2012 Annual report

Belfius
Bank & Insurance

2012

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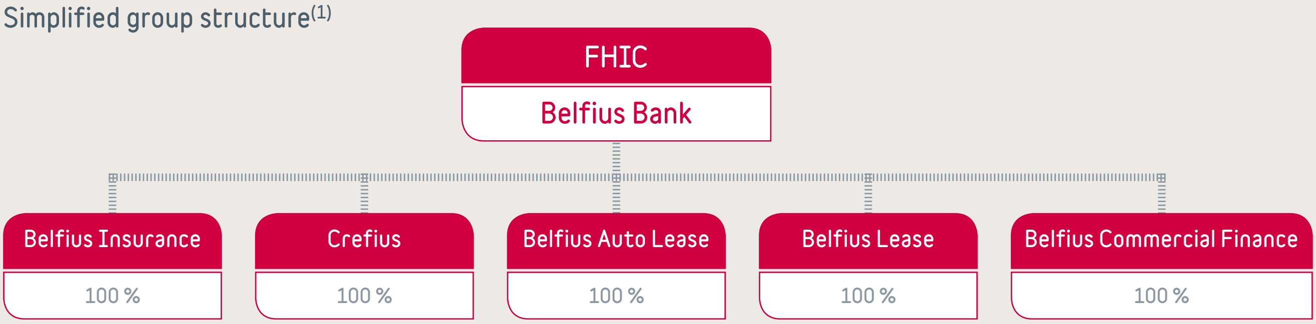
Profile of Belfius Bank

Belfius Bank is a Belgian banking and insurance group wholly owned by the Belgian Federal State through the Federal Holding and Investment Company (FHIC). Belfius Bank shares are not listed.

Simplified group structure[1]



Our mission

Belfius Bank & Insurance is above all a locally anchored autonomous banking and insurance group serving individuals, professionals, companies, social profit institutions, and public authorities in Belgium.

With a mainly Belgian balance sheet in its commercial businesses and customers from all segments, Belfius can present itself as a universal bank "of and for the Belgian society". Belfius is committed to maximising its clients' satisfaction and contributing to society by delivering value-added products and services through a modern proximity model. It aims at a healthy financial profile, reflected in a prudent investment strategy and a carefully managed risk profile, resulting into sound liquidity and solvency positions.

Our activities

Commercial activities are essentially organised around three business lines.

1. Retail and Commercial Banking

Belfius Bank offers individuals and the self-employed, the liberal professions and SMEs a complete range of retail, commercial and private banking products as well as insurance services.

Belfius Bank is one of the three leading banks in Belgium and serves its four million customers through a network of 796 branches, internet and mobile banking applications, a contact centre and a large number of automatic self-banking machines, which makes the bank a 24-hour-a-day operation.

(1) As at 1 February 2013. For more details, see the list of subsidiaries of the consolidated financial statements in this Annual Report.

2. Public and Wholesale Banking

Belfius Bank has always been the preferred partner of public and social sector organisations (hospitals, schools, universities, rest homes...) in Belgium. It provides its clients with a complete and integrated range of products and services, ranging from credit lending and treasury management, to budget optimisation and financial IT solutions.

Corporate banking activities are directed principally at businesses operating in Belgium with the focus particularly on medium-sized corporates.

3. Insurance

Belfius Insurance, a fully-owned subsidiary of Belfius Bank, is active on the Belgian insurance market with a comprehensive range of life and non-life insurance products for individuals, the self-employed, businesses, and the social profit and public sectors. This, via a trio of brands and distribution channels:

- DVV Insurance, through a network of independent agents,
- Belfius Insurance through Belfius Bank's distribution networks,
- Corona Direct, a direct insurer.

This multichannel approach was extended in 2012 to the Elantis brand, which was purchased from Belfius Bank and offers mortgages through independent brokers.

Our staff members

Belfius's operations give employment to about 7,100 people, and there are another 3,700 working in the bank's and insurer's independent networks.

Ratings

As at 31 March 2013	Long-term rating	Outlook	Short-term rating
Fitch	A-	Stable	F1
Moody's	Baa1	Stable	Prime-2
Standard & Poor's	A-	Negative	A-2

Key figures

Consolidated statement of income (In millions of EUR)	31/12/11	31/12/12
INCOME	66	2,458
EXPENSES	(1,610)	(1,593)
GROSS OPERATING INCOME	(1,544)	865
Cost of risk	(555)	(268)
Impairments on (in)tangible assets	(46)	0
PRE-TAX INCOME	(2,146)	597
Tax expenses	779	(180)
NET INCOME AFTER TAXES	(1,367)	417
Non-controlling interests	0	1
NET INCOME GROUP SHARE	(1,367)	415

Consolidated balance sheet (In millions of EUR)	31/12/11	31/12/12
TOTAL ASSETS	232,509	212,947
of which		
Loans and advances to banks and central banks	*46,888*	*43,244*
Loans and advances to customers	*91,933*	*89,486*
Financial assets at fair value through profit or loss and Financial investments	*50,413*	*36,681*
Derivatives	*34,933*	*35,235*
TOTAL LIABILITIES	229,234	207,588
of which		
Deposits from banks and central banks	*59,415*	*40,440*
Customer borrowings and deposits	*70,265*	*66,649*
Financial liabilities at fair value through profit or loss	*11,082*	*10,463*
Debt securities and Subordinated debt	*27,047*	*27,479*
Derivatives	*41,373*	*41,766*
TOTAL EQUITY	3,275	5,359
of which		
Core shareholders' equity	*6,591*	*7,006*
Gains and losses not recognized in the statement of income	*(3,331)*	*(1,666)*

Solvency ratios	31/12/11	31/12/12
Core tier 1 ratio	11.8%	13.3%
Tier 1 ratio	12.7%	13.3%
Capital adequacy ratio (CAD)	15.1%	13.8%

2012

Management report

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Message from the Chairmen

If 2011 was the year in which we found ourselves poised at the top of a new page, 2012 was the one in which Belfius, quietly but with great purpose and resolve, wrote a whole new chapter in its history – a fact that has not gone unnoticed.

Faithful to its new commitments, Belfius has refocused on the Belgian market, determined to breathe new life into its commercial franchise under a new corporate banner.

Belfius is a new banking and insurance group that works on behalf of the Belgian economic tissue. It has sound commercial foundations and fifty years of experience as a local bank for four million customers (private individuals, the self-employed, liberal professions and companies). Belfius also provides life and non-life insurance for around half a million households and has over 150 years of experience as a preferred partner in the public and social sectors.

However, the market in which Belfius operates today no longer has anything to do with the market of yesterday. Belfius more than ever is working in a competitive sector, in an environment where interest rates are at historically low levels and as part of a European financial market still badly affected by the ongoing economic and financial crisis. Yet despite these challenges, we were successful in ending the year stronger than when we began it.

At the end of 2012, we recorded a net profit of 415 million euros. It is true that part of this result is due to non-recurrent capital gains realised on buybacks of subordinated debt. But these gains have enabled us to strengthen our core shareholders' equity, while at the same time supporting our de-risking strategy. Consequently, both banking and insurance activities significantly reduced their sovereign debt exposure in 2012 to the GIPS countries (Greece, Ireland, Portugal and Spain), as well as to Central and Eastern Europe (Hungary, Croatia, etc.).

Throughout the year we worked with determination to untie the links with our former shareholder, the Dexia Group. From an operating and financial point of view, our results are more than satisfactory. Over 90% of our joint businesses are now operating autonomously and this process will be finalised in full by June 2013. And the level of funding granted to the Dexia Group, which amounted to 56 billion euros in October 2011, had been reduced to approximately 15.5 billion euros by the end of February 2013, entirely secured.

We paid very special attention to improving our liquidity profile (returning the regulatory liquidity indicator for Belfius back to the green in September 2012) and to diversifying our funding sources. In this area, we are proud to have become the first Belgian bank, in November 2012, to introduce a programme of covered bonds backed by mortgage loans, the *Belfius Belgian Mortgage Pandbrieven Programme*.

In 2012, our insurance arm conducted important work to reallocate its assets. This work is very much worth highlighting: the strategy of tactical de-risking not only enabled Belfius Insurance to make major reductions to its exposure to sovereign debt from countries deemed to be at risk, but it was also able to better diversify the assets in its portfolio, in particular by deliberately concentrating more on Belgian government bonds and the purchase from Belfius Bank of a portfolio of good-quality mortgage loans.

Alfred Bouckaert Jos Clijsters

Even though we can be justifiably proud of the ground we covered in 2012, we are very much aware that there is still a long way to go and that we will have to take up numerous challenges in the years ahead. The process of retargeting our basic business lines and focusing on the Belgian market is not yet complete. We still need to prepare for the forthcoming introduction of regulatory reforms linked to Basel III and Solvency II. We also need to improve the (underlying) structural profitability of our commercial business, in particular by bringing Belfius Bank's cost base into line with other players in the marketplace.

On the commercial front, we also invested a great deal in 2012. It was just a year ago, on 1 March 2012 that we unveiled our new name and new logo. As the result of a rapid and successful rebranding exercise through all our communication media, assisted recognition of the new brand was already approaching the 91% mark by the end of June 2012.

But Belfius is much more than just a new name. Refocusing on its primary mission, Belfius regained its commercial firepower in 2012, assuming in full its role of a locally anchored Belgian banking and insurance group, with the aim of providing added value to society.

With an increase of 4.5 billion euros in deposits collected in 2012 by our Retail and Commercial Banking and Public and Wholesale Banking business lines, Belfius demonstrated that it has a truly dynamic distribution network in Belgium. And in line with our commitment to provide added value to the Belgian community, these deposits were reinvested in the local economy through the granting of almost 10 billion euros in new loans in 2012.

In addition, our insurance arm confirmed its ranking in 5th position on the Belgian market with 2.3 billion euros of gross premiums written in 2012.

Our commitment to the local community was also demonstrated through a range of other initiatives. For example, since this year, over 3,400 sports teams in Belgium now feature our logo on their shirts, illustrating our support for the promotion of sport among young people. With free Wi-Fi now available in our branches and the take-up of our Mobile apps soaring in numbers, we are preparing actively to cater for the needs of the "digital first" generation. We will continue along these lines in 2013 and plan to equip our customers with a new card-reader that will enable them to be authenticated using e-ID, providing access to over 500 public electronic desks.

In 2012, we also took a long, critical look at our own governance and organisation. The process of strengthening our corporate governance resulted in the fundamental reshaping of our Board of Directors. This move was aimed at both achieving greater simplification and enhancing professionalism. Specialist committees have been created within the Board to deal with specific areas such as strategy and results, risk and capital management, as well as appointments and compensation. The organisation of a number of departments was also reviewed in order to meet current and future challenges and to aim for maximum efficiency. For example, the Retail and Commercial Banking business has been entirely reorganised, enabling important decisions to be taken even more closely to the customer.

Finally, at the end of December 2012, the European Commission approved our financial plan for 2013-2016, thereby confirming a sustainable and independent future for Belfius.

This decision by the Commission, crucial as it is for our future, enables Belfius to continue focusing fully on implementing its strategic plan, the main lines of which are the repositioning of Belfius on the Belgian economy, by maintaining the market shares of the banking and insurance arms in the various customer and business segments; the steady, controlled growth of profits which will be allocated principally to strengthening the bank's capital base ahead of the implementation of the Basel III and Solvency II regulatory reforms; and the ongoing effort to reduce recurrent costs between now and the end of 2016.

The cost-cutting plan that forms an integral part of this plan and which is currently in the process of being negotiated with union delegations in a spirit of openness and in accordance with the social dialogue, calls for sacrifices from each member of our staff. But implementing this plan is essential if we are to be able to meet the challenges of tomorrow and continue to ensure a sustainable, autonomous future for Belfius.

We are confident that thanks to the renewed trust of our customers and the unwavering commitment of our staff, in 2013 we will be able to write the second chapter of the new Belfius story in a positive and constructive spirit. We ask you to judge Belfius on the basis of this new story and not the one from the past.

Alfred Bouckaert
Chairman of the Board of Directors

Jos Clijsters
Chairman of the Management Board

Highlights

Belfius,
a new name,
a new bank serving
Belgian society

Belfius
back to profitability
in 2012

Belfius
launches the first
Belgian covered bond
programme

Significant
improvement
of the
liquidity profile

Dexia-Belfius:
rapid unwinding
whilst ensuring
operational
continuity

The European
Commission
approves
the Belfius
strategic plan

Belfius, a new name, a new bank serving Belgian society

A successful rebranding in record time and almost EUR 10 billion in loans granted in 2012. Belfius achieves its ambition to reposition itself on the Belgian market, to become more than ever a bank and insurance group serving Belgian society.

The new brand Belfius was introduced in March 2012 and the legal name change took place in June 2012. This new commercial positioning was accompanied by a new graphic image and a new communication style. All visible brand supports were adapted in record time, with some exceptions deemed too costly. A majority of branches have already undergone complete rebranding and the logos of the other branches have been removed and replaced by temporary Belfius logos. The rebranding of all branches will be completed by mid-2013. These measures rapidly generated positive results: from June 2012, the brand was well established and enjoyed an assisted recognition rate of 91%. Over the year, Belfius also strengthened its presence in social media and thus fostered direct interaction with the client. Belfius attracted more than 28,500 fans on Facebook, is followed by approximately 3,000 people on LinkedIn and Twitter and registered some 305,000 views on YouTube.

But Belfius aims to be more than just a new name. Refocused on its primary mission, Belfius rediscovered its commercial strength in 2012 and fully assumed its role as a Belgian bank and insurance group with a sound local footing and eager to offer added value to society.

Through its Retail and Commercial Banking activity, Belfius Bank granted EUR 3.1 billion in mortgage loans and EUR 415 million in consumer loans in 2012, and continued to finance SMEs, the self-employed and liberal professions in Belgium, with loan production of EUR 2 billion over the year.

Public and Wholesale Banking continued more than ever to play its role as financier to the Belgian local public sector, reinvesting Belgian savings in numerous projects presenting significant added value for society (public buildings, schools, crèches, hospitals, road networks and so on). Indeed Belfius granted EUR 3.3 billion in new long-term finance to the public and social sectors, and EUR 1.2 billion in loans to medium and large companies.

Loyal to its vocation as a locally-anchored insurer, Belfius Insurance confirmed its position as 5th insurer on the Belgian market with EUR 2.3 billion in gross premiums written in 2012. Protection of the family and its income as well as asset growth are and will remain the insurer's primary objectives.

Local commitment was also realised in various initiatives. Belfius was eager to give its support to the promotion of sport among young people, and from this year more than 3,400 sports team in Belgium display the Belfius logo on their shirts.

Belfius localteamspirit

In 2013, Belfius intends to continue on this path and plans to provide its clients with new card readers which will enable to be authenticated using e-ID and thus give them access to more than 500 public electronic desks.

Belfius back to profitability in 2012

After a difficult 2011, marked by the European debt crisis and separation from the Dexia Group, Belfius posted positive net income Group share of EUR 415 million in 2012. This good result proves the resistance of the Belfius franchise after a particularly turbulent 2011 but is also due in part to non-recurrent elements:

- In 2012 Belfius purchased a portion of its own Tier 1 and Tier 2 debts, and this is reflected by capital gains in a net amount of EUR 508 million. These repurchases of securities enabled the bank to strengthen its core equity against the background of an introduction of Basel III standards which gradually will no longer recognise these securities in the calculation of regulatory capital.
- These gains also enabled Belfius to sustain its "de-risking" strategy. The bank-insurer very sharply reduced its concentration risk on certain GIPS countries. Indeed, outstandings in Spanish and Greek government bonds were reduced almost to zero, whilst outstandings in Portuguese and Irish government bonds were taken to about EUR 95 million. In total, EUR 4.1 billion of assets in the investment portfolio were sold, both at the level of the bank and the insurer, with a net loss limited to EUR 302 million.

On an underlying basis, net income Group share was EUR 277 million, illustrating the robustness of the commercial activities of the bank.

The European Commission approves the Belfius strategic plan

On 28 December 2012, the European Commission approved the Belfius 2013-2016 strategic plan. Discussions with the European Commission took place in total transparency, and in a calm and constructive atmosphere. The Commission confirms a sustainable and autonomous future for Belfius, insofar as the plan is implemented accordingly. It asks for some restrictions however, applicable in 2013 and 2014, particularly regarding proprietary trading, advertising, acquisitions, coupon payments, call exercises and dividend distributions, remuneration policy and operating costs. The production of new loans to the public and social sectors and the sale of life insurance products are restricted to a certain upper limit. However such ceilings do not limit Belfius in its role as financier to the public and social sectors as it does not constitute a brake on the commercial objectives of the bank-insurer. These new conditions fully and with immediate effect replace the old limitations imposed in 2010 when Belfius, at the time still Dexia Bank, was part of the Dexia Group.

This decision enables Belfius to continue to dedicate itself fully to the implementation of its strategic plan, the principal lines of which are as follows:

- the continuing refocusing of Belfius on the Belgian economy, whilst promoting a modern bank and maintaining the market shares of the bank-insurer in its different client and activity segments;
- a gradual growth and control of profits, allocated as a priority to strengthening the bank's capital base from the perspective of implementing the regulatory reforms associated with Basel III and Solvency II;
- an ongoing effort to reduce recurrent costs by the end of 2016.

Significant improvement of the liquidity profile

Since the end of September 2012, Belfius has met the new liquidity ratio requirements of the Belgian National Bank.

To recall, since September 2011, in view of its position as a competence centre with regard to liquidity for the entire Dexia Group, Belfius no longer observed the regulatory liquidity ratio at one month imposed by the Belgian National Bank. This resulted from the sharp increase in the Dexia Group's liquidity requirement for which it had been forced to call on the available funding capacity of Belfius. In addition, the sharp fall of rates necessitated additional cash collateral on historic derivatives contracts.

On the basis of a liquidity action plan and a management agreement providing a large and rapid reduction of funding granted to Dexia, Belfius obtained a provisional exemption from the Belgian National Bank for non-observance of that ratio. During the first nine months of 2012, Belfius made an improvement of the liquidity position an absolute priority. Indeed Belfius introduced a framework allowing for a centralised liquidity management and synergies between the bank and the insurer, limited liquidity-consuming activities, transformed certain of its balance sheet assets into liquid reserves, favoured the collection of deposits and sharply reduced Dexia Group funding.

By virtue of the efforts made, regulatory liquidity indicators returned to the black at the end of September 2012.

More detailed information on the Belfius liquidity position is provided in the "Risk Management" chapter of this Annual Report.

Belfius launches the first Belgian covered bond programme

Following the entry into force of the Law of 3 August 2012 introducing a legal regime for Belgian covered bonds, in November 2012 Belfius announced the establishment of the first Belgian covered bond programme. It is a EUR 10 billion covered bond programme backed by mortgage loans: the *Belfius Belgian Mortgage Pandbrieven Programme*. These covered bonds are rated AAA by Fitch and by Standard & Poor's and are traded on Euronext Brussels.

A few days after obtaining the regulatory licences and authorisations, Belfius launched an inaugural issue of covered bonds, backed by Belgian mortgage loans, with a maturity of five years, an annual coupon of 1.25% and an issue price of 99.678%. The transaction was a great success and EUR 1.25 billion was placed with more than 180 investors.

On the back of this success with its first issue, in January 2013 Belfius launched a second benchmark covered bonds issue, again backed by Belgian mortgage loans and with a maturity of ten years. The maximum amount of the issue was fixed from the start at EUR 500 million. This transaction was also a great success, with an order book of EUR 2.4 billion from more than 100 investors, enabling Belfius to set a coupon of 2.125% and an issue price of 99.688%.

These issues are a part of the plan by the bank to diversify its investor base and its funding sources.

Dexia-Belfius: rapid unwinding whilst ensuring operational continuity

In October 2011, following the purchase of Belfius by the Belgian Federal State, a transition committee was set up, composed of representatives of Dexia, Belfius and the Belgian State, with the task of dealing with the operational and financial transition between the Dexia Group and Belfius. Since then, a long road has been travelled successfully and in a positive and constructive spirit, to complete the untying both of financial and of operational links.

As for the operational links, the committee's first task was to identify existing links between Belfius and all Dexia Group entities. A little more than 250 activities performed by Belfius in favour of the Dexia Group or vice versa were identified for restructuring so that Belfius and the Dexia entities could operate autonomously. Functions and processes were thus transferred and/or recreated in order to guarantee the autonomous operation of the institutions, whilst guaranteeing operational continuity at all times, at Dexia and at Belfius. A mobility framework was also created for staff members changing employer, and also to duplicate IT infrastructures.

Of the 250 activities identified, 200 now operate autonomously. 95% of the work has already been completed. The final deadline, initially planned for the end of March 2013, has been deferred by mutual agreement to June 2013, operational continuity prevailing over planning.

As for financial management, the task here is also considerable, particularly regarding the reduction of funding granted by Belfius to Dexia. At the time Belfius was purchased by the Belgian State in October 2011, that funding amounted to EUR 56 billion, including approximately EUR 22.5 billion unsecured. At the end of December 2012, such funding has been reduced to approximately EUR 22 billion, entirely secured.

At the end of January 2013, Dexia finalised the sale of its subsidiary Dexia Municipal Agency. This was an important milestone for Belfius. For Dexia the sale represented a major liquidity gain, which was allocated as a priority to the continuing reduction of funding granted by Belfius, in an additional amount of approximately EUR 5.5 billion. At the end of February 2013, the balance of funding granted by Belfius to the Dexia Group amounted to EUR 15.5 billion, entirely secured, including EUR 13.8 billion in the form of bonds issued by Dexia Crédit Local but guaranteed by the Belgian, French and Luxembourg States.

More detailed information on the unwinding of links with the Dexia Group is provided in the "Risk Management" chapter of this Annual Report.

Financial Results

Preliminary notes to the consolidated financial statements

1. Changes to the scope of consolidation

The year 2012 was marked by the sale of Dexia Auto Lease Luxembourg and the purchase of the companies LFB and Legros. Mercurius (a securitisation vehicle for loans to small and medium-sized enterprises) was launched, whilst Belfius Financing Company rejoined the scope of consolidation.

A detailed overview of the changes that occurred to the scope of consolidation during 2012 is provided in the "Notes to the consolidated financial statements" of this Annual Report.

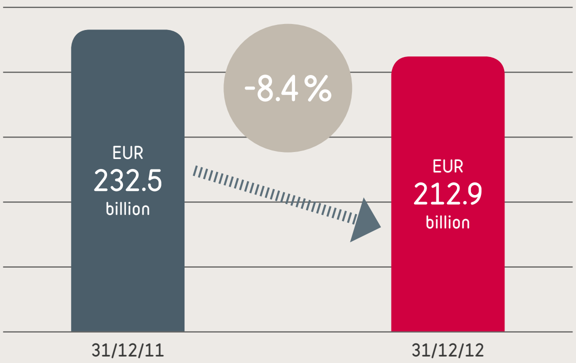
2. Fundamentals of the consolidated financial statements

The Belfius consolidated financial statements are established in accordance with IFRS norms as adopted by the European Union and from the point of view of continuity.

Analysis of the consolidated balance sheet

As at 31 December 2012, the **balance sheet total** amounted to EUR 212.9 billion, a fall of EUR 19.6 billion or 8.4% compared to 31 December 2011. The fall of the Belfius balance sheet total principally reflects the reduction of funding granted by Belfius to its former shareholder Dexia and to entities of the Dexia Group, and the de-risking in the investment portfolio.

Evolution of the balance sheet total



1. Assets

Loans and advances due from banks and central banks fell 7.8%, or EUR 3.6 billion, to EUR 43.2 billion in 2012. This fall is principally due to the drastic EUR 19.7 billion reduction of loans granted in the past to Dexia and its subsidiaries. However, this reduction is partially offset following the renewal of government guaranteed bonds issued by Dexia Crédit Local in an amount of EUR 12.8 billion (in 2011, the first government guaranteed bonds were included in "Financial investments"). As a result of the general fall of interest rates, cash collateral increased by EUR 3.3 billion.

