loans, the conservative assumption of 100% attribution is used as no information is currently collected and stored on the financed vehicles.

Our calculations of the vehicle emissions for the motor vehicle portfolio are based on country-average vehicle emissions using the PCAF emission factor database. As the portfolio composition of combustion type of vehicles is unknown, the conservative assumption that all vehicles are thermal combustion is used.

Financial Lease

Scope of the portfolio

The portfolio of financial lease includes all financial lease contracts of Belfius Lease, Belfius Lease Services and Belfius Bank. On the accounting balance sheet, financial leases are treated similarly to business loans as the ownership of the leased asset lies with the lessee instead of the lessor (Belfius). This is why Belfius decided to include the financial leases in scope 3 – category 15 Investments, and calculate financed emission in line with the PCAF Methodology, according to the leased asset.

Methodology

$$\text{Financed emissions} = \sum_{f} \frac{\text{Oustanding amount}_{\text{f}}}{\text{Total value at origination}_{\text{f}}} \times \text{Asset emissions}_{\text{f}}$$

(with f = financial leased asset)

Our calculations of the leased asset emissions are aligned as much as possible to the PCAF methodology depending on the type of the leased asset:

- In case of real estate lending, country-specific emission intensities per building type are used from the PCAF European building emission factor database.
- In case of a motor vehicle, country specific emissions factors per vehicle types from the PCAF database are used.
- In case of power generation assets, as well as air and maritime transportation, sectoral emission factors provided in the PCAF database are used to cover carbon intensive sectors in a consistent way.

Abbreviations

Acronym	
ABS	Asset-Backed Securities
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
CET 1	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
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
FCF	Fulfilment Cash Flows
FEAD	Full Exposure At Default
FHIC	Federal Holding and Investment Company
FTA	First Time Adoption
GAR	Green Asset Ratio
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
IRBA	Internal Rating-Based Approach
IRS	Internal Rating System
LC	Loss Component
LCM	Liquidity and Capital Management
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LIC	Liability for Incurred Claims
LRC	Liability for Remaining Coverage

Acronym	
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
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
WACI	Weighted Average Carbon Intensity

Additional information

Additional addresses of Belfius Bank and Belfius Insurance's main subsidiaries and branch(1)

Belfius Auto Lease
Operational vehicle leasing and car fleet management, maintenance and claims management services
Place Charles Rogier 11 – BE-1210 Brussels
Tel.: +32 2 285 35 94 – *www.belfius-autolease.be*

Belfius Commercial Finance
Financing commercial loans to debtors, debtor insolvency risk cover and debt recovery from debtors
Place Charles Rogier 11 – BE-1210 Brussels
Tel.: +32 2 285 26 11 – *www.belfius-commercialfinance.be*

Belfius Insurance
Insurance company marketing life and non-life insurance products, savings products and investments for individuals, the self-employed, liberal professions, companies and the public and social sector
Place Charles Rogier 11 – BE-1210 Brussels
Tel.: +32 2 286 76 11
www.dvvlap.be – *www.belfius-insurance.be*

Belfius Investment Partners
Collective Investment Management Company
Place Charles Rogier 11 – BE-1210 Brussels
Tel.: +32 2 222 12 01 – *www.belfiusip.be*

Belfius Ireland Unlimited Company
Managing part of the GC portfolios in run off
23, Shelbourne Road – Ballsdridge – IE-Dublin 4
Tel.: +353 15 31 15 00

Belfius Lease
Financial leasing and renting of professional capital goods to the public sector
Place Charles Rogier 11 – BE-1210 Brussels
Tel.: +32 2 222 37 08 – *www.belfius-lease.be*

Belfius Lease Services
Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions
Place Charles Rogier 11 – BE-1210 Brussels
Tel.: +32 2 222 37 08 – *www.belfius-lease.be*

Corona
Direct life and non-life insurance products for individuals
Place Charles Rogier 11 – BE-1210 Brussels
Tel.: +32 2 244 23 23 – *www.coronadirect.be*

Crefius
Granting and managing mortgage loans
Registered office
Place Charles Rogier 11 – BE-1210 Brussels
Tél.: +32 51 23 21 11 – *www.crefius.com*

Elantis
Granting and managing mortgage loans and consumer loans through a network of brokers
Registered office
Rue des Clarisses 38 – BE-4000 Liège
Tel.: +32 4 232 45 45 – *www.elantis.be*

(1) Included in this list: all subsidiaries and the branches operating in the banking and insurance sector (or whose operations contribute to banking and insurance activities).

General information about Belfius Bank

Company name and legal form
Belfius Bank SA

Contact
Tel.: +32 2 222 11 11

Registered office
Place Charles Rogier 11 – B-1210 Brussels

Main postal address
Place Charles Rogier 11 – B-1210 Brussels

Company number
RPM Brussels VAT BE 403.201.185

FSMA number
19649 A

Website
www.belfius.be

Complaints

If you encounter a problem, you can take it initially to your branch or your relationship manager. If your problem is not resolved, then contact the Complaints department.

Belfius Bank
Complaints department – 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***

Erratum

Three modifications on Belfius' carbon footprint computation (Sustainability Report 2022, chapter 7. Focus on climate action, 7.1. Decarbonisation trajectory), were performed between the April 2023 version of the Annual Report 2022 and the current version of this report:

- Scope 1 emissions decreased with 56 tCO_2e. The refrigerants-related emissions of our Pacheco buildings were overreported in the April 2023 version.
- Scope 2 emissions decreased with 15 tCO_2e in the market-based methodology. The electricity consumption of Elantis, one of Belfius' entities, is in fact linked to a renewable energy contract, which was not taken into account in the April 2023 version.
- Scope 3 financed emissions decreased by 51,730 tCO_2e in the mortgage portfolio. The methodology used when energy performance certificates are available had to be adjusted because of a mismatch between primary energy intensity on the certificate and end-energy intensity used in the PCAF database.

The first two changes have an impact on scope 3 category 2 emissions and thereby on the market-based and location-based total figures.

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