At the end of the financial year, **loans and advances to customers** amounted to EUR 89.5 billion. This fall of EUR 2.4 billion, or 2.7%, is essentially explained by the reduction of loans to Dexia and by the sale of financial assets reclassified as loans in 2008, under the "de-risking" policy. Commercial loans granted to individuals, the self-employed, SMEs and Public and Wholesale Banking clients remained constant in comparison to year-end 2011.

Financial investments and financial assets measured at fair value through profit and loss fell by EUR 13.7 billion to EUR 36.7 billion as at 31 December 2012. Beyond the fall following the transfer of the government guaranteed bonds to "Loans and advances due from banks" (cf. above), note should be taken of a significant reduction of government bonds on GIPS countries and countries in Central and Eastern Europe, partially offset however by purchases of Belgian government bonds, principally on the side of the insurer.

Despite the general fall of interest rates, the positive fair value of derivatives remained relatively stable at EUR 35.2 billion (+0.9% compared to the previous year).

2. Liabilities

In 2012, **liabilities due to banks** fell sharply by 31.9%, or EUR 19 billion, and amounted to EUR 40.4 billion at the end of the year.

Although at the start of the year Belfius had participated in the European Central Bank 3-year refinancing transaction, so that assets in *Longer-Term Refinancing Operations* (LTRO) climbed from EUR 10 billion at year-end 2011 to EUR 25 billion, other funding from central banks fell by more than EUR 30 billion during 2012. Over the early months of 2013, EUR 10 billion of LTROs were repaid.

At the end of the year, **customer borrowings and deposits** amounted to EUR 66.6 billion, down EUR 3.6 billion on year-end 2011. This fall results from the sharp reduction of repo financing on the interbank market (EUR -8 billion), offset however by a considerable increase of deposits from commercial clients (EUR +4.4 billion).

Debt securities rose by EUR 2 billion to EUR 26.4 billion as at 31 December 2012, principally by virtue of the successful issue by Belfius of the first Belgian covered bonds backed by mortgage loans, the *Belfius Belgian Mortgage Pandbrieven*.

Subordinated debts fell by EUR 1.6 billion following several operations to repurchase Tier 1 and Tier 2 instruments and were EUR 1 billion as at 31 December 2012.

Financial liabilities at fair value through profit and loss fell by EUR 0.6 billion to EUR 10.5 billion as at 31 December 2012.

Despite the general fall of interest rates, the negative fair value of **derivatives** remained relatively stable at EUR 41.8 billion (+0.9% compared to the previous year).

3. Equity

As at 31 December 2012, **total equity** amounted to EUR 5.4 billion, against EUR 3.3 billion as at 31 December 2011. The EUR 2.1 billion increase is explained by the increase of "core shareholders' equity" and an improvement of "gains and losses not recognised in the statement of income".

Core shareholders' equity, which consists of capital, additional paid-in capital, reserves and retained earnings, and the net income for the period increased by EUR 415 million to EUR 7 billion as a result of the profit realised in 2012.

Gains and losses not recognised in the statement of income, which essentially consist of "available-for-sale securities" and the " 'frozen'

Consolidated balance sheet

(In millions of EUR)	31/12/11	31/12/12
TOTAL ASSETS	232,509	212,947
Cash and balances with central banks	714	1,965
Loans and advances due from banks	46,175	41,280
Loans and advances to customers	91,933	89,486
Financial assets measured at fair value through profit or loss	5,501	5,078
Financial investments	44,912	31,604
Derivatives	34,933	35,235
Fair value revaluation of portfolio hedge	3,199	4,145
Investments in associates	93	93
Tangible fixed assets	1,401	1,480
Intangible assets and goodwill	219	210
Tax assets	2,062	1,197
Other assets	1,345	1,156
Non current assets held for sale	23	20
TOTAL LIABILITIES AND EQUITY	232,509	212,947
Due to banks	59,415	40,440
Customer borrowings and deposits	70,265	66,649
Financial liabilities at fair value through profit or loss	11,082	10,463
Derivatives	41,373	41,766
Fair value revaluation of portfolio hedge	30	87
Debt securities and convertible debts	24,362	26,439
Subordinated debts	2,685	1,040
Technical provisions of insurances companies	16,786	17,579
Provisions and other obligations	977	948
Tax liabilities	38	131
Other liabilities	2,220	2,045
TOTAL LIABILITIES	**229,234**	**207,588**
Subscribed capital	3,458	3,458
Additional paid-in capital	209	209
Reserves and retained earnings	4,290	2,924
Net income for the period	(1,367)	415
Core shareholders' equity	**6,591**	**7,006**
Gains and losses not recognised in the statement of income	(3,331)	(1,666)
Total shareholders' equity	**3,259**	**5,340**
Non-controlling interests	16	19
TOTAL EQUITY	**3,275**	**5,359**

fair value adjustment of financial assets reclassified to loans and receivables", improved from EUR -3.3 billion at year-end 2011 to EUR -1.7 billion at the end of 2012. This positive evolution of the so-called AFS reserve is recorded by the bank and by the insurer by virtue of the general fall of credit spreads and interest rates, and the de-risking in the investment portfolio.

Analysis of the consolidated statement of income

1. Net income Group share

In 2012, on a consolidated basis Belfius realised a **net income Group share** of EUR 415 million, against a loss of EUR 1.37 billion in 2011 (principally due to considerable impairments on Greek government bonds).

This profit, which will be used to strengthen the capital base, was realised in particular as a consequence of good commercial activity, strict cost control and some important capital gains generated by various transactions to repurchase subordinated debts (with a contribution of EUR 508 million after tax). Those capital gains were partly used for the further de-risking of the historic investment portfolio (at a cost of EUR 302 million after tax). Net income also suffered from the negative impact of EUR 68 million after tax, in particular of the constitution of a non-recurrent provision for restructuring costs and additional provisions for Legacy activities from the past. Excluding non-recurrent items, underlying net income Group share was EUR 277 million.

2. Income

In 2012, total **income** amounted to EUR 2,458 million (or EUR 2,392 million more than in 2011).

Despite the fall of interest rates and the reduction of the balance sheet total, net interest income remained relatively stable. Whilst the net income on investments in 2011 was severely influenced by impairments booked on Greek government bonds, in 2012 it included in particular the capital gain of EUR 769 million realised on the buy-back of a certain number of subordinated loans.

3. Expenses

In 2012, total **expenses** were EUR 1,593 million (or EUR 17 million less than in 2011).

Despite natural salary increases (scale increases and standard indexation in Belgium) and the provision made for the planned and announced restructuring of Belfius, staff costs remain relatively stable and only show a rise of EUR 41 million. General costs fell by EUR 28 million and amortisations by EUR 23 million following adjustment of the amortisation profile for certain buildings.

4. Gross operating income

For the year 2012, **gross operating income** was EUR 865 million (up EUR 2,409 million on the previous year).

Consolidated statement of income

(In millions of EUR)

	31/12/11	31/12/12
INCOME	**66**	**2,458**
of which		
Net interest income	*2,209*	*2,123*
Net fee and commission income	*332*	*314*
Net income on investments	*(2,043)*	*587*
Technical margin on insurance activities	*(331)*	*(576)*
Other income	*(101)*	*10*
EXPENSES	**(1,610)**	**(1,593)**
GROSS OPERATING INCOME	**(1,544)**	**865**
Cost of risk	(555)	(268)
Impairments on (in)tangible assets	(46)	0
PRE-TAX INCOME	**(2,146)**	**597**
Tax expenses	779	(181)
NET INCOME AFTER TAXES	**(1,367)**	**416**
Non-controlling interests	0	1
NET INCOME GROUP SHARE	**(1,367)**	**415**

5. Cost of risk

In 2012, the **cost of risk** was EUR 268 million (down 52% on 2011) and was made of specific as well as collective impairments on loans. Whilst the cost of risk for commercial activities remained well under control, non-recurrent impairments had to be booked for past Legacy activities.

6. Pre-tax income

For the year 2012, **pre-tax income** was EUR 597 million, against a loss of EUR 2,146 million in 2011.

7. Tax expenses

Tax expenses (including deferred taxes) amounted to EUR 181 million in 2012.

8. Net income Group share

After deduction of EUR 1 million in non-controlling interests, **net income Group share** amounted to EUR 415 million, against a loss of EUR 1,367 million in 2011.

9. Dividend

In accordance with the decision of the European Commission on 28 December 2012, validating the Belfius financial plan, Belfius Bank and its subsidiaries will not distribute a dividend on their shares for the year 2012.

Solvency

At the end of December 2012, the **Core Tier 1 ratio** was 13.3%, against 11.8% at the end of December 2011. This rise results from the increase of Core Tier 1 capital (+7.5%) following the profit realised in 2012 and the fall of weighted risks to EUR 50.3 billion (- 5.2%) at year-end 2012.

More detailed information is provided in the "Capital Management" chapter of this Annual Report.

Retail and Commercial Banking

One of the three main banks in Belgium, with 4 million clients

The Retail and Commercial Banking business line offers a complete range of retail, commercial and private bank products, as well as insurance services to some four million clients divided into two categories:

- 3.8 million individual clients;
- 193,000 "business" clients, that segment including the self-employed, liberal professions and small and medium-sized enterprises with a turnover or balance sheet total lower than EUR 10 million.

A 24/24 presence by virtue of a well-established distribution network enhanced by many modern and high-performance digital channels

At the end of 2012, the Belfius Bank distribution network consisted of 796 branches, mostly managed by independent agents. More than a half of them operate on the open branch concept, which places the emphasis on client advice. Open branches are laid out in three areas: self-service, information and services as well as advice. A key feature of this innovative concept is the absence of counters. The majority of cash transactions are completed in the automated self-service area.

In 2012, Belfius passed another milestone, adapting the "open branch" concept to respond to the specific needs and characteristics of smaller branches.

Belfius ATMs attract some 1.5 million active users a month, with 9 million interactions monthly. The proportion of transactions made via ATMs is high: 93% of all deposits and 99% of all withdrawals are made at an ATM, and that proves the success of the concept.

Direct telephone communications are another major point of contact with clients, and the contact centre records some 30,000 incoming calls a month.

Belfius is also entirely accessible via digital channels, the popularity of which is constantly growing among clients. Belfius Direct Net, the bank's internet portal, attracts almost 957,000 active users, involving some 6.7 million interactions every month. Available for a little more than a year now, Belfius Direct Mobile has already attracted some 42,000 active clients, and that number is constantly increasing. Its success reflects a real evolution of banking habits in our country.

Particular attention paid to client services, supported by a complete range of products

In terms of products, the business line offers a complete range to its clients: means of payment, loans, saving and investment products and so on.

Payment products take the form of *packages* for current accounts associated with a debit card, or a credit card and additional insurances depending on the level of service chosen: *blue, red, gold, platinum* and recently *white*. The grant of a credit card is subject to acceptance by a standard risk management process. In addition, clients can also create their own tailored package. In its range of loan products, Belfius principally offers fixed or variable rate mortgages generally for 10 to 20 years. The bank also markets consumer loan products in the form of car loans, personal loans and green loans.

Tailored business loans are offered to the business segment, including tax funding, working capital facilities and investment loans.

Savings and investment products are divided into two categories: balance sheet products (financing the bank's assets) and off-balance sheet products. Balance sheet products include classic and online savings accounts, current and term accounts, savings certificates and bonds issued by Belfius (*Belfius Funding Notes*) and placed with individual clients. Off-balance sheet products consist of investment funds, equities, (euro-)bonds issued by third parties and Branch 21 and Branch 23 insurance products.

With an estimated market share of 13% both for savings accounts and for mortgage loans, Belfius retains a stable market share overall.

Successful rebranding in record time

The symbolic event of 2012 was undoubtedly the introduction of the Belfius brand in March 2012, followed by the legal name change in June 2012. The bank's new commercial positioning was accompanied by a new graphic image and a new communication style. All visible brand supports were adapted in record time, with some exceptions deemed too costly. A majority of branches have already undergone complete rebranding and the logos of the other branches have been removed and replaced by temporary Belfius logos. The rebranding of all branches will be completed by mid-2013. These measures rapidly generated positive results: from June 2012, the brand was well established and enjoyed an assisted recognition rate of 91%. But Belfius wishes to be more than simply a new name. Refocused on its primary task of being a bank "of society and for the Belgian society", the bank distinguished itself on several occasions in 2012 with its capacity for innovation and by the successful launch of new products to meet client needs.

Leading products in 2012

Just before the summer, Belfius launched the MasterCard Prepaid, a new type of payment card clearly meeting a need. In just four weeks, Belfius Bank issued more than 10,000 prepaid cards. The prepaid payment card made its appearance in Anglo-Saxon countries some years ago, and Belfius is the first major Belgian bank to have integrated this type of card into its range of current accounts. The MasterCard Prepaid

is a payment card with exactly the same benefits as a credit card and which can be loaded remotely at any time whatsoever. It is accepted throughout the entire world and offers the same package of guarantees and insurances, even though it is not a credit card. Holders themselves decide on the amount to be put on the card, thereby maintaining control over their budgets at all times. At the end of the year, the range of Belfius current accounts was broadened with the White account, a totally online account, which is requested and managed exclusively via the internet. It has a payment card (Bancontact/Mister Cash and Maestro) and a MasterCard or MasterCard Prepaid. By using a White account, the client has a complete basic current account at a very attractive price.

Belfius launched "Summertimes", a campaign aimed at gathering funding, which too was a great success. The products on offer in fact meet client demands in terms of investment horizon and interest. During this campaign, Belfius was also innovative in launching a new Branch 23 product.

Belfius also innovated in other off-balance sheet products. The existing range of pension savings funds was enhanced by a "mixed" pension savings fund, Belfius Pension Fund Balanced Plus. This fund invests 50% in equities and 50% in bonds. The product is a unique concept on the market: in fact, Belfius Bank undertakes to pay a financial contribution into the fund of 0.50% of the average net assets, if performances were to be negative over the course of a given year.

Business clients have not been forgotten, with the successful launch of a series of products specially developed for them. By way of example, there is the new Belfius MasterCard Business Prepaid, the first prepaid card on the Belgian market, specifically intended for company executives and the self-employed and linked to a business current account. With this prepaid card, entrepreneurs have a means of payment universally accepted in the entire MasterCard network. Another Belfius innovation: the Business Savings Account, which aims at managing liquidities generated by professional activity. The account bears a non-guaranteed interest rate which can vary depending on market conditions and which is paid every quarter. Moreover, a bonus may be obtained at the end of each quarter.

Innovation also in distribution channels

The Belfius Contact Centre won a prize in the "Contact Centre Customer Innovation Awards". NextiraOne, the specialist in corporate telecommunications, gave the award to those European companies most innovative and creative in improving their telephone communications and the way in which they deal with complaints.

As for Mobile Banking, Belfius was also innovative with the Travel App and Belfius Free Time. In one month, the Belfius Travel App attracted more than 12,500 users, proof that the banking habits of our clients are evolving rapidly. The Travel App can be downloaded free of charge and offers several functions, such as the "ATM locator", which finds the closest cash dispenser anywhere in the world, has the facility to set the bank card limit or has a virtual safe in which to keep important documents at any time in electronic form.

With Belfius Free Time, the App for budget control, clients always have an overview of their balance, without having to connect to the internet. The App also offers other functions such as the calculation of restaurant bills or the list of those to whom money is owed ("Who owes Whom").

Belfius Direct Mobile

Belfius Travel App

Belfius Free Time

In order to respond to the increasing user demand for tablets and smartphones which can surf anywhere, Belfius decided to equip its medium and large branches with Wi-Fi. In that way, it wants to make visitors to branches aware of mobile banking applications and to stimulate their use.

Good commercial performance in 2012

This positive commercial dynamic clearly bore fruit and enabled Belfius to attract deposits again in 2012, after a difficult 2011, marked by the financial crisis. **Total deposit collection** recorded growth of 3% compared to 2011, to reach EUR 61.9 billion. The low level of long-term rates and changes to the taxation of savings introduced by the government at the beginning of 2012 made savings accounts and their tax-exempt aspect even more attractive, and this generated an increase in all types of savings accounts of 9%, to EUR 31.9 billion. Similarly, the volumes of bonds issued by Belfius rose sharply by 13%, to EUR 13.6 billion. Outstanding savings certificates fell to EUR 9.4 billion.

Off-balance sheet assets fell by EUR 0.2 billion, with mutual funds most severely affected.

Technical life insurance reserves (outstanding in Branch 21 and Branch 23 insurances) remained practically stable at EUR 11 billion.

Retail and Commercial Banking (In billions of EUR)	2011	2012	Evolution
TOTAL CLIENT ASSETS	90.3	91.7	+1.6%
DEPOSITS	60.1	61.9	+3.1%
Savings accounts	29.2	31.9	+9.1%
Savings certificates	11.4	9.4	-18.0%
Bonds issued by Belfius	12.0	13.6	+13.1%
Current and term accounts	7.4	7.1	-4.6%
OFF-BALANCE SHEET ASSETS	19.0	18.8	-1.2%
TECHNICAL LIFE INSURANCE RESERVES	11.2	11.0	-1.4%

Despite the slowdown of the economy, **loans** granted to clients increased by more than 2% to reach EUR 33.4 billion. Both mortgage loans, representing almost two thirds of the total loans granted, and business loans rose by 3% to reach EUR 21.2 billion and EUR 9.7 billion respectively. On the other hand, consumer loans fell slightly to EUR 1.6 billion.

Retail and Commercial Banking (In billions of EUR)	2011	2012	Evolution
TOTAL LOANS TO CLIENTS	32.7	33.4	+2.3%
Mortgage loans(1)	20.6	21.2	+2.9%
Consumer loans	1.7	1.6	-6.6%
Business loans	9.5	9.7	+3.0%
Other loans	1.0	0.9	-1.3%

(1) Excluding mortgage loans granted by Elantis, which was sold to Belfius Insurance in 2012.

Public and Wholesale Banking

The preferred partner of local and social sector entities and a challenger role in corporate banking

Public and Wholesale Banking activity offers a complete range of banking products and services essentially to two complementary groups of clients: public and social sector entities (public and social banking), and medium and large companies (corporate banking).

The public and social banking segment, with a total of 12,000 clients, serves local public bodies (municipalities, provinces, police areas and so on), supra-local public entities (communities of municipalities and so on), dependent entities at a community, regional or federal level, and a wide range of other public sector organisations. This segment also includes entities associated with healthcare (hospitals, care homes), clients in the field of education (universities, schools), the housing sector and also clients like foundations, social secretariats and pension funds.

The second segment, the corporate banking division, serves some 6,000 medium and large companies with an annual turnover of over EUR 10 million.

A "hub and spoke" distribution network serving clients

The public and social banking commercial network has some 40 relationship managers located in three regions. Smaller clients (approximately 6,000) are serviced by the branch network of the Retail and Commercial Banking business line. The corporate banking commercial network has 49 relationship managers, located in six regions.

Within the two segments, the relationship manager is the reference person, or "hub", of the commercial relationship with the client. He is the only contact person, enjoying a relationship of trust with the client over time. The relationship manager may at any time, whenever it proves necessary, call on experts, the so-called "spokes", for the different product lines, whether insurance, leasing, electronic banking or cash management. This "hub and spoke" model is at the heart of the commercial dynamic of the business line.

Extremely specialist products and services, providing high added value to clients

The product range consists firstly of classic banking products such as short and long-term loans, cash-flow management, investment management, electronic banking services or trading room products.

Clients in the public and social banking segment also have the benefit of a range of very specific products and services such as social accounts, advanced cash-flow solutions and long-term funding solutions in phase with their own needs.

For corporate banking clients, the particular features are to be found in specific solutions associated with the public authority debt funding (Business-to-Government – B2G), international cash management options, "asset finance" types of solution (leasing, factoring) and expertise in terms of project finance and structured finance.

Eager to provide its clients with true added value, Belfius endeavours constantly to adapt the range of products and services it offers so as to respond precisely and in real terms to the evolution of their needs and the specific aspects associated with them.

Belfius Bank remains the reference banker for public and social banking clients and occupies the position of challenger on the corporate market.

Confirmation of the role of Belfius as financier of the Belgian economy

In 2012, Belfius remained loyal to its primary mission as a bank "of and for the Belgian society" and continued more than ever to play its role as financier of the Belgian economy. This commercial dynamic was reflected in 2012 by the grant of new long-term finance to the public and social sectors as well as to companies, in amounts of EUR 3.3 billion and EUR 1.2 billion respectively, as well as the realisation of numerous local initiatives.

Despite a particularly difficult economic context, Belfius succeeded in meeting its commitments, responding systematically to tender calls from local authorities and enabling the local public sector to guarantee its finance. The bank also plays its role to the full as a partner in the reinvestment of Belgian savings in numerous projects presenting significant added value for society (public buildings, schools, crèches, hospital, road networks and so on).

After market consultation, the Walloon Region decided to entrust Belfius once again with the task of cashier for the period from 1 January 2013 to 31 December 2017, thus renewing its confidence and underlining the bank's status as a specialist in providing financial services to local and regional authorities.

Furthermore, Belfius Bank continued to share its specialist know-how and expertise with its clients by the publication of financial analysis instruments: studies of local finances, individual financial profiles, annual studies of hospitals (MAHA) and care homes (MARA), etc. Each year, these studies are much appreciated by clients.

The individual financial profile enables the client, through historical and geographical comparisons, to determine the state of its finances compared to pertinent averages and to refine its analysis by means of the appropriate financial ratios and graphic representations. This is a genuine tool for reference and for financial management. It also facilitates the determination of the budget margins from which the client benefits, the degree of renewal of its asset base under the impetus of its investment policy and even the burden of debt charges on its current budget.

2012 also represented a turning point at a local level, marked by communal and provincial elections. Whilst in general one local administration in three is renewed after the elections, 2012 saw a renewal of almost one coalition in two. As an operator preferred by the public sector, Belfius set itself the priority objective of meeting decision-makers of the 589 Belgian cities and municipalities as soon as possible and confirming the preferred relationship the bank maintains with each of them.

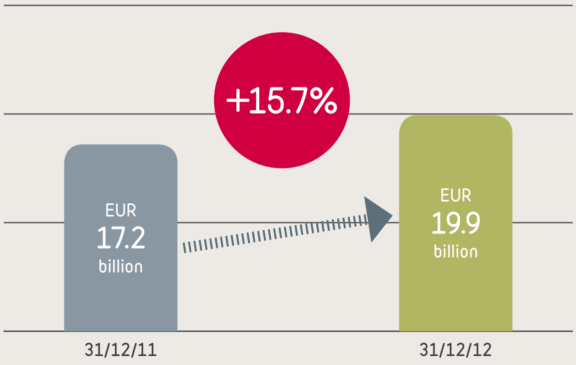
Within the framework of its task to support the local Belgian economy, in 2012 Belfius participated in the financing of the Northwind project in the North Sea. Belfius plays an important role in this project and participates in the consortium financing in the capacity of a commercial bank with a loan in an amount of EUR 34 million. Northwind is the third Belgian offshore wind park with C-Power and Belwind. It supplies some 230,000 households with energy. Previously, Belfius had also played an important role in the financing of C-Power and Belwind. It is the only Belgian bank to have continued, despite the economic and financial crisis, to participate actively and systematically in the financing of Belgian offshore wind parks over the last five years.

In 2012, Corporate Banking, the other segment of the Public and Wholesale Banking business line, made considerable commitments to cash management and offers cross-border solutions in partnership with numerous European banks. The Belfius philosophy vis-à-vis the "international" dimension is to assist its Belgian clients and to offer them an optimum and quality service in connection with their activities abroad.

The business line pays particular attention to client satisfaction. Internal satisfaction surveys are organised at regular intervals and indicate a constantly increasing satisfaction rate throughout 2012. More than 90% of clients in the public and social banking sector said they were satisfied with the products and services offered by Belfius. Public and Wholesale Banking aims to maintain that high satisfaction rate, which is above the average achieved by other market operators.

In 2012, targeted commercial actions enabled Belfius Bank to retain or to regain client confidence, after the year 2011 was marked by the crisis affecting the Dexia Group, and particular emphasis was placed on the opportunities for cross-selling, particularly the collection of deposits from a clientele which was traditionally one rather demanding credit. These actions met with great success. As at 31 December 2012, deposits were higher than their pre-crisis level and posted annual growth of 15.7 %, or EUR 2.7 billon, to reach EUR 19.9 billion.

Evolution of clients' deposits



The business line is particularly concerned to attract stable funding, enabling the bank to strengthen its current and future liquidity position (Basel III). Total outstanding on loans were down 4.6%, at EUR 43.6 billion. This fall is associated with weak global demand and increased competition encountered on the corporate banking market. Outstanding loans to the public and social banking segment remained stable, at EUR 34.4 billion at the end of December 2012.

Off-balance sheet commitments were down EUR 5.7 billion over the year, at EUR 19.5 billion at the end of December 2012, reflecting the active management, with the client, of unused credit lines. With the introduction of the new Basel III regulation, banks will be subject to very much more severe regulatory ratios, regarding both capital and liquidity. Within the Public and Wholesale Banking business line, active collaboration with clients enables the management of credit lines to be optimised, particularly off-balance sheet, making the real financing needs of the client correspond better to the amount of lines necessary for their development.

Public and Wholesale Banking (in billions of EUR)	2011	2012	Evolution
OUTSTANDING LOANS	45.7	43.6	-4.6 %
Public and social banking	34.2	34.4	+0.6 %
Corporate banking	11.5	9.2	-20.0 %

In accordance with the decision taken by the European Commission on 28 December 2012, validating the Belfius financial plan for 2013-2016, the Public and Wholesale Banking business line undertook, until the end of December 2014, to keep its new production loans to the public sector at the levels observed during recent years.

These ceilings therefore enable Belfius to maintain is market share without restricting the bank in its role as financier to the public sector or adversely affecting the achievement of the business line's commercial targets.

Insurance

Fifth position on the Belgian market

Belfius Insurance, a subsidiary of Belfius Bank, offers clients of the Retail and Commercial Banking (individuals, the self-employed, small and medium-sized enterprises) and Public and Wholesale Banking (public and social sector entities, medium and large enterprises) business lines a varied range of life and non-life insurance products.

Belfius Insurance holds fifth position on the Belgian insurance market and is also active in Luxembourg.

Distribution channels tailored for the client

In order to offer an optimum response to the specific needs of different client segments, Belfius Insurance relies on several brands and distribution channels.

In Belgium, for Retail clients, Belfius Insurance combines the advantages of the exclusive agents network of DVV Insurance with those of the Belfius Bank branch network, whilst also relying on Corona Direct, a direct insurer active via the internet and "affinity partners".

Through the bank-insurance channel, Belfius Insurance addresses individuals, the self-employed and SMEs in search of solutions (for life and for non-life insurance products) via their Belfius Bank branch. In the future, Belfius Insurance aims to make even more of the growth potential of the bank-insurance channel and to work more through the concept of "one stop shopping".

DVV Insurance has been a benchmark for more than 80 years, both for life and for non-life insurance. Through their 335 points of sale, each with exclusive advisers, they offer 400,000 households – individuals, the self-employed and small enterprises – a complete range of insurances, mortgage loans and a widely renowned and first-class tailored service.

Corona Direct has operated as a direct insurer since 1974. It offers its 160,000 clients family, car, home, funeral and other insurances either directly (by internet, telephone or mailing) or via its "affinity partners". The strength of Corona Direct rests in its ability to innovate, for instance with its kilometre-linked vehicle insurance.

For Public and Wholesale Banking clients, Belfius Insurance also collaborates with Belfius Bank and specialist brokers. By virtue of its unique experience in the field of insurances for the public and non-profit sectors, Belfius Insurance has become a benchmark in those sectors, for which over the years it has developed a complete range of very specific life and non-life insurance products.

Since 2012, this multi-channel approach has also involved the Elantis brand, which offers mortgage loans through independent brokers. Purchased from Belfius Bank by Belfius Insurance in 2012, Elantis aims to position itself as a new and important distribution channel for the insurer and to strengthen the position of Belfius Insurance on the mortgage market.

In Luxembourg, Belfius Insurance offers its insurance products through the subsidiary International Wealth Insurer (IWI).

A varied range of insurance products, for the greatest client satisfaction

The range of products for Retail clients includes classic non-life insurance: car insurance (third party and comprehensive), third party civil liability insurance, fire insurance, family insurance, hospitalisation insurance, and miscellaneous risks insurance. In addition, life insurances such as pension savings, mixed life insurances, savings insurances, guaranteed income cover, death insurances, credit balance insurance linked to mortgage loans and Branch 23 investment products are also offered. By virtue of this complete range, Belfius Insurance plays its role as a locally anchored insurer aiming at protecting Belgian families, maintaining their income levels and increasing their assets.

Public and Wholesale Banking clients have a wide choice of professional insurances, fire insurance, guaranteed income cover, group hospitalisation insurance, group insurance, company executive insurance, Invest products and specific tailored solutions.

Belfius Insurance has a market share of 8% on the Belgian market (9.8% in the Life segment and 4.8% in the Non-Life segment)(1). Belfius Insurance attaches great importance to client satisfaction: the insurer endeavours to be close to its clients, offering them professional and personalised advice and aiming always for optimum efficiency in this regard.

Fine commercial performance by Belgian distribution channels

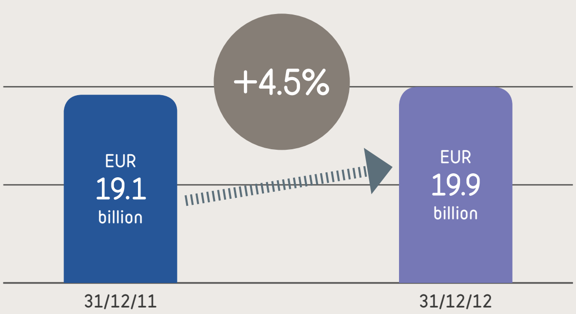
In 2012, total gross written premiums were EUR 2,484 million, against EUR 2,661 million in 2011.

Life insurance premiums were EUR 1,953 million, against EUR 2,152 million in 2011. This fall arose mainly in Luxembourg (-49%) as a consequence of the general economic situation and the Dexia image crisis, so that the sales by the banking channel of the Banque Internationale à Luxembourg, a former Dexia subsidiary, came to a halt.

(1) Data 2011 – Assuralia.

Life insurance reserves amounted to EUR 19.9 billion, against EUR 19.1 billion in 2011. This appreciable rise is due to the success of the new Branch 23 product (Belfius Invest), whilst Branch 21 reserves remained stable.

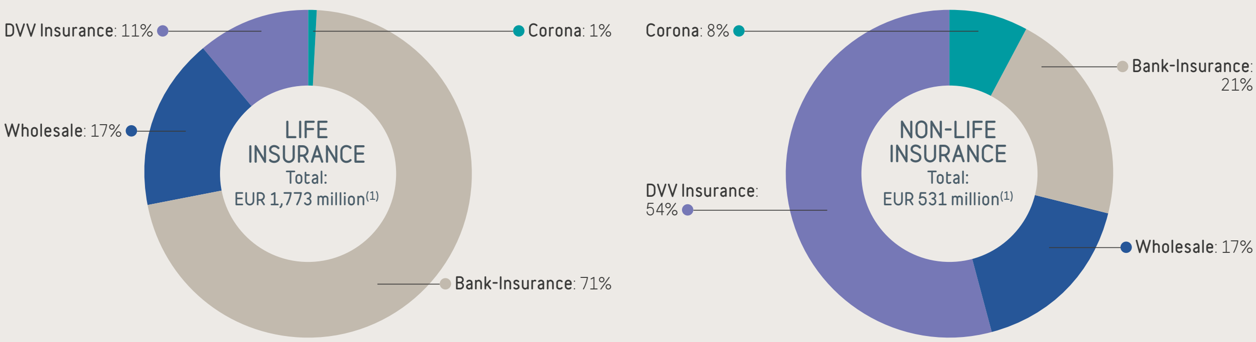
Evolution of life insurance reserves



Non-life insurance premiums were EUR 531 million, up 4.4% on 2011. All channels contributed to this rise.

Belgian distribution channels posted a status quo, with gross written premiums at EUR 2,304 million (EUR 1,773 million for life insurance and EUR 531 million for non-life insurance), against EUR 2,307 million in 2011.

Premium breakdown by Belgian channel



(1) Gross written premiums in 2012 – excluding distribution of third party insurance products

Commercial performance by distribution channel

1. Retail channels

Life insurance premiums from Retail channels slightly decreased in 2012 (-6%) to EUR 1,469 million, of which EUR 1,251 million for the bank-insurance channel, EUR 198 million for DVV Insurance and EUR 20 million for Corona Direct. This fall in written premiums is due to the low interest rates for investments in Branch 21 products. However, this is partially offset by the success of the new Branch 23 product (Belfius Invest), which is offered by the bank channel and made a strong start with written premiums of EUR 477 million.

Non-life insurance premiums rose by 4% to EUR 438 million at the end of 2012, including EUR 112 million for the bank-insurance channel, EUR 283 million for DVV Insurance and EUR 43 million for Corona Direct. The evolution of written premiums is influenced by the fall of automobile sales (-15%), which reduces the increase of premiums on car insurance. The fall posted for new contracts was limited however. For fire insurance, written premiums also grew, particularly by virtue of the tariff increases in line with the market as a whole and an adjustment of the ABEX index. There was also an increase in the number of new contracts. The "Direct" channel recorded good results in the car segment, via "affinity partners" (+15.8%).

Last year the multi-risk Fire and Home insurance (simple risks) from DVV Insurance won the Decavi Trophy for its wide range of basic guarantees.

2. Public and Wholesale Banking channel

The Public and Wholesale Banking channel also posted good results, for both life and non-life insurance products.

Gross written premiums in life insurance were EUR 305 million in 2012, up 30% on 2011, principally due to the increase of group insurance premiums and Invest products.

Gross written premiums in non-life insurance rose by 7% to EUR 93 million, by virtue of good figures posted for insurance covering accidents at work and other risks.

In accordance with the decision taken by the European Commission on 28 December 2012, validating the Belfius financial plan for 2013-2016, Belfius Insurance undertook, until the end of December 2014, to limit its new production expressed in gross premiums on life insurance products. These ceilings only relate to life insurance and do not constitute a brake on Belfius Insurance achieving its commercial targets.

Risk Management

Introduction

After the takeover of Dexia Bank Belgium by the Belgian government via the Federal Holding and Investment Company (FHIC) on 20 October 2011, a start was made immediately on setting-up an independent Risk Management function for Belfius. Risk Management was one of the most integrated areas within the Dexia Group, the policy on risk and a number of risk functions being managed from a group perspective.

First, work was carried out on providing guidance for making the policies and decision centres at Belfius autonomous. Various initiatives were taken to outline risk policy – so-called risk appetite – on levels that correspond with the financial capacity and mission of Belfius. Developing a control framework focused on outlining the policies relating to risk management, as well as directing strategic, tactical and operational matters was a key priority for 2012.

A number of activities that had previously been carried out at a Dexia Group level were gradually taken over by teams within Belfius. These included teams in charge of monitoring the project finance activity, as well as teams charged with more methodological tasks. In October 2012, this period of transition was completed and the service level agreements terminated under which reciprocal services for risk management tasks had been carried out between the former entities in the Dexia Group, including Belfius. After these changes had been made, a new organisation chart was implemented for the various areas of risk that come under the responsibility of the Chief Risk Officer at Belfius Bank.

At the beginning of 2012, a new economic scenario of budget cleansing came into effect for Belgium against a background of financial and economic crisis on a European and worldwide scale. The sovereign debt crisis and its direct and indirect impact on the financial sector remained the centre of attention throughout the year. The weak growth performance in the euro zone resulting from the sovereign debt crisis, the impact and need for budget consolidation measures and the lack of confidence in the economic situation, were all constantly in the news.

As the year progressed, it also became clear in Belgium that achieving the growth figures put forward initially would be a bridge too far and the figures would have to be revised downwards. Achieving budget targets remained a central theme. A number of major company closures were announced or carried out, usually with a significant impact on jobs. In this unfavourable context, the Belgian economy was unable to avoid a minor recession in 2012.

It was in this difficult overall climate in 2012 that one of the priorities for Risk Management at Belfius was managing the risks contained in the Legacy portfolio that was part of the bank's bond portfolio after Belfius split from the Dexia Group. For the purpose of controlling the risks in that Legacy portfolio as much as possible and also conducting a tactical de-risking process, a specific Portfolio Risk Management team was created. Much of the work carried out in 2012 involved reducing this portfolio and the risks it entailed. In the first instance, emphasis was successfully placed on rapidly reducing government bond positions on the peripheral countries in Europe. Attention was then shifted to other parts of the portfolio and measures were taken to limit any potential losses, restrict balance sheet and statement of income volatility, reduce capital immobilisation and improve the liquidity of the portfolio.

Governance

Risk governance at Belfius Bank is essentially built along two main lines:

- → Risk committee structure
- → Strategic risk appetite

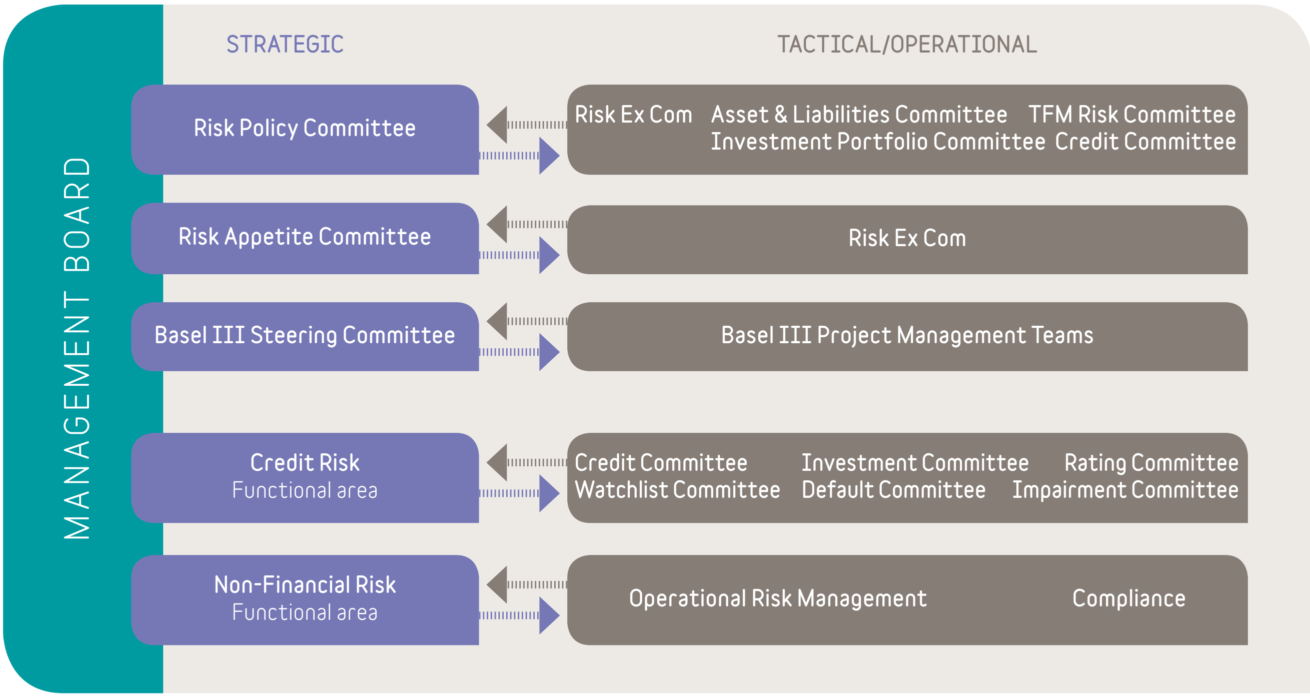
1. Risk committees

After Belfius split from the Dexia Group, an adjustment to risk governance was required. The cornerstone of this risk governance now relies on a coherent set of Risk committees at the level of Belfius (without Dexia), the role and remit of which are defined in line with the bank's commercial and financial objectives and with respect for the external environmental factors in relation to regulation and control.

1.1. Strategic level

Three committees have been set up within the Management Board, guided from Risk Management and meeting at least once every quarter:

- → Risk Policy Committee (RPC), whose responsibilities include:
  - the priorities and planning of risk management policies;
  - the model life-cycle and regulatory calendar (National Bank of Belgium).
- → Risk Appetite Committee (RAC), whose responsibilities include:
  - proposing, following up and monitoring the "Risk Appetite Framework", managing the needs of economic and regulatory capital and its allocation;
  - conducting and assessing stress tests.



→ Basel III Steering Committee, which plays a key role within Belfius for the implementation of Basel III regulations. To be able to carry out its role properly, a specific organisation structure has been set up, based on four working groups, each with its own specific area of action and with the involvement of the business lines:
- Credit & Market Risk
- Capital, Liquidity & Leverage
- IT Systems & Reporting
- Business Reviews

In addition to these three committees, two functional areas also report to the Management Board without a separate committee set up for them. These two areas deal with credit-related topics and the operational risk function.

1.2. Tactical / operational level

The Management Board delegates certain decisions to a tactical/operational level. The details of this delegation are set out in the applicable committee charters. For matters that fall outside the jurisdiction of this delegation, the tactical/operational level provides information or puts forward opinions to the Management Board, which then decides.

The committees that are part of the tactical/operational level are committees on which Risk Management generally sits with the businesses. The focus is on guidelines, transactions and risks on counterparties. Risk Management has a right of veto in these committees, as well as the ability to have any decisions taken at a higher 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, clients and so on), in order to achieve its strategic and financial objectives.

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 daily investment decisions.

The risk appetite of Belfius is illustrated by a series of ratios that constitute a key element in the definition of limits in major financial balances. This framework is based on a mix of accounting ratios (gearing), regulatory ratios (Tier 1, weighted risks) and economic ratios (economic capital, Earnings at Risk), and integrates liquidity and funding structure ratios, as well as credit concentration limits.

Limits have been defined on each of these ratios and are validated each year by the competent bodies. The Risk and Finance departments are responsible for monitoring these ratios, and if necessary propose measures to the Management Board to ensure the limits are observed.

In 2012, Belfius reviewed its framework in relation to risk appetite to adjust it to the context of an autonomous bank, with a revised strategy and new objectives. This adjusted framework was approved by the Board of Directors. In addition to the quantitative elements already in place, a quality part was added to create a clearer link between the bank's main tasks and the risk framework in which it operates.

Credit risk

1. Methodology

To manage credit risks, Belfius uses an Advanced Internal Rating Based approach. This means that Belfius make use of internal models for defining the risk parameters for Probability of Default (PD), Loss Given Default (LGD) and the Credit Conversion Factor (CCF).

The model life-cycle can be divided into three blocks: developing and approving the model, controls on its use and maintenance of the model. The model manager is the focal point in the process of developing and maintaining the model and he/she consults frequently with the business and credit departments. Controls on the other hand are carried out by various functions within the organisation (Validation, Rating Committee, Quality Control, Audit).

1.1. The main stages in the development of a model

- Defining the area of application of the rating model, i.e. for what population/target audience of counterparties the model will be used.
- Gathering all of the relevant information for the target audience, including financial data, information about the number of defaults, institutional context, etc.
- Defining, developing and extensively testing both the quantitative and qualitative criteria that will be used in the model and which will lead to an internal rating.
- Validating, introducing and documenting the model, whether or not linked to an IT development. Validation of the model is carried out by the "Validation" department, which is an autonomous section within the Risk Management department.

1.2. The main control mechanisms

- Quality Control and the Rating Committee supervise the proper operational usage of the rating model by credit analysts (correct data entry and handling, monitoring any rating adjustments, based on expert views and applying certain principles, such as "branch equivalency").
- The Model Management has to carry out backtesting and stress tests every year for each model.
  - Backtesting is used to see whether, based on historical data, the model is still sufficiently effective (i.e. still sufficiently "predictive")
  - Stress tests are performed to see how the model responds to unexpected and/or extreme circumstances.
- Audit carries out a general check to ensure that all guidelines and instructions are being followed and to see whether all of the parties involved are assuming their responsibilities correctly (have sufficient tests been carried out? has the model been effectively validated internally? is there any sort of quality control? are the mandatory annual tests being carried out? etc.).

1.3. Maintenance of the model

- There may be a number of different elements behind the revision of a model. These are principally:
  - the results of the annual backtesting and stress tests;
  - the feedback/observations from the other control mechanisms (Quality Control, Rating Committees, Audit);
  - changes to the regulatory framework.
- Launching a revision results in a process very similar to the one used to develop a model: (re)viewing the parameters, testing and new internal validation of the adjusted model.

2. Credit limits and committees

In 2012, the Risk Management department carried out an in-depth review of the context in which credit decisions are taken. On the one hand, credit limits were redefined, while on the other the authority of the various levels in the credit committees was adjusted to take account of issues such as the new limit framework. This Belfius limit framework is part of the overall risk appetite framework. The aim is to avoid risk concentrations, as well as to guide the bank's risk and credit policy. The limit framework was adjusted to the new reality at Belfius in terms of radius of activity, scope and risk appetite, with strong emphasis on the local role of the bank.

The instrument that sets the limits on concentration risks is the Theoretical Maximum Credit Risk Limit (TMCR). This credit limit represents the maximum level of risk acceptable on a counterparty and, where appropriate, on its economic/consolidated group. The TMCR system is focused in essence on counterparties that come under an individualised approach in Basel II, i.e. with an individual analysis of the risk parameters for Probability of Default, Loss Given Default and Credit Conversion Factor. This means that the TMCRs are driven by the applicable rating tool. Opposite the individualised approach is the ("mass") portfolio approach (such as mortgage loans to retail clients) where the limits are focused more on portfolio volumes and a set of acceptance policies.

Belfius Bank does not apply a general and explicit sector policy in its credit policy. One of the considerations in this is that the intrinsic creditworthiness of a counterparty, regardless of its sector of activity, defines the risk policy used with regard to that counterparty. All the same, specific sector-based risks and/or sector-based risk concentrations are limited. Based on the risk profile of the sectors involved (and movements in them) and the exposure that Belfius has in these sectors, an overall sector limit can be established based on a sector analysis.

To ensure there is sufficient governance of credit risk at Belfius, credit risk committees remain an essential element in this governance of risk. The credit committees work according to a tree structure of committees on a central and regional level and on the basis of delegation rules, which are defined in terms of the type of counterparty, the rating and the exposure to credit risk. For each case forming part of the individual approach and presented to a credit committee, an independent analysis is conducted, featuring the main risk indicators, as well as a qualitative analysis of the transaction.

Running in parallel with the monitoring of the granting process, various committees are charged with supervising specific risks. For example, the Risk Management department organises the Watchlist Committee, which keeps an eye on those assets that are deemed to be "sensitive" and which need to be supervised. The Default Committee qualifies and monitors counterparties that are in default in accordance with the regulatory framework of Basel II by applying the rules in effect at Belfius. The Impairment Committee defines the amount of the provisions concerned and monitors the cost of risk and any changes to it. These three committees meet each quarter.

3. Fundamentals of credit risk in 2012

3.1. Retail and Commercial Banking

In 2012, the somewhat unfavourable macroeconomic climate had repercussions, notably on demand for loans. Yet Belfius continued to grant loans to Retail and Commercial Banking clients, this within a stable credit policy for the majority of portfolios.

The levels of both acceptance and production rate for mortgage and business loans were steady in comparison with 2011, which demonstrated retention of the policy on loans and guarantees. However, in the consumer loan portfolio, the precautionary measures with respect to granting loans to clients with limited ability to make repayments, inter alia linked to the introduction of the legislation and policy on "responsible lending" which came into effect at the end of 2011, resulted in a considerably lower acceptance rate in 2012.

The portfolio of mortgage loans was analysed more closely as the result of fear for a scenario involving falls in value on the property market in combination with a worsening in the situation of debtors – as has been the case in various other European countries. This analysis, which was conducted notably at the request of the regulator, highlighted the soundness of the portfolio and the sufficient cover of regulatory capital in the event of a sudden deterioration of economic variables. Potential risk niches, which are extremely limited in comparison with the whole portfolio, were identified and are monitored carefully. Securitisation transactions and covered bonds issuance also resulted in an expansion and further refining of the monitoring of the portfolio's risk.

In the area of business loans, the bank's strategy of achieving greater decentralisation of decision-making through front-office specialisation and greater control over decentralised decisions was continued. 2012 demonstrated that the risk of this strategy is firmly under control. For this reason, the project is being expanded in 2013. The bank also wanted to support production by working with the European Investment Fund (EIF) to help start-up businesses and by encouraging short-term loans. These two projects were supervised by Risk Management to accept the best risks in a targeted manner.

Cost of risk remained well within the budget for 2012, but the upward trend in new defaults, particularly in business loans and a number of specific losses during the last quarter of 2012, meant that alarm signals were followed up more closely, leading to more in-depth and ongoing monitoring in 2013.

3.2. Public and Wholesale Banking

The bank continued to play its role via the Public and Wholesale Banking business line in funding the Belgian economy and its businesses throughout 2012. Belfius continued to build in this area on its one hundred and fifty years of experience as a partner in the public and social sector (local, regional and federal authorities, healthcare institutions, housing and education) and in the business world.

However, 2012 saw falling demand for loans in a cost reduction context for government bodies. Business and consumer confidence was under pressure and growth prospects for the economy were poor. Despite this, Belfius remained active in granting loans, while always remaining within the strict profitability requirements imposed by the European Union after the events of 2008 in the Dexia Group. The risk acceptance policy, more specifically in relation to the requirements of Public and Wholesale Banking clients, that has to be complied with in terms of solvency and liquidity, was not tightened.

The preparations for the stricter regulations announced for the banking sector in the wake of the European reforms, via the expected changes in relation to Basel III, meant that overall capacity for granting loans came under pressure progressively in 2012. As a result, longer-term loans became more difficult to find on the market without adjusted pricing. Belfius also had to make adjustments in this area.

As a locally anchored relationship bank, Belfius tries as much as it can to meet the financing requirements of Public and Wholesale Banking clients. Combined with the conventional direct granting of loans, customer funding needs are met with the resources that can be attracted from the European Investment Bank (EIB). These resources can be used to fund long-term investments, such as hospitals. Belfius also became more closely involved in funding the local economy. The bank acted extensively as an intermediary in issues made by its clients on the financial markets (commercial paper, medium-term notes and bonds placed with retail and/or with Belgian and international institutional clients).

Belfius also maintained a strong presence on the market for Public Private Partnerships (PPP), both on local projects and on more infrastructure-related projects of regional and national importance. In the "Business-to-Government" line, the bank combines its specialised knowledge of the business world with that of the public sector. This enables it to offer solutions as must as possible during the funding cycle for business clients involved in government projects.

Continuity in the area of credit acceptance, combined with limited cost of risk linked to credit losses, allowed the credit profile of commercial loans to remain stable and at a healthy level. In an environment characterised by a growing number of bankruptcies, weaker growth figures and various current and future company closures, the bank was also naturally faced with clients unable to honour their loan commitments. However, overall, the cost of risk for the credit portfolio remained at an acceptable level and in any event below the level estimated at the beginning of 2012. There was no discernible trend with regard to the concentration of credit losses in specific segments. As a general rule, problems involved companies operating in cyclical sectors experiencing a somewhat tougher time and, when a weakening in their financial position was noticed, stricter monitoring was put in place.

2012 was a difficult year for the sustainable energy sector. This young and previously fast-growing market was affected badly by falling demand. Developments in the policy on subsidies, successive changes to the value of green power certificates and the deferment of various fiscal stimuli were the reasons behind this decline in demand. There were also shocks, as a result of declining prices for investment goods, such as solar panels imported from China. The sector for installation companies was particularly affected, mainly with young, growing companies. Companies operating to a large extent as suppliers or subcontractors on sustainable energy projects were also affected. Despite this, it can be stated that the sustainable energy projects of varying sizes and forms funded by the bank in the past still generate a healthy ability to make repayments.

Shipping also continued to be subject to the volatility of economic cycles. The economic situation worldwide, resulting in low demand levels and freight volumes, combined with overcapacity, put pressure on prices. The Belfius portfolio is related to the funding of modern vessels and is spread across container ships, bulk carriers, tankers and more technical vessels. In line with its mission to help fund the Belgian economy, Belfius divides up this portfolio into various segments: shipping companies and other shipping-related businesses with an overall commercial relationship with the bank, on the one hand, and shipping companies without an overall commercial relationship with the bank on the other. As has been the case in the past, these two shipping-related portfolios are the subject of a sector-based provision designed to arm the bank against any deterioration in the portfolio.

In the past, Belfius Bank granted loans to Holding Communal and entities in the Arco group, both formerly reference shareholders in Dexia SA. These loans were part of the development of the investment and diversification policies implemented by these financial groups. As collateral for these loans, Belfius Bank had a diversified portfolio of financial assets, including Dexia shares. For the credit facilities granted to Holding Communal, the bank also holds guarantees granted by federal and regional government authorities. Further to the events pertaining to the continuity of Dexia SA, both institutions were faced with a twofold problem: a revenue stream placed under pressure by the abandonment of Dexia dividends and solvency affected by the loss in value of financial assets, including Dexia shares. On 7 December 2011, the extraordinary general meeting of shareholders of Holding Communal voted to go into voluntary liquidation. In the ARCO group, the extraordinary general meetings of shareholders in the cooperative companies Arcopar SCRL, Arcoplus SCRL and Arcofin SCRL took the decision on 8 December 2011 to place their company into liquidation and proceed with voluntary dissolution. In anticipation of the potential credit risk, Belfius booked impairments. The bank periodically assesses the value of the portfolio of the financial assets that were pledged. The bank now places no value on the position that both entities hold in Dexia shares.

3.3. Insurance

In 2012, Belfius Insurance continued to develop on the Belgian mortgage market. In an overall climate of falling interest rates and increased volatility in relation to the value of government bonds, particularly in the peripheral European countries, the insurance arm elected to invest more in mortgage loans.

The production of mortgages was mainly through the distribution channel of DVV Insurance. As a result of the stricter terms relating to the granting of loans by banks in general, production was achieved on the same acceptance terms based on stable allocation rules compared to 2011. On 1 September 2012, Belfius Insurance also acquired the credit company, Elantis, from Belfius Bank, including its portfolio of mortgage loans. The insurance company conducted an in-depth analysis of the portfolio in terms of credit quality and acceptance procedures.

In addition, Belfius Insurance decided to work with the specialised Risk Management teams at Belfius Bank in order to monitor the credit risk of these portfolios closely.

3.4. Forbearance

It sometimes happens that, by force of circumstances, loans have to be renegotiated in the common interests of the bank and the client to enable the latter's business operations to continue. In 2012, this happened in a number of cases. When agreeing to a restructure in this way, the bank always bases its actions on a number of criteria that are basically of an economic nature. All of these transactions come under the "watchlist" processes involved in risk control. Through these processes, the bank is able to detect worsening credit risks in good time and take action, where necessary. In addition, as a fundamental part of the process, an assessment is made of the need to set aside credit provisions. The level of restructured loans without a "default status" and consequently for which no provision has been made, is negligibly small.

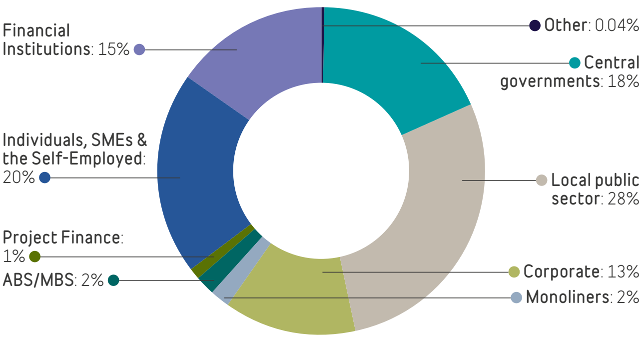
4. Exposure to credit risk

Credit risk is expressed as Maximum Credit Risk Exposure (MCRE) and includes:

- The net carrying amount for balance sheet assets other than derivative contracts (i.e. accounting value after deduction of impairments); for assets classified in "Loans and advances" without fair value hedge.
- The fair value of derivatives and of financial collateral received.
- The full commitment amount for off-balance sheet commitments. The full commitment amount is either the undrawn part of liquidity facilities or the maximum amount Belfius Bank is committed to pay for the guarantees it has granted to third parties.
- The financial guarantees.

Credit risks are based on a consolidation scope that includes the fully consolidated subsidiaries of Belfius.

Breakdown by counterparty (31 December 2012)



Belfius's maximum credit risk exposure (MCRE) was EUR 183.9 billion as at 31 December 2012, a reduction of EUR 36.6 billion compared with the previous year.

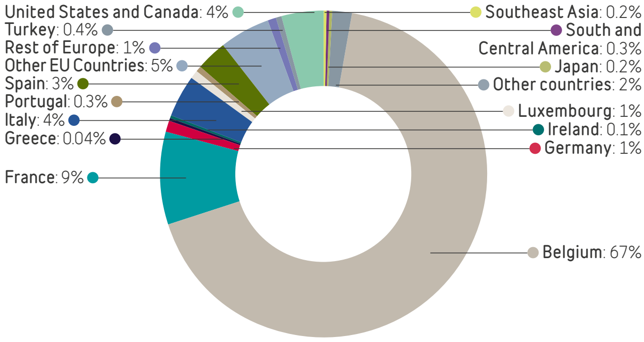
The vast majority (EUR 32 billion) of this reduction was situated at the level of financial institutions, mainly due to the reduction in the funding granted to Dexia. As a result, credit risk exposure to this sector fell by 54%, meaning that its relative share fell from 27% in 2011 to 15% in 2012. Also, the outstanding amounts on monoliners (-23%) and ABS/MBS (-20%) was reduced significantly in 2012. While the credit risk exposure on corporates fell by 8%, it rose slightly for individuals, SMEs and the self-employed (+4%) as the result of the relatively stable activity in those sectors.

Although the credit risk exposure on government bonds from the GIIPS countries was reduced considerably (see below), total exposure on central governments remained stable as Belgian government bonds were purchased, mainly in the insurance company's bond portfolio. At the end of 2012, the share of the portfolio for central governments was 18%, compared with 15% in 2011. Despite an absolute fall in credit risk exposure to local public sector, the relative share of this sector rose slightly in 2012 to 28%, compared with 25% a year earlier.

Note

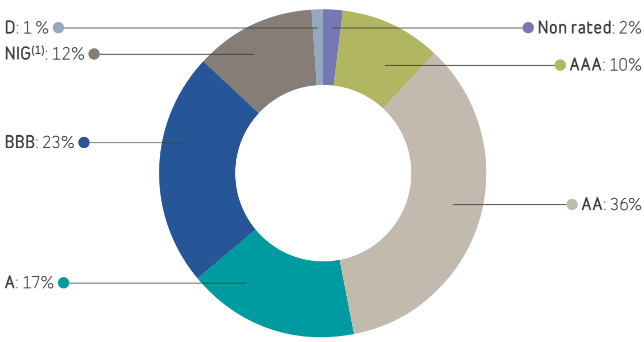
The counterparty is the "final" counterparty, i.e. after settlement of any guarantees recognised under the Basel II regulations (substitution principle). The risk on monoliners is predominantly an indirect risk arising from credit guarantees provided by Belfius Bank and reinsured with monoliners.

Breakdown by geographical region (31 December 2012)



As at 31 December 2012, Belfius' positions were concentrated mainly in the European Union (91% or EUR 167.8 billion). Two-thirds of the credit risk exposure was located in Belgium (56% in 2011). As the result of decreasing funding granted to the Dexia Group, exposure to France declined significantly (-54%), and the relative share of France (9%) in total credit exposure virtually halved compared with the previous year. In addition to the exposure to GIIPS countries, the credit risk on Turkey also diminished appreciably, on the one hand, and the United States and Canada on the other.

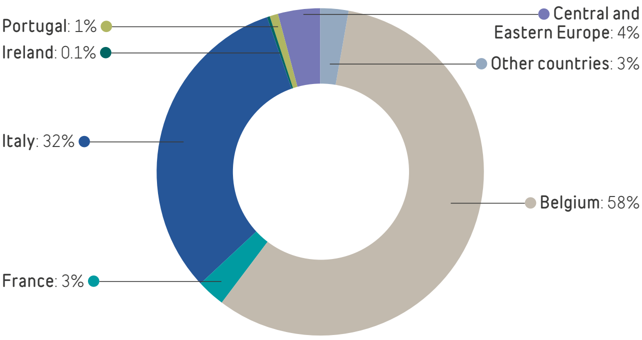
Breakdown by rating (31 December 2012)



(1) Non-investment grade.

Taking the falling credit risk exposure compared with 2011 into account, there was mainly a net rating migration from A to BBB, while AAA and AA remained constant.

Breakdown of the government bond portfolio by geographical region (31 December 2012)



At the end of 2012, total outstanding government bonds, expressed in MCRE, were EUR 15.0 billion, compared with EUR 15.8 billion at the end of 2011. This fall was the result of tactical de-risking in government bonds, mainly in the GIIPS countries (EUR -1.6 billion or -25%) and in the countries of Central and Eastern Europe (EUR -1 billion or -65%). Additional investments were made in Belgian government bonds, the share of which in the total portfolio of government bonds at the end of 2012 rose to 58% compared with 32% at the end of 2011. The combined relative share of Greece, Ireland, Spain and Portugal, which was still 13% in 2011, was reduced to 1% (mainly from Portugal) and the share of the countries of Central and Eastern Europe fell from 10% to 4% over the same period. Italy still represented a third of the government bond portfolio.

Breakdown of the of government bond portfolio on a selection of European countries

31/12/11 (in millions of EUR)	Of which banking book	Of which insurance book	Of which trading book	Total
Greece	332	338	0	670
Ireland	0	352	0	352
Italy	3,682	672	1	4,355
Portugal	74	179	0	253
Spain	852	1	1	853
TOTAL	4,940	1,543	2	6,484

31/12/12 (in millions of EUR)	Of which banking book	Of which insurance book	Of which trading book	Total
Greece	0	0	0	0
Ireland	0	11	0	11
Italy	3,811	949	0	4,760
Portugal	0	84	0	84
Spain	0	2	0	2
TOTAL	3,811	1,045	0	4,856

The outstanding government bonds from the GIIPS countries fell by 25% to EUR 4.9 billion as the result of the de-risking, both at the bank and in the insurance company. The bonds in this portfolio are classified as "Available for Sale".

Exposure to Portugal, Ireland, Greece and Spain decreased by 96%. As a result of the increased fair value of Italian government bonds and the acquisition in the fourth quarter by Belfius Insurance of Italian government bonds with a maturity date no later than the beginning of 2015, the outstanding amount for Italy increased.

In addition to government bonds, at the end of 2012 Belfius also held a number of other positions on counterparties located in the GIIPS countries, for a total amount of EUR 9.1 billion, which was a fall of EUR 1.7 billion (-15%) compared with the end of 2011. Two-thirds of this exposure related to financial institutions, mainly Spanish covered bonds, and a quarter of the outstanding amount included ABS/MBS.

5. Investment portfolio

5.1. Bond part of the investment portfolio

Belfius has a significant investment portfolio of bonds. This portfolio is made up of three components:

→ The historical investment portfolio, known as the Legacy portfolio, a bond portfolio in run-off inherited from the former Dexia period.
→ The bank's ALM portfolio in the context of the bank's liquidity management.
→ The insurance company ALM portfolio, mainly as a part of managing the insurance company's technical reserves.

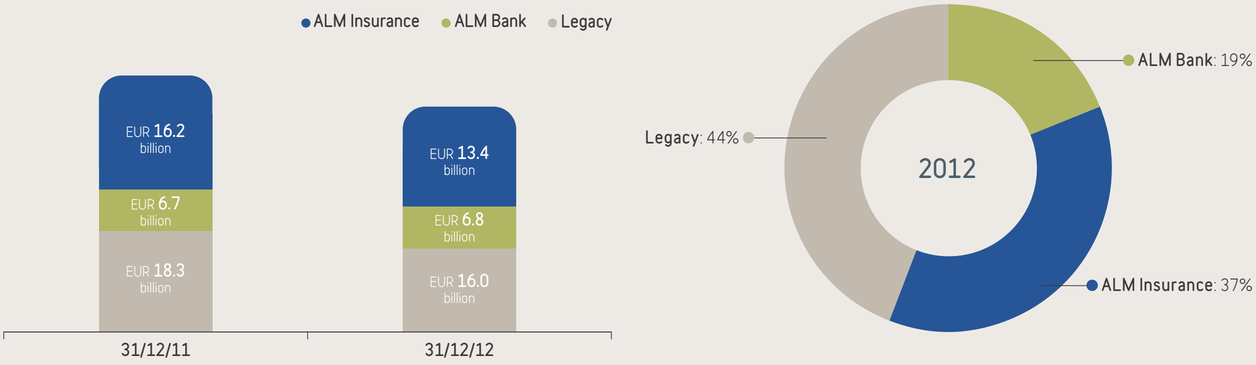
After the total investment portfolio decreased by more than a third (EUR -23 billion) between 2008 (EUR 64 billion) and 2011 (EUR 41 billion), this portfolio was reduced further in 2012 by 12% compared with 2011. As at 31 December 2012, the total investment portfolio amounted EUR 36.2 billion, of which EUR 16 billion for the historical "Legacy" portfolio, EUR 6.8 billion for the bank's ALM portfolio and EUR 13.4 billion for the insurance company's ALM portfolio.

The expected average life of the bond portfolio is 11.2 years.

The EUR 5 billion reduction was the result of three factors:

(i) The natural amortization of the portfolio for EUR 2.5 billion, of which EUR 0.8 billion for the insurance company.
(ii) The tactical de-risking for an amount of EUR 4.1 billion (of which EUR 2.6 billion for the bank and EUR 1.5 billion for the insurance company).
(iii) A net investment and/or appreciation in value resulting from increased fair value, for a total amount of EUR 1.6 billion (investments mainly in Belgian government bonds and with the insurance company).

Breakdown of the investment portfolio



The Belfius investment portfolio is diversified and of good quality: 97% of the portfolio is "investment grade". Compared with 2011 (96% investment grade), overall quality even rose a little as the result of the de-risking programme.

The breakdown by asset category was as follows: 37% sovereign and supranational, 32% financial institutions and covered bonds, 12% asset-backed securities, 11% PFI and utilities, and 5% local public sector. The reduction in the investment portfolio over the year took place mainly in the sovereign and supranational segments (EUR -2.6 billion or -17%), financial institutions and covered bonds (EUR -1.7 billion or -13%) and asset-backed securities (EUR -1.2 billion or -21%).

The share of the euro zone in the investment portfolio was over two-thirds, mainly government bonds, covered bonds and RMBS.

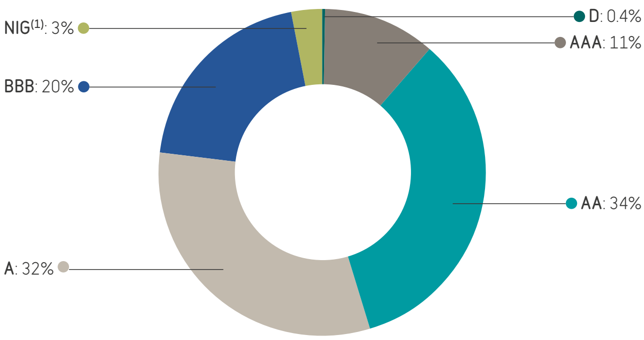
As at 31 December 2012, the ABS bond portfolio was EUR 4.5 billion, down 21% compared with the previous year (of which EUR 0.4 billion ABS sales in the market of illiquid positions or positions with high capital requirements with an average loss of approximately 10%, and the balance repayments at par). 57% of this ABS portfolio has an AAA/AA rating, the average life is just above 6 years and 94% is 'investment grade'. The majority of the ABS portfolio consists of MBS (79%), mainly European RMBS with concentrations on Spain, Italy, the Netherlands and Portugal, and the remainder American CMBS and RMBS. The portfolio also contains 5% of CDOs. The balance of the ABS portfolio (16%) consists mainly of student loans ABS and Triple X ABS, which are securitisations of insurance company reserves. For the ABS portfolio, provisions have been set aside in line with expected losses.

To reduce the volatility of the financial markets and its impact on the bank's shareholders' equity and income, in 2012 Belfius decided to conduct a tactical de-risking programme in this investment portfolio.

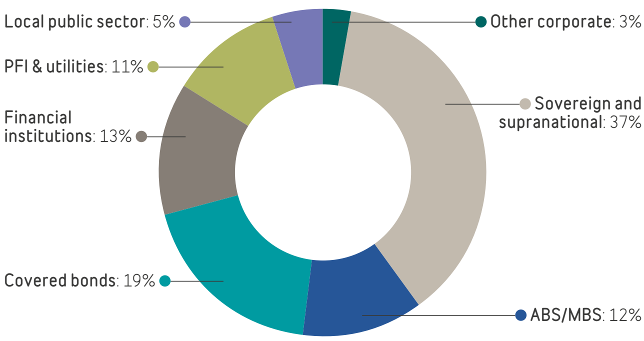
In particular, Belfius reduced its exposure to government bonds from Central and Southern European countries, in line with Belfius' strategy to lower its risk appetite and focus on the Belgian economy. Measures were also taken in the portfolio to restrict potential losses and improve the liquidity of the portfolio. Exposure to Central and Eastern European government bonds was also reduced via sales transactions amounting to EUR 1 billion in 2012.

To improve the bank's liquidity position further, various ABS, bank, corporate and government bonds from the investment portfolio were sold for an amount of EUR 690 million. These were mainly bonds that could not be given as collateral to the European Central Bank and could not be pledged in money market transactions.

Breakdown of the investment portfolio by rating



Breakdown of the investment portfolio by asset category



(1) NIG: non-investment grade.

5.2. Derivatives part of the investment portfolio

The Belfius derivatives portfolio was EUR 10.7 billion at the end of 2012, a reduction of one-sixth compared with the year before. This was achieved mainly by natural amortization. It involves credit derivatives (91%) and Total Return Swaps (9%) issued on a portfolio of corporate bonds (55%), ABS (44%) and covered bonds (1%). As a result of the credit protection provided by various hedges, the portfolio is 93% investment grade.

6. Dexia

6.1. Reduction of funding to the Dexia Group

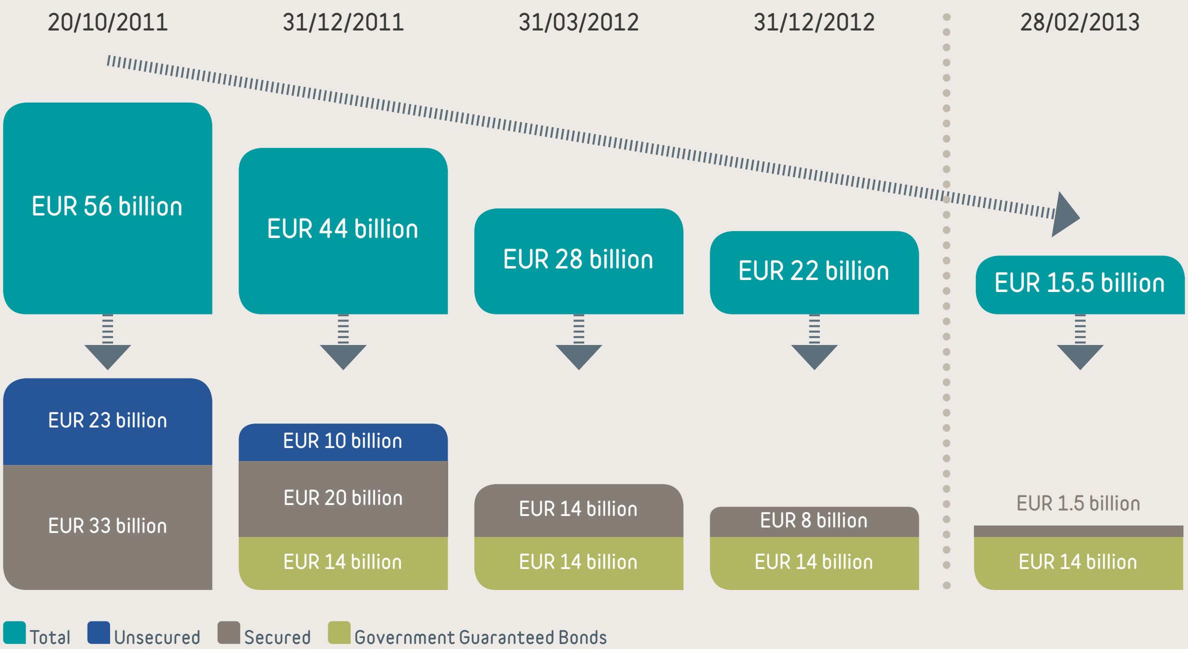
In October 2011, after Belfius was taken over by the Belgian federal government through the Federal Holding and Investment Company (FHIC), a transition committee was set up with representatives from Belfius, Dexia and FHIC, aimed at achieving a smooth unwinding of all links between Belfius and the Dexia Group. The funding that Belfius had been granting to Dexia was one of the key areas that the committee needed to monitor, given that at the time this funding amounted to EUR 56 billion, of which EUR 22.5 billion was unsecured.

A first major step in this direction was taken in December 2011 with the signing of a contract with the Dexia Group aimed at reducing the unsecured funding as quickly as possible.

All of the transactions provided for in this contract have since been put into effect.

- → Belfius significantly reduced its unsecured funding in December 2011 by buying bonds issued by Dexia Crédit Local and guaranteed by the Belgian, French and Luxembourg governments for an amount of EUR 13.6 billion and with a 3-month term. At the end of February 2012, Belfius subscribed to a renewal tranche with a term of 3 years.
- → Purchasing these government-guaranteed bonds halved Belfius' unsecured funding to Dexia. At the end of December 2011, total funding was down to EUR 44 billion, of which approximately EUR 10 billion was unsecured.
- → Measures were also taken aimed at providing Belfius with greater legal security for funding transactions for which Belfius received collateral, and at reducing the dependence of Belfius on the European Central Bank (ECB) (as the result of the funding needs of the Dexia Group).
- → Also
  - repo transactions in which Belfius acted as an intermediary between the Dexia Group and the repo market or the ECB were terminated, totalling EUR 3.9 billion;
  - long-term loans against which Belfius had received ECB eligible bonds for an amount of EUR 3.2 billion were terminated;
  - long-term loans against which Belfius had received ECB non-eligible bonds for an amount of EUR 4.7 billion, were terminated or converted into repos.

Reduction of funding granted to Dexia (rounded figures)(1)



(1) The calculation of secured funding is based on the full implementation of all netting agreements.

As a result, major progress was already made in the first quarter of 2012. By the end of March 2012, unsecured funding had been almost reduced to zero, with total funding still amounting EUR 28 billion.

In the second half of the year, secured funding was reduced further. At the end of September 2012 and beginning of October 2012, Dexia completed the sales of both DenizBank and Banque Internationale à Luxembourg. In line with the sales agreement between Dexia and the Federal Holding and Investment Company, the proceeds from these sales were allocated to a further reduction of the funding granted by Belfius to the Dexia Group. As a result, by 31 December 2012, total (secured) funding to Dexia amounted to EUR 21.9 billion.

At the end of January 2013, Dexia completed the sale of Dexia Municipal Agency. This sale generated approximately EUR 12 billion of additional liquidity for Dexia, of which over EUR 5.5 billion was used to repay the remaining debt to Belfius. As a result, secured funding was reduced further to EUR 15.5 billion at the end of February 2013: EUR 13.8 billion are bonds issued by Dexia Crédit Local, but which are guaranteed by the Belgian, French and Luxembourg governments, EUR 0.3 billion are covered bonds issued by Dexia LDG Banque and EUR 1.2 billion are "multi-party" repos that mature in 2013 and 2014 or are reduced further.

6.2. Liquidity lines

In August 2008, Belfius granted Financial Security Assurance, which at the time was still a subsidiary of the Dexia Group, a liquidity line amounting to USD 4.4 billion.

At the beginning of 2012, Belfius signed an agreement with Assured Guaranty, which at the end of 2008 had acquired Financial Security Assurance from Dexia, aimed at reducing this liquidity line to USD 1.5 billion by the end of June 2012, to be followed by a gradual amortization so as to reach USD 1 billion at the latest by the end of June 2013.

At the end of December 2012, this liquidity line (which is not drawn) amounted to USD 1.25 billion.

6.3. Concentration risk

Because the bank has ceased to be part of the Dexia Group since October 2011, its former sister companies became external counterparties. As a result, the bank became subject to the regulatory limitation standards for risks on the same counterparty. At the end of 2011, Belfius provided significant funding to the Dexia Group, as a result of which the concentration risk – which had previously been "acceptable" according to the regulations, because it was within the same group – then became far too high.

In consultation with the National Bank of Belgium (NBB) and the Dexia Group, Belfius drew up an action plan designed to reduce this concentration risk. Based on this plan, the NBB allowed for an exemption for non-compliance with this concentration risk limit until 31 December 2012.

During 2012, funding to Dexia was reduced significantly, but still insufficiently to allow Belfius to comply with the concentration risk requirements by the end of 2012. After further consultation with the NBB, an additional action plan was put in place granting Belfius a further exemption until 30 June 2013. With the completion of the sale of Dexia Municipal Agency at the end of January 2013, funding to Dexia has been reduced further.

7. Asset quality

(In millions of EUR, except where indicated(1))	2011	2012
Gross outstanding loans and advances to customers	93,369	91,158
Impaired loans and advances to customers	2,543	2,533
Specific impairments on loans and advances to customers	995	1,185
Asset quality ratio(2)	2.72%	2.78%
Coverage ratio(3)	39.1%	46.8%
Collective impairments on loans and advances to customers	441	487

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

In 2012, total impaired loans and advances to customers remained stable at EUR 2.5 billion.

During the course of 2012 there was a net increase in specific impairments on loans and advances to customers in an amount of EUR 190 million. This rise was mainly the result of additional impairments booked in the Legacy portfolio. In 2012, collective impairments also increased with EUR 46 million.

The asset quality ratio remained roughly stable compared to the previous year, at 2.78%, despite the difficult macroeconomic context.

The coverage ratio amounted to 46.8% at the end of 2012 compared with 39.1% at the end of 2011.

Market risk

1. Overview

Management of the market risk within Belfius is focused on all treasury and financial market activities and encompasses the interest rate risk, the spread risk, the foreign-exchange risk, the equity risk (or price risk), the inflation risk and the commodity price risk.

Overall, the 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, changes as to the instrument's liquidity, changes in volatility levels for market prices or changes in the correlations between the levels of market prices.

2. Risk types

The sources of market risk are changes in the levels of:

- Interest rates
- Spread risk (specific interest rate risk)
- Foreign-exchange rates;
- Equity prices
- Commodity prices

and their related risk factors like volatility or correlation for example.

Interest rate risk may be understood as the variation of the value of assets or liabilities of the bank following changes in interest rates quoted on the markets. It is most pronounced in debt instruments, derivatives that have debt instruments as their underlying reference asset and other derivatives whose values are linked to market interest rates.

Credit spread and liquidity risks are the risks that the value of a certain portfolio can change because the spreads that apply to its positions change over time, even if the credit quality (rating) of these positions remains the same. The spread of a position is that single spread that has to be added to the whole zero-coupon curve (swap) in order to obtain discount factors that lead to a present value of expected cash flows equal to the current market value of the position.

Foreign-exchange risk is the potential risk that movements in exchange rates may adversely affect the value of a financial instrument or portfolio. Despite exchange rates being a distinct market risk factor, the valuation of foreign-exchange instruments generally requires knowledge of the behaviour of both spot exchange rates and interest rates.

Equity price risk is the potential for adverse changes in the value of an institution's equity-related holdings. Price risks associated with equities are often classified into two categories: general (or non-diversifiable) equity risk and specific (or diversifiable) equity risk.

Commodity price risk is the potential for adverse changes in the value of an institution's commodity-related holdings. Price risks associated with commodities differ considerably from other market risk factors since most commodities are traded on markets in which the concentration of supply can magnify price volatility.

3. Governance

With the purpose of adequately managing the market risks Belfius is facing, market risk management has identified the following cornerstones as key pillars of an extensive understanding of the risks Belfius Bank is confronted with for its Treasury and Financial Market (TFM) activities:

- Efficient organisation fostering an accurate identification, analysis and reporting of the different risks Belfius 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 sound limit framework with differentiated limits by activity or risk factor which has gained acceptance from all the actors 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 (Greeks)
  - stress tests
- Finally, this framework is being frequently submitted for revision to the TFM Risk Committee in order to be commensurate to the risk appetite defined by the Belfius Management Board.

4. Risk measurement

The Value-at-Risk concept has been identified as the principal metric for proper management of the risk Belfius is facing. The VaR measures the maximum loss in Net Present Value (NPV) the bank might be facing in normal market conditions over a period of 10 days with a confidence interval of 99%. Actually, the following risks are covered by a VaR computation:

- Interest rate and foreign-exchange rate risk: until approval of the historical methodology is granted by the regulator (see further), this risk category is currently being covered mainly by a parametric VaR. Overall, this approach consists of computing the variance and covariance matrix of returns of interest and foreign-exchange rates and assuming lognormal distributions for these returns.
- Equity risk: general and specific equity risks are measured using a historical Value-at-Risk with full valuation based on 300 scenarios.
- Spread risk: specific interest rate risk (also known as spread risk) is measured via a historical approach, which applies 300 observed variations on the sensitivities.

Actually, the VaR framework is currently evolving towards an integrated historical VaR approach. The historical simulation approach consists of running the actual portfolio across a time-series of historical asset returns. These revaluations will generate a distribution of portfolio values (histogram of returns) based on which a VaR (% percentile) can be calculated.

The main benefits of this method are its straightforward methodology and the fact that it does not assume a normal distribution of asset returns (distributions can be non-normal, and securities behaviour can be non-linear).

Since 31 December 2011, Belfius has had to compute 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 an additional VaR based on a 12 consecutive months observation period related to significant losses specific for the bank.

Value-at-Risk by activity

VaR (99%, 10 days)	2011				2012			
(in millions of EUR)	IR & FX (Trading and Banking)[1]	EQT Trading	Spread Trading	Other risks[2]	IR & FX (Trading and Banking)[1]	EQT Trading	Spread Trading	Other risks[2]
By activity								
Average	12.2	1.9	10.9	2.3	8.3	1.3	12.0	2.1
End of period	8.7	0.8	8.0	2.2	6.4	1.6	14.0	1.6
Maximum	22.2	5.6	17.7	3.8	14.1	3.9	17.9	4.5
Minimum	7.9	0.7	7.7	0.9	5.0	0.6	7.8	1.5
Global								
Average	27.2				23.7			
End of period	19.7				23.5			
Maximum	37.6				30.4			
Minimum	19.7				17.9			

(1) Without ALM risk.
(2) Inflation and CO_2.

5. Backtesting

The aim of backtesting is to test the accuracy and the mathematical soundness of the internal market risk measurement methodologies by comparing market risk figures with the volatility of the actual results. Backtesting is a prerequisite for banks that want to use internal models to calculate their regulatory capital requirement for market risks.

The result of the backtest is the number of losses greater than their corresponding VaR-figures (i.e. "the number of exceptions"). According to this number, the regulators will decide on the multiplier used for determining the regulatory capital base.

Currently, two types of backtesting are processed within Belfius:

- Hypothetical backtesting assumes that the portfolio composition does not change during the holding period and that it is only impacted by the risk factors integrated in the VaR calculation. That is, end-of-day trading positions are input into the risk measurement model, which assesses the possible change in the value of this static portfolio due to price and rate movements over the assumed holding period. No downward backtesting exception was reported in 2012.
- Real backtesting simply compares real results with VaR outcomes over a 1-day holding period. It means that the P&L used is impacted by all the risk factors and by the intraday evolution of the positions.

A single backtesting exception was reported in 2012.

6. Market Risk Exposure – VaR and VaR limits

In order to reflect the risk appetite adopted by Belfius' Management Board, the global average VaR was reduced from EUR 27.2 million in 2011 to EUR 23.7 million in 2012 while the global VaR limit was reduced significantly as well.

Evolution throughout 2012 of the global Value-at-Risk (in EUR)

7. Stress Testing – Market Risk

Despite the VaR being a useful risk management tool for controlling day-to-day loss-risk exposures, it does not withstand the test of abnormal market movements, and it does not give a clear picture of market exposure. By contrast, stress tests reveal such information by gauging Belfius' vulnerability to exceptional events and hence by providing information about risks falling outside those encompassed by 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, stress tests have to be used in conjunction with the VaR approach.

The stress testing framework applied within Belfius can be categorised as follows:

- Sensitivity tests are run on the following risk factors: interest rates, foreign-exchange risk, volatilities, spreads, correlation, IR basis and dividends.
- Historical scenarios, which consist of simulations mirroring simultaneous significant historical market movements on several risk factors. More specifically, the following scenarios are applied:
  - Equity crash of 1987
  - Monetary crisis of 1992
  - Terrorist attack of 2001
  - Financial crisis of 2008
- Combined scenario on credit value adjustment where shocks on interest rates as well as on credit spread are applied simultaneously.

Balance sheet management

1. Policy on balance sheet management

The ALM risk can be defined as the sensitivity of the bank's value and income with regard to unexpected rate movements and changes to the financing terms and conditions applied by Belfius Bank.

All important matters relating to the interest rate, foreign-exchange rate and liquidity risk of the bank's balance sheet are monitored by the ALCo (Assets & Liabilities Committee).

The role of the ALCo, based on a framework of normative limits, is to keep a strict eye on management of the interest rate risk, liquidity position and foreign-exchange rate risk.

The ALCo meets regularly in person (once or twice a month) and is chaired by the Chief Financial Officer (CFO), with meetings attended by various members of the Management Board. For urgent matters, the ALCo has an electronic decision-taking procedure.

2. Liquidity risk

2.1. Liquidity management framework

The Liquidity and Capital Management (LCM) department was established in 2012 as part of the Finance department. The LCM is the front-line manager for the liquidity and capital requirements of Belfius Bank. This means that it identifies, analyses and reports on current and future liquidity positions and risk, and then defines and coordinates the action needed to keep them in the right direction. Hence the ultimate responsibility for managing liquidity comes under the responsibility of the Chief Financial Officer (CFO). The CFO also bears final responsibility for managing the interest rate risk contained in the balance sheet via the ALM department and the ALCo, meaning that total balance sheet management comes under its responsibility.

LCM holds committee meetings each week attended by the CFO, Risk Management and the Treasury department, which implements the decisions taken by LCM in relation to obtaining short-term and long-term funding on the institutional market.

LCM also monitors the funding plan to guarantee in the years ahead that Belfius Bank will still comply with its internal and regulatory liquidity ratios.

LCM reports on a daily and weekly basis to the Management Board about the bank's liquidity situation.

Second-line controls for monitoring the liquidity risk are performed by the Risk Management department, which ensures that the reports published are accurate and oversees compliance with limits, as laid down in the Liquidity Guideline.

The liquidity management of Belfius Bank is guided by internal and regulatory liquidity ratios. In addition, there are also strict limits regarding the part that can be financed short-term and the part that has to be obtained on the interbank market. Central to this are the available reserves: at any one time Belfius is required to have sufficient quality assets available that can be used to accommodate any temporary liquidity needs, both in day-to-day management and in stress scenarios.

2.2. Exposure to liquidity risk

The liquidity risk at Belfius Bank is affected mainly by:

- the amounts of commercial funding collected from retail and private clients, small, medium-sized and large companies and similar clients and the way these funds are allocated to clients through commercial loans;
- the volatility of the collateral that is placed with counterparties as part of the framework of derivative 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 or from the ECB;
- the capacity to obtain interbank funding.

2.3. Significant improvement of the liquidity profile in 2012

The crisis around the Dexia Group at the end of 2011 also placed the liquidity of Belfius Bank under pressure. As a result, it was no longer possible to comply with the National Bank of Belgium's (NBB) regulatory one-month liquidity ratio. The main reason for this was the sharp increase in the Dexia Group's need for liquidity, which meant that a call was made on the available funding capability of Belfius Bank, which was the liquidity competence centre for the whole Dexia Group. Belfius Bank provided substantial secured and unsecured funding to the other entities in the Dexia Group. Significant falls in interest rates also generated additional requirements for collateral linked to historical derivative contracts.

During the crisis, Belfius Bank obtained a temporary exemption from the NBB (until September 2012). This exemption was coupled with an action plan requiring the funding granted to the Dexia Group to be reduced significantly and quickly.

During the first three quarters of 2012, the bank made liquidity the organisation's greatest priority by:

- introducing a robust liquidity framework with centralised liquidity management;
- reducing the credit risk vis-à-vis the Dexia Group,
- converting parts of its loans to small and medium-sized companies into liquid reserves: the securitisation vehicle Mercurius can be used as collateral in money market transactions in repo or with the ECB;
- converting deposits from public and corporate clients with uncertain stability into deposits with maturities of more than one month;
- selling its Elantis portfolio of mortgage loans to Belfius Insurance;
- collecting long-term funding by issuing a Belgian covered bond backed by quality mortgage loans: the Belfius Belgian Mortgage Pandbrieven;
- attracting medium-term deposits from institutional clients.

As a result of the implementation of its action plan and other ongoing efforts, Belfius Bank has again complied with the NBB's regulatory liquidity stress test since September 2012.

At the end of 2011 and the beginning of 2012, Belfius Bank also took part in the European Central Bank's 3-year Longer-Term Refinancing Operation (LTRO) for a total amount of EUR 25 billion. Belfius Bank's financial plan provides for a structural improvement in the independence of funding from the ECB. At the end of February 2013, this LTRO funding amounted to EUR 15 billion.

2.4. Structure of the balance sheet at Belfius Bank

Funding sources

- Belfius Bank has a stable volume of commercial funding that comes mainly from its Retail and Commercial Banking and Public and Wholesale Banking clients.
- Belfius Bank also receives medium-to-long-term Wholesale Funding, including EUR 25 billion in LTRO from the ECB and EUR 1.3 billion from covered bonds, the Belfius Belgian Mortgage Pandbrieven.
- The balance of the bank's funding requirements comes from institutional short-term deposits (Treasury) obtained from repos and unsecured funding.

Allocation of funding sources

- Commercial deposits are used to issue commercial loans.
- Belfius Bank has a bond portfolio, including an ALM portfolio for liquidity purposes, with high-value liquid assets and a historical bond portfolio that was built up between 2003 and 2008.
- Historically by taking out derivative contracts to cover its activities, Belfius Bank has an outstanding position in derivatives for which the collateral must be posted and received (cash & securities collateral). In net terms, Belfius Bank posts more collateral than it receives.

The loan-to-deposit ratio that shows the ratio between commercial assets and commercial liabilities, improved at the end of 2012 to 90%, compared with 98% at the end of 2011.

Analytical (non-accounting) picture of the consolidated balance sheet at Belfius, used to manage the balance sheet from an ALM and LCM point of view

Assets (in billions of EUR)	31/12/12
COMMERCIAL ASSETS	74
BONDS	23
ALM	7
Legacy	16
CASH COLLATERAL	24
CLM AND OTHER SHORT-TERM WHOLESALE ASSETS	5
Reverse Repo	2
Monetary Reserve	0
Unsecured	3
DEXIA GROUP	21
Government guaranteed bonds	14
Reverse Repo & repo-like	7
CENTRAL ASSETS(1)	6
NON CASH(2)	39
BANK PERIMETER	191
CORRECTION INTRAGROUP TRANSACTIONS	(4)
BELFIUS INSURANCE AND OTHER SUBSIDIARIES	26
o/w ALM portfolio insurance	*13*
o/w mortgage loans	*4*
o/w Dexia Group	*1*
BELFIUS CONSOLIDATED	213

Liabilities (in billions of EUR)	31/12/12
COMMERCIAL ASSETS	82
LONG-TERM WHOLESALE FUNDING	36
Unsecured	2
Secured	8
Subordinated debt	1
ECB (LTRO)	25
CASH COLLATERAL	10
CLM AND OTHER SHORT-TERM WHOLESALE FUNDING	11
Repo	10
ECB	0
Unsecured	2
DEXIA GROUP	2
Repo	0
Unsecured	2
CENTRAL ASSETS(1)	9
NON CASH(2)	41
BANK PERIMETER	191
CORRECTION INTRAGROUP TRANSACTIONS	(1)
BELFIUS INSURANCE AND OTHER SUBSIDIARIES	23
o/w technical reserves	*18*
BELFIUS CONSOLIDATED	213

(1) Central assets comprises capital and non-interest bearing liabilities at the liabilities side and participations and non-interest earning assets at the assets side.
(2) Non-cash comprises the mark-to market valuation of derivatives.

3. Interest rate risk

3.1. Measuring interest rate risk

The structural interest rate risk at Belfius Bank results from the structural imbalance between its assets and liabilities on the balance sheet in terms of volumes, durations and interest rate sensitivity.

Changes in interest rates can have a positive / negative effect on both the income and the economic value of the bank. This results in two separate but complementary viewpoints in assessing the bank's interest rate risk.

3.1.1. Sensitivity of economic value in relation to interest rate fluctuations: Value approach

Movements in interest rates affect the economic value of the assets and liabilities on the balance sheet, as well as off-balance sheet hedging derivatives.

A consolidated interest rate sensitivity limit defines the maximum sensitivity allowed for bank balance sheet interest rate risk and measures the change in the net economic value of the balance sheet in the event of a parallel move by 1% across the interest rate curve.

The rate curve may also vary in a non-parallel manner and cause a change of value despite a total sensitivity of the total economic value that appears neutral. This is called curvature risk. This risk is assessed using specific measurements of the curve sensitivity within each maturity bucket, measuring expected variations of value following the movement of a single point on the interest rate curve.

3.1.2. Interest rate sensitivity of income and interest margin: Earnings at Risk (EaR) approach

The interest rate level affects the external interest rates on commercial investment products and loans, as well as expected early repayment behaviour. As a result, it has an effect on the bank's future interest rate results. This sensitivity enables an estimate to be made of the potential profit or potential loss of income in the current year and the following years, depending on the various interest rate simulations. This EaR approach keeps management up to date with the expected income shifts over time of a sudden change in value.

3.2. Exposure to interest rate risk

Interest rate sensitivity measures the net change in the ALM balance sheet economic value if interest rates move by 1% across the entire curve. The long-term sensitivity of the ALM perimeter was EUR 129 million/% as at 31 December 2012 (compared with EUR 83 million/% as at 31 December 2011), excluding positions of insurance companies and pension funds.

The derivatives contracts in the ALM perimeter are entered into as an economic hedge (portfolio hedge) of the balance sheet's interest rate risk. However, as the IFRS exclude certain balance sheet items (e.g. savings accounts) as a hedged underlying element, some of these derivatives cannot be defined as an "IFRS hedge relationship" under accounting norms and generate volatility in IFRS earnings. This sensitivity of IFRS earnings to a 1% rise across the interest rate curve was EUR 10 million/% as at 31 December 2012, compared with EUR 8 million/% as at 31 December 2011.

4. Foreign-exchange rate risk

Although Belfius uses the euro as its reporting currency, part of its assets, liabilities, income and expenses are also expressed in many other currencies. As was the case last year, these exposures were systematically hedged on an ongoing basis.

The structural risks associated with the funding of holdings with equity in foreign currency, as well as the volatility of the bank's solvency ratio, are also monitored regularly.

5. Equity risk

5.1. Equity risk measures

A VaR calculation is used to assess the portfolio's sensitivity to a negative movement in the prices, volatility or correlation of equities. Market risk management includes Earnings at Risk and stress test measurements that provide an indication of the potential accounting loss under different scenarios. The equity portfolios of bank entities were strongly reduced. In the insurance arm, an "early warning system" was developed for the purpose of reallocating assets in stress scenarios in order to protect solvency ratios.

5.2. Balance sheet sensitivity to equities (listed equities)

Equity-Value at Risk (VaR with an interval of confidence of 99% over a period of ten days) measures the potential change in market value.

6. Pension funds

Specific reports on the pension funds are submitted to the ALCo at Belfius Bank. They contain factors relating to interest rate, inflation and equity risk.

Management of the market, liquidity and interest rate risk at Belfius Insurance is entrusted to the Belfius Insurance ALCo (see the Belfius Insurance annual report), whose meetings are attended by the ALM teams at Belfius Bank. The risk indicators are calculated based on a harmonised risk method for Belfius, supplemented by specific factors relating to risk management.

Operational risk

1. Policy

Regarding operational risks, Belfius policy involves various risks and controls being regularly identified, in order to check compliance of the risk level by activity. Specific attention is also paid to new types of risk, such as those associated with cybercrime.

2. Measuring and managing risk

Managing operational risk is based on the following elements:

2.1. Decentralised responsibility

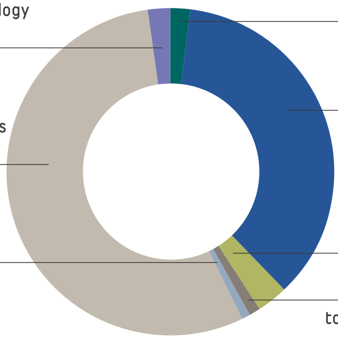
Each of the bank's line management organisations has the primary responsibility for monitoring the operational risk in its individual sphere of activity. It establishes the way its activities are organised, including the checks that need to be implemented to restrict operational risk. It also defines the corrective measures required to counter significant incidents or when major risks have been identified. Operational Risk Management ensures the regular monitoring of risks and incidents and establishes a quarterly report for all activities. This process allows the internal control system to be improved on an ongoing basis and enables the main risks to be effectively curbed.

2.2. Gathering data about operational risks

The systematic collection and control of data on operational incidents is one of the main requirements of the Basel Committee, whatever the approach adopted for capital calculation ("Standardised Approach" or "Advanced Measurement Approach").

As a result, the risks remain strictly under control. The reporting mechanisms ensure that the parties responsible are notified quickly if incidents occur. Major incidents are also reported to the Management Board and feature an action plan for limiting any risk in the future. This is developed under the responsibility of line management.

Breakdown of total losses by standard category of incidents over the past three years



During that period, the main areas of operational loss were due essentially to incidents associated with external fraud (cybercrime with various minor incidents), incidents in relation to execution, delivery and process management. Other categories remain limited in number and amount. When major incidents occur, management validates the corrective action.

The greatest financial impact is in the Retail business.

2.3. Risk and control self-assessment

Another important area is examining the main potential risks for Belfius. This is achieved through bottom-up risk and control self-assessment exercises held in all departments and subsidiaries at Belfius. These exercises may result in action plans being developed to limit the risk further. They provide a good overview of the main risk areas in the various businesses and the results are reported to management throughout the whole organisation. These risk and control self-assessments are conducted annually and form the basis for the annual memo submitted to the regulator regarding the assessment of internal audits (Circular NBB_2011_09).

2.4. Securing information and business continuity

The policy relating to securing information and its associated guidelines, norms and practices are aimed at safeguarding the information assets[(1)] of Belfius.

In the area of keeping information secure, a great deal of work was carried out in 2012 on developing a major Identity & Access Management (IAM) project. Initial handover was at the end of 2012. There will be a number of further handovers in 2013. The project included following actions:

- increasing awareness in the various departments regarding information security;
- identifying critical and sensitive information (data classification);
- certification by owners and managers of existing accesses to information assets.

The policy on business continuity requires the various departments to analyse the business impact on critical activities, develop recovery plans and provide the necessary documentation, as well as to ensure that the plans regarding business continuity are tested and adjusted at least once a year. Based on regular reporting, the Management Board approves the strategies on recovery, any residual risks and action plans aimed at achieving ongoing improvement.

2.5. Managing insurance policies

The operational risks of Belfius are also limited by taking out insurance policies, principally covering professional liability, fraud, theft and interruption of business.

2.6. Greater coordination with other functions involved in the internal audit system

There is regular consultation between Operational Risk Management, Compliance and Audit to assess risks and develop a coordinated approach.

(1) Information or data which are valuable to the company and which are to be protected accordingly.

2.7. Unwinding cooperative links between Belfius and Dexia

As a result of the dismantling of the Dexia Group and the creation of an independent Belfius, a major effort has been required to separate out the various IT applications.

This meant significant investment was required in 2012, particularly for the Risk Management department. Total spending here for Belfius on all projects was approximately EUR 13 million (cost of business, IT, Infrastructure). The majority (over 60%) came from separating out applications shared with Dexia in the Risk Management department.

In view of the extent of these developments and the scheduled completion date for unwinding the applications, this package of projects was monitored closely by management. Special attention was also paid to the transfer of staff and the building up of the knowledge required within Belfius. The operational risk inherent to this operation was significant.

One final part of this unwinding still to be carried out relates to the future of Associated Dexia Technology Services (ADTS). ADTS is the Dexia Group's former IT infrastructure company. ADTS is currently still owned (over 99% of the shares) by Dexia SA. The Board of Directors at ADTS has taken the decision to seek an industrial partner for the company in order to secure the future of ADTS as a commercial IT infrastructure provider, as well as to offer the best guarantee for the continuity of the services it provides to its current clients, principally Belfius and its subsidiaries.

2.8. Calculating regulatory capital requirements

To calculate its regulatory capital in the light of its operational risk management, Belfius has decided to use the standardised approach under Basel II.

This calculation consists of applying a percentage (called the Beta factor, between 12% and 18%) to the gross income calculated for each of the eight business lines defined by the Basel Committee (Corporate Finance, Commercial Banking, Retail Banking, Trading and Sales, Asset Management, Agency Services, Retail Brokerage, Payment and Settlement).

Income consists mainly of the operating income from the underlying businesses, including net fee and commission income. Income from the insurance business is not included as it is not subject to the Basel II regulations.

The total regulatory capital for each business line is used to calculate the total capital requirements for operational risk, taken as an average over the past three years. This calculation is updated annually.

Between 2011 and 2012, the capital requirement for operational risks fell from EUR 230 million to EUR 217 million. The calculation of this requirement is based on an average of income for the three most recent years.

Insurance risk

Insurance risks represent the potential losses that might arise from underwriting insurance policies. These are also known as underwriting risks.

1. Definition

At Belfius Insurance, the underwriting risk is divided into three modules, depending on the type of risk insured: Life, Non-Life, Health. Each category is then subdivided into sub-modules linked to the nature of the underlying business.

1.1. Breakdown of the underwriting risk for Life

The Life underwriting risk is divided into 7 sub-modules corresponding with the requirements of Solvency II.

- Mortality risk is the risk that mortality should increase. It applies to all undertakings for which the benefits expected to be paid out increase if there is a rise in mortality.
- Longevity risk is the opposite of the mortality risk. It applies to policies for which a fall in mortality would result in an increase in the expected payouts (e.g. pension policies).
- Morbidity or disability risk relates to the risk of loss or disadvantageous movement in expected benefits attributable to changes in the level, nature, trend or volatility in the degree of disability.
- Lapse risk for Life is described as the risk of loss or increase in benefits attributable to a difference between the effective exercise rate of 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 of benefit to 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.
- The risk relating to management costs corresponds with the risk that those management costs are higher than expected or that they experience 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.

1.2. Breakdown of the underwriting risk for Non-Life

Non-Life underwriting risk reflects the risk that arises from Non-Life insurance contracts, taking account of the hazards covered and the procedures that are applied when this activity is exercised.

This risk module has three sub-modules:

- 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 paid.
- Catastrophe risk is the risk of a major event happening that is not covered by the previous two risks.

1.3. Breakdown of the underwriting risk for Health

This risk includes the underwriting risk for cover for all health and occupational accidents (i.e. accidents at work). It is made up of two sub-modules: health similar to Life insurance and health similar to Non-Life insurance.

The catastrophe risk is dealt with in the Health module by using the methodology mentioned above.

2. Managing the insurance risk

The Risk and Underwriting Committee (RUC) gives advice about strategy in the area of the underwriting and reserving of the (re)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 prepared to accept.
- Selection criteria of the risks that correspond with the risk appetite.
- The way in which the actual underwriting is monitored.
- The gearing 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.
- Provisioning for claims.

The overall defined strategy is elaborated by the various entities involved and monitored by the local responsible persons.

3. Risk Modelling

Risk measuring requires coherent quantifying and takes place on all levels of the company to determine whether they correspond with the set risk appetite. Risk management at Belfius Insurance guarantees that the complexity of the risk measurement framework built up is in proportion to the extent, scope and specific characteristics of the various parts of the company.

Risk measures are selected on the basis of their ability to cover the risks of each sector of activity.

An appropriate framework for risk limits governs the view taken in the various local entities, based on the risk profile of Belfius Insurance. The risk limits represent the mechanisms used to align risk strategy with risk appetite. These are then passed on to the various entities and sectors.

Having a sustainable control system is the basis for an effective risk management. Effective risk control guarantees that whenever a limit is exceeded, it comes to the attention of management and results in a series of actions introducing new limits.

One of the major checks in the context of optimising capital at Belfius Insurance involves risk limits. Consequently, the actions taken are formed into clear and unequivocal procedures requiring disciplined application and strict monitoring.

Belfius Insurance develops and uses models of assets and liabilities for its entire portfolio. Specific for its life insurance products, all cash flow models are developed in a single environment encompassing the entire Life portfolio. There is also an ALM module with which stochastic simulations can be implemented based on an important number of potential economic scenarios.

A model has been developed to evaluate the reserve and premium risk for the main areas of the Non-Life portfolio. An initial approach to modelling in relation to the Non-Life catastrophe risk was evaluated in conjunction with the Reinsurance department and subjected to testing in 2011.

The models and modelling environment are updated regularly to respond to existing recommendations, as well as to additional recommendations stemming from subsequent validations.

Risk models are used increasingly to develop applications that monitor the insurance entities of Belfius in order to create more shareholder value.

These are just a few examples of applications:

- Calculating the a posteriori profitability of specific portfolios that take the required return on capital into account.
- Tools relating to reinsurance programmes.
- The pricing of insurance policies including the return on economic capital in order to be able to estimate value creation in advance.
- Optimising capital allocation during budget exercises.

These models are also used for internal and external reporting to support the opinion of the actuary and to provide information for internal and external auditors, as well as the supervisory authorities and the rating agencies.

4. Reinsurance

One of the methods used for limiting insurance risk is reinsurance.

The main objective of reinsurance is to reduce volatility in profits, and hence the uncertainty associated with the risk in the insurer's valuation and the insurer's capital requirements.

These are the functions of reinsurance:

- Capacity: reinsurance gives insurers greater flexibility in terms of the 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. Limiting spread risk makes it possible to reduce capital requirements and hence the solvency margin.
- Protection: reinsurance provides protection against cumulative financial losses caused by a succession of events (such as poor

The table below shows the highest retention per risk and per event:

2012 (in EUR)	Highest retention per risk	Highest retention per event
PRODUCT RANGE		
Liability Cars Third-party	2,173,000	2,173,000
Casco	nil	1,500,000
Fire	1,535,000	15,000,000
General Third-party Liability	1,086,000	1,086,000
Accidents at Work	582,000	582,000
Life Retail and Disability	230,000	1,060,000 of the capital for banking/ insurance 2,080,000 of the capital for DVV Insurance
Group Insurance Death	270,000	750,000
Group Insurance Disability	100,000	750,000
Individual Accident Insurance	150,000	250,000

weather) or against significant financial losses that are the result of a single event.

- Financing: reinsurance can provide an alternative to raising capital.
- Expertise: reinsurers provide assistance to insurers in their area of expertise. The qualified staff at reinsurance companies can offer their services when setting up a new business.

5. Sensitivities

Impact on available financial resources (in millions of EUR)	31/12/12
UNDERWRITING RISK LIFE	
Scenario that corresponds to a decrease of[1]	
5% in mortality	8.4
10% in costs	42.9
10% in the redemption rate	-21.7

(1) Impact for Belfius Insurance.

Belfius Insurance evaluates the effect of sensitivities on available financial resources. The technical reserves are expressed in market value. Given the low market rates, the fair value of the technical reserves is higher than their respective redemption value, which has a negative impact on available financial resources in the event of a reduction in the redemption rate. A fall in the redemption rate then has a negative impact on available financial resources.

The insured capital on death is higher than the fair value of technical reserves, which results in a positive impact on available financial resources if there is a fall in mortality.

An increase in costs leads to a rise in the fair value of the technical reserves and to a fall in available financial resources.

Impact on pre-tax income (in millions of EUR)	31/12/12
UNDERWRITING RISK NON-LIFE:	
Scenario that corresponds to[1]	
A decrease of 10% in administrative costs	3.9
An increase of 5% in claims that have been made	-16.1

(1) Impact for Belfius Insurance and Corona Direct.

Lower administrative costs lead to an increase of pre-tax income while an increase of claims has the adverse effect.

Stress tests

In 2012, Belfius implemented its reinforced governance with regard to stress test exercises aimed at providing a transversal and integrated approach for the bank's and insurance company's risk management.

Stress tests are aimed at measuring the bank's sensitivity, in situations where there is a sudden adverse shock, to expected losses, weighted risks, liquidity requirements and needs in terms of capital.

In 2012, Belfius conducted a series of stress tests (analysis of sensitivity, analysis based on scenarios, evaluation of potential vulnerabilities) that made it possible to assess the potential consequences on its financial equilibrium of a hypothetical event or combination of hypothetical events. In the fourth quarter of 2012, Belfius also took part in the stress test exercises conducted as part of the "Belgian Financial Sector Assessment Programme" for the International Monetary Fund, in conjunction with the National Bank of Belgium.

Capital Management

Solvency

Belfius Bank reports on its solvency in accordance with the Banking, Finance and Insurance Commission circular PPB-2007-1-CPB (CBFA decision of 17 October 2006). That circular is based on the rules and capital ratios defined by the Basel Committee for the supervision of banks and on the basis of the European Capital Requirement Directive (CRD).

These ratios, the capital adequacy ratio (CAD) and the Tier 1 ratio, compare the regulatory capital (total regulatory capital (CAD) and Tier 1 capital) with total weighted risks. For regulatory purposes, they should amount to a minimum of 8% for the CAD ratio and 4% for the Tier 1 ratio.

Another indicator used by Belfius Bank in the context of monitoring its solvency is the Core Tier 1 ratio. This ratio compares the amount of regulatory Tier 1 capital, excluding hybrid Tier 1 capital, with total weighted risks.

1. Regulatory capital

Regulatory capital consists of:

- capital in the strict sense, including hybrid capital (Tier 1 capital), which is made up of share capital, additional paid-in capital, retained earnings (including net income for the period), foreign currency conversion differences and non-controlling interests, less intangible fixed assets, dividends to be paid, long positions in own shares and goodwill, as well as certain elements of the subordinated debt from and equities in financial institutions (see below);
- the additional components of capital (Tier 2 capital) which is made up of the eligible part of subordinated long-term debt, less the remaining subordinated debt from and equities in financial institutions that have not yet been deducted from capital in the strict sense.

In line with the IFRS standards adopted by the European Commission:

- the AFS reserves on bonds and cash flow hedge reserve are not part of regulatory capital;
- the AFS reserves on equities are added to Tier 2 capital if positive (with a 90% haircut) or deducted from Tier 1 capital if negative (for the full 100%);
- certain IFRS adjustments on subordinated debts, non-controlling interests and debts must be added in order to reflect the ability of those instruments to absorb losses;
- other elements (Special Purpose Vehicles (SPV), deferred taxes and so on) are also taken into account on the basis of requirements from the National Bank of Belgium.

On 1 January 2007, pursuant to the Capital Requirement Directive (CRD), the Banking, Finance and Insurance Commission changed its definition of regulatory capital. The main effect for Belfius Bank was a transitional measure for items that were previously deducted from the additional components of capital: holdings in financial companies accounted for by the equity method, holdings in financial companies or subordinated debt issued by such financial companies. 50% of these items is deducted from Tier 1 capital and 50% from total regulatory capital. For holdings in insurance companies, this new deduction rule applies from 1 January 2013.

At the end of 2012, Tier 1 capital was EUR 6,702 million, compared with EUR 6,736 million at the end of 2011. However, this stability is the result of two movements in opposite directions: the strengthening of core shareholders' equity with the net income for the period and the reduction in Hybrid Tier 1 capital after the buyback operation at the beginning of the year.

In 2012, Belfius bought back and cancelled a number of Tier 1 and Tier 2 instruments.

Comparison between total equity (financial statements) and total regulatory capital calculated for regulatory purposes

	31/12/11		31/12/12	
(In millions of EUR)	Financial statements	Regulatory purposes	Financial statements	Regulatory purposes
Total shareholders' equity	3,259	3,244	5,340	5,340
Non-controlling interests	16	0	19	0
of which core shareholders' equity	*17*	*0*	*18*	*0*
of which gains and losses not recognized in the statement of income	*(1)*	*0*	*2*	*0*
TOTAL EQUITY	**3,275**	**3,244**	**5,359**	**5,340**

In the regulatory calculations, insurance companies are accounted for by the equity method. For this reason, non-controlling interests differ from those published in the financial statements.

Regulatory capital

(In millions of EUR)	31/12/11	31/12/12
TOTAL REGULATORY CAPITAL (AFTER PROFIT APPROPRIATION)	7,994	6,941
TIER 1 CAPITAL	6,736	6,702
Core shareholders' equity	6,591	7,006
Prudential filters	(36)	90
Dividend paid (non-controlling interests)	0	0
Items to be deducted	(317)	(394)
Intangible fixed assets and goodwill	*(206)*	*(198)*
Securities and shares in other credit institutions and financial institutions where the holding is more than 10% (50%)	*(21)*	*(21)*
Subordinated claims and other instruments in insurance companies where the holding is more than 10% (50%)	*(91)*	*(176)*
Hybrid Tier 1 capital	499	0
TIER 2 CAPITAL	1,257	239
Subordinated debt with unspecified term	879	264
Subordinated debt with specified term	1,141	863
AFS reserve on equities (+)	48	48
Residual IRB provision excess (+) or shortfall (-) 50%	11	41
Items to be deducted	(111)	(196)
Securities and shares in other credit institutions and financial institutions where the holding is more than 10% (50%)	*(21)*	*(21)*
Subordinated claims and other instruments in insurance companies where the holding is more than 10% (50%)	*(91)*	*(176)*
Holdings in insurance companies	*(711)*	*(781)*

The outstanding Tier 1 instrument from Dexia Funding Luxembourg, with a nominal value of EUR 500 million, was bought back to a large extent in the first quarter of 2012 by Belfius Bank and the remaining outstanding, with a nominal value of EUR 40.8 million, was then converted into an unsubordinated loan. This resulted in the Hybrid Tier 1 capital being reduced to zero and the Core Tier 1 capital being equivalent to the Tier 1 capital.

In addition, Belfius also bought back a number of Tier 2 instruments. As a result of these buyback operations, the outstanding Upper Tier 2 instruments (unspecified term) and Lower Tier 2 instruments (specified term) fell by EUR 612.1 million and EUR 257.1 million respectively over the year. At the end of 2012, the additional component of capital (Tier 2 capital) stood at EUR 239 million.

Belfius booked capital gains on these buyback operations, which strengthened the bank's core shareholders' equity (up 6.3% compared with the end of 2011, at EUR 7,006 million as at 31 December 2012). These transactions were also in line with the bank's strategy, in the context of the forthcoming introduction of Basel III regulations, of converting additional capital into higher quality components of regulatory capital (core shareholders' equity).

As a result core shareholders' equity was strengthened and total regulatory capital decreased by 13.2%, to EUR 6,941 million as at 31 December 2012.

2. Weighted risks

Weighted risks are made up of three components: credit risk, market risk and operational risk. Each of these risks is described in the "Risk Management" chapter of this annual report.

(In millions of EUR)	2011	2012
Weighted credit risks	46,652	44,364
Weighted market risks	3,494	3,185
Weighted operational risks	2,878	2,712
TOTAL	53,024	50,261

At the end of 2012, total weighted risks amounted to EUR 50.3 billion, compared with EUR 53 billion at the end of 2011, down EUR 2.7 billion. The EUR 2.3 billion decrease in credit risks is attributable mainly to the reduction of the funding granted to the Dexia Group, reduced outstanding risk in Public and Wholesale Banking and a further improved risk-weighting process. This fall was slightly offset by a small increase in credit risks as the result of the downgrading of some ABS and Greek RMBS, as well as by the impact of exchange rates.

3. Solvency ratios

The core Tier 1 ratio stood at 13.3 %, up 157 basis points compared with the end of 2011, resulting from the increase in Core Tier 1 capital made possible by the profit realised in 2012 (contribution of +87 basis points) and the EUR 2.7 billion reduction in weighted risks (contribution of +70 basis points).

The Tier 1 ratio rose in 2012 by 63 basis points to 13.3%, as a result of a fall in total weighted risks (contribution of +70 basis points), combined with a slight fall in Tier 1 capital of EUR 34 million (impact of -7 basis points).

The capital adequacy ratio (CAD) amounted to 13.8% at the end of 2012, down 127 basis points on the end of 2011, mainly as the result of the buyback of Tier 2 instruments.

	2011	2012
Core Tier 1 ratio	11.8%	13.3%
Tier 1 ratio	12.7%	13.3%
Capital adequacy ratio (CAD)	15.1%	13.8%

Capital adequacy

In the context of the reorganisation of its business after the dismantling of the Dexia Group, in 2012 Belfius also had to deal with the requirements of the Pillar 2 of Basel II, implementing an appropriate system in relation to risk appetite and capital adequacy. Belfius also continued the dialogue with its regulator in connection with the analysis of Pillar 2 (capital adequacy to the risks taken, based mainly on the approach of economic capital - measure of risk - and available financial resources – measure of capital).

1. Economic capital

Economic capital is defined as the potential deviation between the economic value of the bank in relation to the value expected within a given interval of confidence and time horizon. The confidence threshold chosen for scenarios involving losses in value corresponds with the bank's required debt rating at a horizon of one year (AA for 2012).

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

Most risks are capitalised based on measuring the expected loss; however, some risks are not capitalised if alternative management techniques (limits, scenarios, governance and so on) are considered more appropriate to cover them.

Economic capital remains an important element in the context of risk appetite.

2. Economic capital adequacy

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

In 2012, the distribution between the main categories of risks remains stable: credit risk represents approximately 44% of the economic capital and remains the main contributor; market risk (inter alia including interest rate risk, foreign-exchange rate risk, spread risk and equity risk) is 36% and operational risk 20%.

By business line, the economic capital is allocated as follows: the activity of the investment portfolio, including the investment portfolio of Legacy bonds and the portfolio of credit derivatives, accounts for 26% of economic capital at Belfius; the Public and Wholesale Banking and Retail and Commercial Banking business lines represent 14% and 24% respectively; the balance is made up of 17% allocated to the Group Centre and 18% to insurance-related business.

Basel III

The Basel III proposals encompass a far-reaching set of reforms aimed at strengthening regulation, as well as supervising and managing banking sector risk. The aim is to make the financial sector better able to cope with crisis situations, in the main through stricter capital requirements, more restrictive definitions of the same capital, higher weighted risks, new liquidity standards and the introduction of a non-risk-related financial leverage ratio.

It is true that the Basel III proposals, which will come into effect after approval from Europe of the revised Capital Requirement Regulation and Directive (CRD IV package), still include many other uncertain factors, inter alia in relation to differences in enforcement within the various national legislations, the timing of the measures coming into effect, whether or not to apply some prudential filters and several other technical specifications that are as yet still lacking. Adjusting the current reporting instruments on time is another project that requires appropriate care, all the more so because the final requirements are not yet fully known.

The Basel III reforms will have repercussions on the profitability of banks and their strategies on risk management, as well as on the market itself. More than ever, banks will be required to incorporate all risk parameters (weighted risks, capital, funding, leverage ratio) into their strategies, decisions and pricing. To keep proper control over the various topics, a specific Basel III project structure has been set up within Belfius, with a steering committee within the Management Board.

Based on the wording approved by the European Commission on 20 July 2011 (CRD IV package), Belfius is analysing the impact of Basel III on its solvency and making appropriate arrangements in anticipation.

The various versions of the wording of Basel III, which are currently being discussed in the European Parliament, are being monitored in order to assess their future impact.

On 31 December 2012, the (phased-in) Common Equity solvency ratio under Basel III was estimated at 10.6%.

Weighted risks under Basel III increased by EUR 9.1 billion to EUR 59.4 billion (pro forma), mainly as a result of credit value adjustments (CVA) (EUR 5 billion) and asset value correlation (AVC) (EUR 2.3 billion).

Corporate Governance

Composition of the Management Board and Board of Directors

1. Management Board

1.1. Composition

As at 31 December 2012, the Management Board consisted of the following nine members:

Chairman	Jos Clijsters
Vice-Chairman	Marc Lauwers (until 31 March 2013)
Members	Ann De Roeck (until 31 December 2012)
	Dirk Gyselinck
	Eric Hermann
	Roger Leyssens (until 31 December 2012)
	Dirk Vanderschrick (from 16 February 2012)
	Johan Vankelecom
	Luc Van Thielen

At its meeting on 23 October 2012, the Board of Directors formally noted the resignation of Ann De Roeck and Roger Leyssens as directors and members of the bank's Management Board, to take effect from 1 January 2013.

On 21 February 2013, the Board of Directors formally noted the resignation, to take place on 31 March 2013, of Marc Lauwers as director and vice-chairman and member of the bank's Management Board.

1.2. Role and remit of the Management Board

The Board of Directors has delegated the management of the bank's business to a Management Board created from among its members. The members of the Management Board form a college.

Such delegation of its powers does not extend to supervision of the management or business position of the bank, or to the setting of general policy, or to any other powers that are reserved under the law to the Board of Directors.

As a result, the Management Board is responsible for the effective management of the bank, directing and coordinating the activities of the various business lines and support departments within the context of the objectives and general policy that are set by the Board of Directors. The Management Board ensures that the bank's business activities are in line with the strategy, risks and policies approved by the Board of Directors. It passes on relevant information to the Board to enable it to take informed decisions.

The Management Board delivers a prior opinion on all proposals that are to be discussed in Board of Directors or Strategy Committee meetings in relation to the strategy or general policy of the bank, regardless of whether those proposals emanate from the Chairman of the Management Board or from other directors.

The members of the Management Board are required to carry out their duties in complete objectivity and independence and consequently not simply serve the interests of the shareholders. This implies that the necessary conditions must be met in order to carry out the functions of a bank in a stable and continuous manner.

Working under the supervision of the Board of Directors, the Management Board takes the necessary measures to ensure that the bank has its own management structure that is suited to the activities it pursues or intends to pursue, as well as an administrative and accounting organisation and control and security mechanisms relating to IT and internal auditing. It also guarantees the bank's operating transparency.

The Management Board oversees line management and compliance with the powers and responsibilities assigned, as well as financial reporting procedures.

2. Board of Directors

2.1. Composition

Following the takeover of the bank by the Federal Holding and Investment Company (FHIC), the Federal Government put forward the names of candidates for the position of non-executive directors of Belfius Bank. Thereupon the non-executive directors in office resigned as directors of Belfius Bank with effect from 7 February 2012. The appointments of the new non-executive directors were approved at an extraordinary general meeting of shareholders on 9 February 2012. The Board of Directors in its new form met for the first time on 16 February 2012.

	Main function	Non-executive director	Member of the Management Board	Independent director	Strategy Committee	Audit Committee	Appointments and Compensation Committee	Risk & Capital Management Committee
Alfred Bouckaert	Chairman of the Board of Directors of Belfius Bank SA	■		■	■ Chairman		■ Chairman	■
Jos Clijsters	Chairman of the Management Board of Belfius Bank SA		■		■			
Marc Lauwers	Vice-Chairman of the Management Board of Belfius Bank SA, responsible for Retail and Commercial Banking *(until 31 March 2013)*		■					
Johan Vankelecom	Member of the Management Board of Belfius Bank SA, Chief Financial Officer, responsible for Financial Reporting, Research, Liquidity & Capital Management, Financial Communication and Asset & Liability Management		■					
Ann De Roeck	Member of the Management Board of Belfius Bank SA *(until 31 December 2012)* and General Secretary of Belfius Bank SA, responsible for Compliance, Legal and Fiscal Services, Wealth Analysis & Planning and General Secretariat & Participations		■					
Dirk Gyselinck	Member of the Management Board of Belfius Bank SA, responsible for Public and Wholesale Banking		■					
Dirk Vanderschrick	Member of the Management Board of Belfius Bank SA, responsible for Treasury and Financial Markets		■					
Eric Hermann	Member of the Management Board of Belfius Bank SA, Chief Risk Officer		■					
Roger Leyssens	Member of the Management Board of Belfius Bank SA *(until 31 December 2012)*, responsible for Human Resources Management		■					
Luc Van Thielen	Member of the Management Board of Belfius Bank SA, Chief Operations Officer, responsible for IT, Operations, Facility Management and Organisation		■					
Marie-Gemma Dequae	Former Risk Manager of the Bekaert Group, former Chairman of the Federation of European Risk Management Associations	■		■				
Wouter Devriendt	Independent consultant Federal Holding and Investment Company (FHIC)	■			■		■	
Carine Doutrelepont	Lawyer *(took up her position on 4 December 2012)*	■						
Pierre Francotte	Former CEO Euroclear and Professor at the Solvay Brussels School of Economics and Management	■		■				■
Guy Quaden	Honorary Governor of the National Bank of Belgium *(took up his position on 1 April 2012)*	■		■	■	■ Chairman		
Chris Sunt	Lawyer	■				■		
Lutgart Van Den Berghe	Executive director at Guberna and Professor at the Vlerick Leuven Ghent Management School	■		■			■	
Rudi Vander Vennet	Professor of Financial Economics and Banking – University of Ghent	■		■		■		■ Chairman
Serge Wibaut	Independent consultant	■		■	■			■

■ Chairman

In addition, the ordinary general meeting of shareholders held on 9 May 2012, allocated the position of independent director to a number of non-executive directors (see the table on page 50).

In 2012, Martine Durez submitted her resignation as a member of the Board of Directors, effective 5 September 2012. She was replaced by Carine Doutrelepont, who was co-opted by the Board of Directors on 4 December 2012 and whose permanent appointment was approved by the general meeting of shareholders on 21 December 2012.

As at 31 December 2012, the Board of Directors was made up of nineteen members, of whom nine sit on the Management Board.

The Board of Directors, which is made up of professionals from a variety of industries, but mainly from the financial sector, has the expertise and experience required associated with the bank's various operating businesses.

2.2. Role, remit and responsibilities of the Board of Directors

The Board of Directors defines the strategy and general policy of the bank on a proposal or recommendation of the Management Board and is responsible for the supervision of the management of the bank.

The Board is actively involved in the context of this responsibility for general policy, in particular with regard to supervision of the policy on risk, organisation and financial stability of the bank and its governance, including the definition of the bank's objectives and values.

Relationship between the Board of Directors and the Management Board

Management of the credit establishment's activities, however, come under the sole jurisdiction of the Management Board. Such management takes place without any outside intervention and is carried out within the confines of the general policy laid down by the Board of Directors.

Advisory Committees established by the Board of Directors

Following the takeover of Belfius Bank by the Belgian State and in the context of the practical commitments that underlie the future vision of the bank, new principles of corporate governance have been put in place.

These new principles, approved at the Board meetings on 28 March 2012 and 31 August 2012, redefine the roles and responsibilities of the Board of Directors, the Management Board and the various Advisory Committees established by the Board of Directors.

1. Appointments and Compensation Committee

1.1. Situation until 16 February 2012

1.1.1. Composition of the Appointments and Compensation Committee prior to 16 February 2012

Until 16 February 2012, there was no Appointments Committee at Belfius Bank. To enable it to carry out its duties in full, the Board of Directors itself wanted to have directors in-house who possess the essential qualities for managing a credit establishment. The Board of Directors proposed potential directors to the general meeting of shareholders who had been selected based on a specific skills profile.

1.2. New governance: situation from 16 February 2012

1.2.1. New governance

There has been an Appointments and Compensation Committee in place within the bank since 16 February 2012.

The Appointments and Compensation Committee is made up of three non-executive directors, one of whom is the Chairman of the Board of Directors. The majority of the Committee's members are independent directors.

The Chairman of the Appointments and Compensation Committee is an independent director.

As representatives of the Management Board, the Chairman of the Management Board and the Head of Human Resources attend meetings of the Appointments and Compensation Committee.

The Chairman of the Management Board of Belfius Insurance attends meetings of the Appointments and Compensation Committee for questions relating to Belfius Insurance and its subsidiaries.

This Committee is required to have the necessary expertise in issues regarding compensation and appointments policy.

1.2.2. Composition

During the period from 16 February 2012 to 4 September 2012, the Appointments and Compensation Committee at Belfius Bank was made up of the following members:

Chairman	**Martine Durez**
Vice-Chairman	**Alfred Bouckaert** Chairman of the Board of Directors
Member	**Lutgart Van Den Berghe**

From 5 September 2012 onwards, the Appointments and Compensation Committee at Belfius Bank was made up of the following members:

Chairman	**Alfred Bouckaert** Chairman of the Board of Directors
Members	**Lutgart Van Den Berghe** **Wouter Devriendt**

1.2.3. Independence and expertise

Two independent directors sit on the Appointments and Compensation Committee. The Committee is constituted in such a way that it is able to formulate a competent and independent judgment of the policies and practices of remuneration and on the incentives created for the management of risks, equity and liquidity.

Alfred Bouckaert is a graduate in applied economics and has professional experience in the compensation packages awarded to company directors and senior managers which he acquired in particular through his activities as permanent representative of Consuco SA, through the positions he has held within the Appointments and Compensation Committee of Compagnie d'Entreprises CFE and within the Compensation Committees of other companies such as AXA Belgium SA.

Baroness Lutgart Van Den Berghe, who is a doctor in economics, is a professor at the University of Ghent and at the Vlerick Leuven Ghent Management School. She is active mainly in Corporate Governance. Baroness Van Den Berghe is a member of the General Board of the Vlerick Leuven Ghent Management School and sits on the Board of Guberna (Institute of Directors).

Wouter Devriendt has a degree in applied economics. In particular, he has business experience in compensation policy and practices in the banking sector gained in the positions he has occupied working for Fortis - ABN AMRO bank.

Consequently, the members of the Appointments and Compensation Committee have the required skills, both individually and collectively to carry out the tasks entrusted to this Committee.

1.3. Remit

The Appointments and Compensation Committee prepares the decisions of the Board of Directors that relate to:

→ compensation policy;
→ the compensation paid to the Chairman of the Management Board and, at its proposal, the compensation of the members of the Management Board;
→ the compensation report published in the Annual Report.

The Appointments and Compensation Committee:

→ regularly checks with management to see whether the compensation programme is achieving its aim and complies with the provisions in force;
→ assesses each year the performance and activities of the members of the Management Board of Belfius Bank and Belfius Insurance;
→ evaluates each year the criteria for independence based on which independent directors can be appointed. It also puts forward proposals to the general meeting of shareholders;
→ makes proposals for the appointment or renewal of the term of office for the Chairman and members of the Management Board of Belfius Bank and Belfius Insurance.

The Appointments and Compensation Committee acts for both Belfius Bank and Belfius Insurance.

1.4. Compensation

1.4.1. Introduction

1.4.1.1. Procedure

The Board of Directors sets the compensation of the members of the Management Board of Belfius Bank based on the proposal put forward by the Appointments and Compensation Committee.

The Appointments and Compensation Committee issues an opinion on the compensation of the members of the Management Board on the proposal of the Chairman of the Management Board of Belfius Bank. In order to be able to offer compensation packages that are in line with the market, the Appointments and Compensation Committee intends to commission a benchmarking study every three years. The committee determines the reference group of companies to be included in the benchmark, as well as the positioning of Belfius Bank vis-à-vis this reference group. This study was conducted in June 2012 with the assistance of Towers Watson, a specialist external consultant.

When this benchmark analysis is carried out every three years, the Appointments and Compensation Committee proposes amounts for fixed compensation to the Board of Directors as well as, where appropriate, an adjustment within the pay bracket linked to performance and any other modifications justified by movements in the market.

In view of the fact that the legal context relating to the compensation of the members of the Management Board has yet to be finalised, the Appointments and Compensation Committee has decided to defer drawing conclusions from the results of this benchmarking exercise. Debate on this issue will commence once the legal context is clear.

1.4.1.2. Regulatory context

Over the past three years, the question of pay for the executives of companies in the finance sector has undergone numerous regulatory changes.

In 2012, the Board of Directors introduced an overall policy on compensation for the Belfius group. This policy is in line with Belgian and European regulations, as well as the principles recently adopted in the area of healthy compensation practices.

The compensation policy at Belfius was developed by the Human Resources division and submitted to the Appointments and Compensation Committee of Belfius Bank for its views.

The compensation policy applicable to compensation paid from 2012 on the one hand sets out the general principles applicable to all Belfius Bank employees. On the other hand, observing the principle of proportionality, it contains specific provisions, exclusively applicable to members of the Management Board and senior managers being likely to impact the risk profile of Belfius Bank by virtue of the nature or level of their functions and/or compensation.

1.4.1.3. Strategic guidelines approved by the Board of Directors in accordance with regulations

Taking the instructions featured, among other things, in the Royal Decree of 22 February 2011[1] into account, the Board of Directors has reviewed the balance between the various salary packages.

Fixed compensation constitutes a significant proportion of total compensation and is aimed at rewarding the work carried out by those employees to whom the current policy on compensation applies, taking into account their experience, their years of service, their education and their skills, as well as their duties, responsibility and operating level. With this in mind, the policy aims at creating a balance between the fixed part of compensation and the part linked to performance. This is to ensure that excessive risks are not taken and to allow a flexible policy with regard to the granting of performance-linked pay. The system in effect enables Belfius Bank to reduce performance-based compensation for the employees concerned, or for part of them, and even to reduce it to zero should collective or individual performance be poor. This also takes into account the hierarchical level of the person in question and/or the legal base on which this performance-linked pay resides.

1.4.2. Compensation of members of the Management Board

1.4.2.1. Fixed and variable compensation

The compensation of members of the Management Board consists of a fixed part and a variable part.

The fixed and variable compensation 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 company in the Belfius group or by a third-party company in which a mandate is performed in the name and on behalf of Belfius Bank.

1.4.2.2. Compensation for 2012

Fixed compensation

Fixed compensation is determined considering the nature and importance of the responsibilities assumed by each person (and taking account of market benchmarks for comparable positions).

Variable compensation for 2012 and deferred part of the bonus for 2010

On 12 March 2013, the Board of Directors, at the proposal of the Appointments and Compensation Committee, decided not to grant variable compensation for 2012 to members of the Management Board and not to pay the deferred part of the bonus for 2010 due for payment in 2013.

For more information about the spreading of variable compensation over time, please see the annual report for the 2011 financial year.

Stock option plans

For the sake of completeness, it should be stated that since it was established, albeit most recently in 2008, the Dexia Group has offered stock option plans in favour of a certain category of employees. The stock options issued as part of these plans entitle the holder, for a limited period, to purchase Dexia shares at an exercise price corresponding to the value of a Dexia share at the time the option was granted.

During 2012, no options reaching maturity or granted to members of the Management Board were exercised.

Total compensation

The total compensation paid in 2012 to the Management Board (made up of nine members) was:

Number of members	9
Fixed compensation 2012	EUR 3,194,027
Variable compensation 2012	EUR 0
Deferred variable compensation – Performance 2009	EUR 0
Deferred variable compensation – Performance 2010	EUR 0
One-off bonus paid on recruitment	EUR 0
Severance indemnity	EUR 0

The fixed compensation paid in 2012 was made up of basic compensation, including the fringe benefit of the company car, reimbursement of expenses and the pension-related bonus (contrary to the annual report for 2011, this latter bonus is included here).

1.4.3. Compensation of risk-takers

The term "risk-takers" is understood to mean:

- Senior managers whose professional activities have an impact on the risk profile of Belfius Bank.
- Individuals exercising a supervisory function, i.e. the Direct Reports in the Finance, Risk, Compliance, Audit and Legal departments of Belfius Bank and the individuals whose professional activities have an impact on the risk profile of Belfius Bank, i.e. the Direct Reports of the Public and Wholesale Banking, Retail and Commercial Banking and Treasury and Financial Markets divisions.

(1) Royal Decree of 22 February 2011 approving the CBFA regulation dated 8 February 2011 regarding the compensation policy of financial establishments.

On 12 March 2013, the Board of Directors, at the proposal of the Appointments and Compensation Committee, decided not to pay to senior staff whose professional activities have a major impact on the bank's risk profile ("risk-takers") the deferred part of their bonus relating to 2009 and 2010 and due for payment in 2013.

The total compensation paid in 2012 to risk-takers (31 staff), broken down into fixed and variable compensation, was:

Number of risk-takers	31
Fixed compensation 2012	EUR 5,343,901.74
Variable compensation 2012	EUR 1,107,506.00
Deferred variable compensation – Performance 2009	EUR 0
Deferred variable compensation – Performance 2010	EUR 0
One-off bonus paid on recruitment	EUR 0
Severance indemnity	EUR 0

1.4.4. Compensation for members of the Board of Directors

The total compensation granted to members of the Board of Directors for 2012 was EUR 843,580.00. This amount includes the emoluments granted for their mandate as directors, as well as their fees for attending meetings of the Board of Directors and various advisory committee meetings.

2. Audit Committee

The Audit Committee, created on 18 December 2002, is an advisory sub-committee constituted as part of the Board of Directors and made up of three non-executive directors.

After the sale of Dexia Bank Belgium (which became Belfius Bank) to the Federal Holding and Investment Company, a new Audit Committee was created when the new Board of Directors met for the first time on 16 February 2012.

For the 2012 financial year, the Audit Committee was chaired by Baron Guy Quaden (from 1 April 2012, with the interim period chaired by Chris Sunt).

2.1. Composition

Chairman	Guy Quaden(1)
Members	Chris Sunt Rudi Vander Vennet

2.2. Independence and remit

In addition to having among its members an independent director with the individual expertise required for accountancy and/or auditing, the Audit Committee also has within its current membership a collective expertise in the fields of banking, as well as accounting and auditing.

The Audit Committee is made up of two independent directors, Baron Guy Quaden and Rudi Vander Vennet, each of whom has the individual skills required in the area of accountancy and/or audit.

Baron Guy Quaden, doctor in economics and a graduate of the École Pratique des Hautes Études in the Economic and Social Sciences department of Sorbonne University (Paris), was for many years Professor Extraordinary at the Faculty of Economics at the University of Liège. He has professional experience in accounting and audit acquired in particular through the duties he carried out as Governor of the National Bank of Belgium and as representative of the National Bank of Belgium with the European Central Bank.

Rudi Vander Vennet, doctor in economics, is Professor of Finance and the Banking Sector at the University of Ghent. He has professional experience in accounting and audit acquired in particular through the duties he carried out at the ASLK-CGER Bank, at the Central Office of Mortgage Loans (OCCH-CBHK) and through his activities at Credibe, the OBK Bank and the European Banking Authority.

Chris Sunt in his capacity as a lawyer specialising in finance law for over 30 years, has also gained relevant experience in this area.

Consequently, the Audit Committee has the required collective expertise in the field of banking, as well as in accountancy and auditing.

2.3. Duties and remit

The Audit Committee assists the Board of Directors in its task of carrying out prudential controls and exercising general supervision.

2.3.1. Financial reporting

The Audit Committee monitors the integrity of the financial information provided by the company, in particular by evaluating the accounting standards used and the criteria governing the scope of the consolidation. The Audit Committee's remit also extends to the follow-up of regular financial information before its submission to the Bank's Board of Directors.

2.3.2. 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 executive management to ensure that the main risks (including the risks linked to compliance with current laws and regulations) are properly identified and managed. To that end the Management Board submits to the Audit Committee a report on the internal audit system and risk management.

(1) Baron Guy Quaden took up his position from 1 April 2012.

During 2012, the Audit Committee received reports on the activities of the Legal department and on outstanding legal disputes, on the activities of the Compliance department and on those of Audit and Control, on the monitoring of credit, market, liquidity and operational risks, and on the security of the IT system (via reporting from the Chairman of the Risk & Capital Management Committee).

2.3.3. Operation 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 2012, the Audit Committee examined and approved the annual report for 2011, the audit plan for 2012 and the half-year business report for 2012, as well as the half-yearly follow-up reports on recommendations.

2.3.4. Statutory auditing of the annual and consolidated financial statements

In 2012, the Audit Committee reported to the Board of Directors on the consolidated financial statements of Dexia Bank Belgium (now called Belfius Bank) at 31 December 2011 and 31 March 2012 and of Belfius Bank at 30 June 2012 and 30 September 2012. After considering the comments received from the management of the bank and the auditors, the Audit Committee delivered a favourable opinion to the Board on the financial results and on the items that had influenced them.

2.3.5. External audit function and monitoring of auditor independence

The Audit Committee satisfies itself that the external auditor(s) carry out their audits properly.

The Audit Committee delivers opinions to the Board of Directors on the appointment or re-appointment of the auditor(s) by the general meeting of shareholders and on his (their) independence and compensation.

The Audit Committee monitors the independence of the auditor(s) and his (their) auditing programme.

2.4. Operation of the Audit Committee

The Audit Committee may demand to see any useful information or supporting evidence and may carry out any inspection it feels is necessary. To that end it calls on the services of the Internal Audit department of Belfius Bank, which reports to the Management Board.

The Audit Committee of Belfius Bank operates independently of the Audit Committee implemented at Belfius Insurance. However, the respective Audit Committees of Belfius Bank and Belfius Insurance meet jointly once a year. Additional joint meetings may be held at the request of the Chairman of the bank's Audit Committee.

In 2012, the Audit Committee met on seven occasions. At its ordinary meetings, held prior to the meetings of the Board of Directors, the Audit Committee examined among other things the quarterly, half-yearly and annual financial statements.

2.5. Internal audit

Belfius Bank has an audit function that meets the strictest standards on methodology and reporting.

The remit of the audit function is to promote internal supervision and constantly to ensure that existing auditing systems perform effectively and are efficiently applied.

Through internal audit assignments and regular monitoring that the recommendations made have been carried out, Internal Audit ensures that the risks that Belfius Bank takes in the course of all its activities are duly identified, analysed and covered.

The audit function helps uphold the good reputation of Belfius Bank and maintain the effectiveness and integrity of its structures – values to which it attaches particular importance.

The auditor general of Belfius Bank meets the auditor general of Belfius Insurance each month in order to coordinate the activities of the two Internal Audit departments and to ensure the consistency of the audit plans, methodology used and monitoring of recommendations; some audit assignments are conducted in close collaboration.

3. Strategy Committee

Following the establishment of the new governance of Belfius Bank, the Board of Directors put in place a Strategy Committee. This Committee has been effective since 16 February 2012.

3.1. Composition

The Strategy Committee meets, if necessary, at the behest of the Chairman of the Board of Directors or Chairman of the Management Board. The Strategy Committee currently has four non-executive members, including the Chairman of the Board of Directors, who chairs the committee, and three non-executive directors, as well as the Chairman of the Management Board of Belfius Bank.

Chairman	**Alfred Bouckaert** Chairman of the Board of Directors
Members	**Jos Clijsters** Chairman of the Management Board
	Wouter Devriendt
	Guy Quaden(1)
	Serge Wibaut

The Chairman of the Management Board of Belfius Insurance and the members of the Management Board responsible for Public and Wholesale Banking and for Retail and Commercial Banking are permanent invitees to Strategy Committee meetings.

(1) Baron Guy Quaden took up his position from 1 April 2012.

3.2. Remit

The Strategy Committee is an advisory committee created by the Board of Directors as part of its operations and is responsible for assisting the Board of Directors in defining strategy for the company and its subsidiaries. The Strategy Committee gives its opinion on the business plan and annual budgets, as well as on opportunities for acquisitions, partnerships or modifications to the business model. The Committee monitors application of the Belfius group's strategy.

The Strategy Committee is chaired by the Chairman of the Board of Directors and meets a minimum of four times a year.

The Strategy Committee of Belfius Bank has the authority to act on matters relating to Belfius Bank and its subsidiaries.

In 2012, the Strategy Committee met on eight occasions.

4. Risk & Capital Management Committee

The Risk & Capital Management Committee, which has been active as part of the Board of Directors since 16 February 2012, meets at least every three months. This Committee also meets on an ad hoc basis, depending on the specific topics raised.

4.1. Composition

The Risk & Capital Management Committee was put in place by the Board of Directors and has at least three members. The Board of Directors also appoints the Chairman of the Committee. The members of the Risk & Capital Management Committee are non-executive directors.

The Chairman of the Management Board, the Chief Risk Officer, the Chief Financial Officer and the member of the Management Board responsible for Treasury and Financial Markets attend meetings of the Risk & Capital Management Committee as permanent invitees.

The other members of the Management Board and non-executive directors attend Committee meetings at the invitation of the Committee.

Chairman	Rudi Vander Vennet
Members	Alfred Bouckaert Chairman of the Board of Directors
	Pierre Francotte
	Serge Wibaut

4.2. Remit

The Risk & Capital Management Committee has advisory powers and responsibilities with regard to the Board of Directors in the following areas:

- detecting risks inherent in the business of banking and insurance to which the bank is exposed;
- supervising the bank's risk policy (risk appetite and risk strategy) and comparing it with the bank's approved risk appetite and risk strategy;
- 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;
- ensuring that these risks are in proportion to the bank's equity;
- supervising the effectiveness of the risk management function, infrastructure and organisation;
- examining the main areas of exposure to risk and the manner in which they are managed;
- formulating an opinion with regard to major transactions and new proposals for strategic 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.

The Risk & Capital Management Committee of Belfius Bank operates independently of the Risk & Capital Management Committee of Belfius Insurance. A joint Risk & Capital Management Committee meeting may be held between Belfius Bank and Belfius Insurance at the request of the chairman of the bank's Committee.

To enable the Audit Committee to carry out it statutory assignment of "monitoring the effectiveness of internal auditing systems and managing the risks of the credit establishment", the Risk & Capital Management Committee submits a report each quarter to the Audit Committee into developments in risks and impairments, and a further report at least once a year about the analysis of the report on operational risks.

In the same way, the Audit Committee reports at least once a year to the Risk & Capital Management Committee about its analysis of the effective management report on the assessment of the Internal Audit function and risk analyses conducted by the Legal, Compliance and Audit and Control divisions.

The Risk & Capital Management Committee aligns the bank's risk strategy with that of the Strategy Committee, taking account of the impact of the risk strategy on the bank's strategic initiatives.

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.

Each day the inventory is automatically reconciled with the balances on the accounting ledger. This is carried out both in the set of accounts drawn up in accordance with the Belgian accounting standards and in the set of accounts drawn up in accordance with recognised international accounting standards (IFRS). The amounts of the inventory of on-balance-sheet and off-balance-sheet accounts are reconciled with those of the accounting ledger at the end of the month. A special application automatically reports amounts that have not been reconciled. The decentralised accounting department analyses the differences and makes any adjustments that may be required.

The (Belgian GAAP and IFRS) accounts are closed each month. An initial level of supervision is carried out by the Accounting Competence Centres (which have full responsibility for the main accounting ledger and the inventory). As to the activities of the Treasury and Financial Markets division, the market risk management department is responsible for validating the profit and loss accounts and other items of overall income. The Accounting Competence Centre concerned is responsible for on-balance-sheet and off-balance-sheet accounts and for the inventory. The auditing procedures and activities are documented by each department concerned.

A second level of supervision is carried out by the Financial Data and Cost Control department in order to oversee the closure process and ensure the centralisation and final validation of all the accounting data and relevant information for reporting purposes. A risk-based approach is used to determine the type of supervision and how far it should go. For the most part audits analyse the difference between balances and ratios, carry out sample-based tests, examine supporting evidence and perform likelihood tests. The findings are set out in a progress report to the management. The auditing procedures and activities are recorded by each department.

The first and second levels of supervision provide a reasonable level of assurance regarding the exhaustiveness, accuracy and appropriate presentation of the accounting data in accordance with financial and regulatory requirements.

External activities of directors – Article 27(2) of the Law of 22 March 1993 on the status and supervision of credit institutions

Under the Regulation by the Banking, Finance and Insurance Commission on the pursuit of external activities by bank directors, approved by Royal Decree on 19 July 2002, Belfius Bank is required to disclose any external appointment held by its directors and senior managers. Belfius Bank has chosen to publish such appointments in the bank's annual report, which is deposited with the National Bank of Belgium.

Auditor

The task of auditing the financial situation and financial statements of the bank has been entrusted to Deloitte Reviseurs d'entreprises, SC s.f.d. SCRL, represented by Messrs Frank Verhaegen and Bernard De Meulemeester. Their mandate ends at the close of the general meeting of shareholders in 2014.

This table provides an overview of the fees paid to the Auditor for services provided to Belfius Bank and its Belgian companies associated with Belfius Bank or to its foreign subsidiaries during the 2012 financial year.

Deloitte	Services provided in 2012 for			
(In thousands of EUR)	Belfius Bank	Belfius Insurance	Other subsidiaries	Total
Audits of the financial statements	1,208	674	263	2,145
Certification	76	96	-	172
Tax advice	46	-	-	46
Other assignments	-	137	-	137
TOTAL	1,330	906	263	2,499

Compliance

In line with the FSMA regulation issued on 12 March 2012, Belfius Bank has a Compliance Officer who is accredited by the FSMA (and registered as such on the list published of accredited Compliance Officers).

The central function of Compliance within the bank remains focused on the prevention of money-laundering operations, providing advice to management and the business in relation to the risks associated with the Compliance function and monitoring the effectiveness of the procedures and strategic lines within these same areas. The bank remains vigilant regarding the risks associated with these areas. The Compliance function is supported by a specific unit that manages IT and organisational projects. The Compliance function may also call on parties in the various departments.

In addition to its traditional task of advising the management and the business lines, Compliance is involved in developing monitoring activities, Compliance risk management, Compliance impact studies and training and communication (as part of the Compliance methodology).

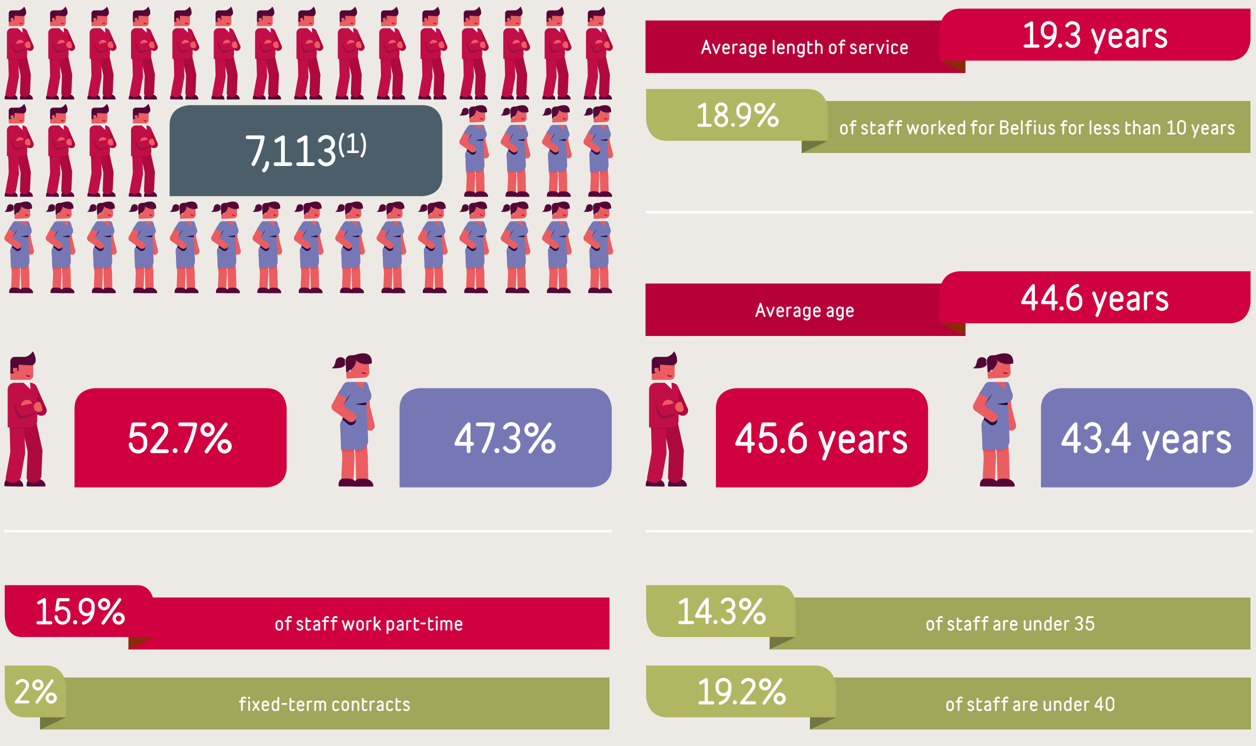
Given the importance of the rules governing personal data – considering the ever-present risk to the bank's good name in its day-to-day business – a Privacy Officer, who is also responsible for matters relating to professional ethics, is available to the Compliance department.

Human Resources Management

2012 was an important pivotal year for HRM, with the challenge on the one hand of conducting social negotiations on amending the compensation policy and reducing headcount as part of the Plan 2016, in line with Belfius' new positioning and the challenging macroeconomic and regulatory situation and, on the other hand, of firmly establishing the commitments that Belfius has made as a local relationship bank, bringing added value to the community in new HR processes and an innovative corporate culture.

Both challenges required and still require a new "HRM" that places the emphasis on a context in which greater HR responsibility is placed on the various divisions, as well as on staff in terms of autonomy and self-development.

Key figures as at 31 December 2012 – Belfius Bank & Insurance workforce



(1) Active members of staff, excluding independent networks of agents.

Mobility, training and development

In the light of a world that is changing more and more quickly, permanent "for life" positions are evolving increasingly into a variety of roles in time-specific projects that blur the boundaries of the traditional departments. Adaptable organisations need staff who are mobile, can be deployed flexibly and who are capable of taking the initiative themselves spontaneously and autonomously. They need staff who are assessed on what they actually do rather than how they perform. All the more so because of the planned reduction in staff numbers, employees who are released on to the internal jobs market must be given as much opportunity as possible to take up a new direction within the bank. It is HRM's job to encourage and facilitate this mobility while at the same time creating a working environment in which a healthy balance between flexibility and stability is possible.

Thanks to the new Belfius Academy, employees are able to acquire and share knowledge and skills under the best circumstances, enabling them to deal with the challenges that the future brings. The Academy offers a wide range of learning support based on a far-reaching array of needs. This includes conventional training, such as technical and commercial courses for branch staff members, enabling them to hone their skills so that they can provide the very best professional contact with customers. There is also coaching on-the-job with optimum guidance and supervision for coaches and participants alike, as well as greater focus on distance learning, new media and technologies via a wide range of e-learning and online platforms.

The aim of Belfius Academy is not just to provide various forms of learning, but also to establish a learning culture by introducing work experience opportunities within the bank. Based on (self-)assessments using People Explorer, staff are segmented according to their growth potential and hence are able to follow specific guidance solutions.

Motivation and collaboration

Also in 2012, Belfius Bank paid great attention to the development of social initiatives that contribute towards achieving outstanding and sustained motivation and constructive collaboration in the workplace.

The ongoing economic and financial crisis, as well as the restructuring brought about by the moves to corporatise Belfius have also generated a good deal of uncertainty of staff. To counter this, the bank set itself the task of making managers and employees aware of the impact of psychosocial pressure. This was done by providing specific information and establishing training and supervision initiatives such as coaching and an assistance network of specialists.

Restructuring and cost-cutting measures

The process of corporatising Belfius that has been underway since October 2011 has naturally given rise to a whole range of initiatives aimed at gearing the bank both structurally and financially to its new boundaries and mission.

In line with the sales agreement with the Belgian State, Belfius Bank committed at the end of 2011 to offer 323 employees from the Dexia Group in Belgium the opportunity to take up positions with Belfius Bank and become part of the activities of the bank and its subsidiaries. An in-depth analysis was conducted of those Dexia Group activities that Belfius Bank required in its new autonomous position and consequently would be able to take over. This analysis was supplemented by profile-matching and an examination of the personal preferences of the employees involved. As a result, a total of 140 Dexia Group employees had accepted position within the bank as at 31 December 2012.

In addition to this integration challenge, other types of restructuring programmes also took place, including a thorough reorganisation of the central and regional divisions of Retail and Commercial Banking. Working with the line management involved, HRM helped guide and supervise over 700 employees to move position or change job.

In the autumn, preparations and negotiations on the social side of the Plan 2016 were the centre of attention. Together with the lowering of overall operating costs, this part of the process is aimed at reducing headcount and making adjustments to remuneration packages, in line with the bank's new positioning and the challenging macroeconomic and regulatory context that Belfius has to operate in. This makes it one of the most important areas for reducing the bank's overheads between now and 2016.

Modernising HR management

On 1 January 2012, the process of centralising the management of HR administration was completed with the integration of four subsidiaries (Belfius Lease, Belfius Lease Services, Belfius Auto Lease and Belfius Commercial Finance). Prior to that, HR management had also been centralised for other subsidiaries, including Belfius Insurance, Elantis and Crefius.

The integrated processing of staff and payroll information has not only had a positive effect on costs, but has also simplified a number of HR processes, such as the dematerialisation of meal vouchers. It also offers all employees the ability to access an expanded HR portal that is even more effective than before.

General Information

Share capital and allocation of profit

1. Share capital and evolution of the capital during the financial year 2012

In accordance with the provisions of the law, the extraordinary general meeting of shareholders authorised the Board of Directors on 27 February 2009 to increase the capital of the bank in one or more stages to a maximum of three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty-seven euros and forty-one cents (EUR 3,458,066,227.41). That authorisation is valid for five years.

No change was made to the capital of the bank in 2012.

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. On 15 November 2012, the public limited company Certi-Fed, acquired 5,000 shares in Belfius Bank. As a result, since 15 November 2012, the shareholding of Belfius Bank has been 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.

The company has also issued 300,000 registered profit shares with no par value. All of these profit shares were repurchased by Belfius Bank from the CVBA met sociaal oogmerk, Sociaal Engagement and the SCRL à finalité sociale, Mouvement Social, on 1 February 2013, thereby implementing a decision passed by the extraordinary general meeting of shareholders held on 31 January 2013.

2. Allocation of profit

The company results for the 2012 financial year recorded a profit of EUR 634,957,145.08.

After the deduction of the tax-free reserves for an amount of EUR 11,909,058.15, the profit to be allocated for the accounting year was EUR 646,866,203.23.

Taking account of the retained earnings from the previous year of EUR 0.00, total profit to be allocated amounted to EUR 646,866,203.23, which will be set aside in its entirety to the reserves.

3. Annual dividend

Taking account of the profit to be allocated of EUR 635 million for the 2012 financial year, and in accordance with the strategic plan 2012-2016 approved by the European Commission, the Board of Directors will propose to the general meeting of shareholders not to distribute a dividend to shareholders.

4. Purchase by Belfius Bank of its own profit shares – General agreement reached with the CVBA met sociaal oogmerk, Sociaal Engagement, and the SCRL à finalité sociale, Mouvement Social

As profit shares no longer have a place in a modern banking group serving the whole of the Belgian economic tissue, Belfius Bank decided to enter into a general agreement with the CVBA met sociaal oogmerk, Sociaal Engagement, and the SCRL à finalité sociale, Mouvement Social, in order to acquire its own profit shares, and those of Belfius Insurance, for a price of EUR 110 million. EUR 72 million of this price has been reinvested in a subordinated perpetual-type loan issued by Belfius Bank, with an interest rate of 6.25% and qualified as Tier 2 capital, both under current (Basel II) and future (Basel III) standards.

As for the purchase of 300,000 of its own profit shares, conducted on 1 February 2013, implementing the decision voted on at the extraordinary general meeting of shareholders held on 31 January 2013, a total payment of EUR 60 million was agreed. Part of this amount (EUR 20 million) was paid on the day that the profit shares were acquired. The balance will be the subject of payment spread over time and is subordinated to compliance with the terms set out contractually. The 100,000 profit shares in Belfius Insurance were acquired for an overall price of EUR 53.5 million.

In the company financial statements, this transaction resulted in the immediate constitution of a reserve that is unavailable for the acquisition of the bank's own profit shares for the overall acquisition value of the profit shares acquired, i.e. EUR 60 million. This was done by drawing on the available reserves.

In the consolidated financial statements, this transaction enabled Belfius Bank to realise a non-recurrent profit of EUR 61.3 million, which will booked in the first quarter 2013 financial statements.

Belfius will strengthen its regulatory capital as a result of this non-recurrent profit, as well as thanks to a recurrent net annual saving (after company tax estimated at 33.99%) of approximately EUR 12 million and the issue of the subordinated loan. This will be the case despite the disappearance of the bank's profit shares from the regulatory capital at the time of the purchase.

Since the transaction was completed in 2013, it will have no impact on the financial statements for 2012.

In addition, with effect from 31 January 2013, Sociaal Engagement and Mouvement Social, together with ACW and MOC, expressly and irrevocably relinquished all rights that they derive from the commercial cooperation agreement with Belfius Bank and consequently forgo any conditional supplementary commercial compensation.

Belfius Bank also acquired the balance of the shares in Belfius Insurance (5,298 ordinary shares) as part of the general agreement mentioned. It now owns 100% of Belfius Insurance. There are a further 5,000 profit shares issued by Belfius Insurance which are not part of the general agreement. These shares are owned by a third party. Belfius Insurance is in negotiations with this third party so that an end can also be put to these residual profit shares. However, the preferential dividends owed on these shares are negligible.

Amendments to the articles of association of Belfius Bank SA

The extraordinary general meeting of shareholders of Belfius Bank SA held on 9 May 2012 decided to amend the bank's corporate name and to proceed with an overhaul of the articles of association. This amendment is part of the overall context of adapting the company's governance arising from its exit from the Dexia Group and the structure of the bank's shareholding.

In addition to the change of corporate name, the main amendments made to the articles of association relate to:

- the modification of the corporate purpose;
  The proposed adaptations are aimed mainly at reiterating, to all intents and purposes, that the company will conduct its business in accordance with the regulatory and legislative framework to which its is subject on account of its status as a credit establishment accredited by the National Bank of Belgium.
  For the sake of completeness, it is stated in the corporate purpose that the company may in a general manner, in addition to the activities that may be undertaken by this type of establishment and banking operations, carry out any operations related to banking operations, all operations for investment services and all services related to investment services. Finally, the movement, purely for the sake of form, of the term "transactions on derivative financial instruments" from paragraph 1 to the end of the list of operations stated in paragraph 3 has been made solely to ensure consistency.
- the addition of an article relating to the form of securities;
- the composition and role of the Board of Directors and advisory committees;
- the addition of an article regarding conflicts of interest;
- the date of the annual general meeting of shareholders;
- the representation of the company.

Main amendments to the scope of Belfius Bank

During 2012, Belfius Bank SA transferred to its subsidiary Belfius Insurance the shares in its subsidiary Elantis and the portfolio of mortgage loans from the Elantis business. Elantis grants mortgage loans and consumer loans via a network of independent brokers.

As part of the process to simplify the scope of the bank, Belfius Bank liquidated Dexia Financial Products (company created originally to manage a programme to issue short-term Euro Commercial Paper, but whose business ceased at the end of 2010).

Various operations were carried out regarding property holdings, including:

- the disposal of its holding in Immo Foire (property company owning a premises in Luxembourg)
- the reduction of capital in Vlabo Invest (company operating in property development and the development of property projects)
- the liquidation of Bogey and Esplanade 64, two property companies whose property development projects have been completed.

Litigation

1. Litigation concerning Lernout & Hauspie Speech Products

The ruling on 20 September 2010 by the Court of Appeal in Ghent put an end to criminal proceedings against Belfius Bank through the total acquittal of the bank. This acquittal is final and definitive.

As the result of this acquittal from the criminal point of view and in view of the highly detailed argumentation of the ruling, it is unlikely that the courts with jurisdiction will deem the various civil actions for damages lodged against Belfius Bank to have grounds.

The aforementioned ruling also provided for the confiscation of the shares in Parvest and their awarding to L&H Holding. After exhausting the possibilities of cassation against this part of the ruling, the Court of Appeal in Antwerp decided definitively in its ruling on 25 April 2012 on their confiscation and awarding to L&H Holding. This ruling renders without purpose the summons by the curator of L&H against Belfius Bank in particular aimed at the recovery of these shares or the reimbursement of their value.

2. Litigation concerning the Housing Fund for the Brussels Capital Region

On 9 October 2012, the Housing Fund for the Brussels Capital Region summoned Belfius Bank to appear before the Commercial Court in Brussels. The Housing Fund subscribed to four treasury certificates issued by Holding Communal between July and September 2011 for a total amount of EUR 32 million. Following the liquidation of Holding Communal, the Housing Fund was only able to recover EUR 16 million. It is claiming from Belfius Bank reimbursement of its capital not recovered. Belfius Bank rejects the claim by the Housing Fund given that the loss sustained on this investment results from the voluntary waiver of debts by the Housing Fund corresponding to half of its investment. No provision has been set aside.

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 SA has chosen Luxembourg as its Member State of origin.

The Transparency Directive has been transposed into Luxembourg law by:

- → the Luxembourg law of 11 January 2008 relative to transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market;
- → the Regulation of the Grand-Duchy of 3 July 2008 officially designating the mechanisms for the central storage of regulated information within the meaning of the law of 11 January 2008; and
- → the CSSF Circular no. 08/337 from the Supervisory Board for the finance sector.

The aforementioned regulation lays down certain requirements regarding information and the publication of data.

Pursuant to article 3.(1) of the Luxembourg law relative to transparency requirements incumbent upon the issuers of securities, the Management Board at Belfius Bank SA then stated that:

- → Belfius Bank SA has chosen Luxembourg as its Member State of origin;
- → 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.

2012 Consolidated financial statements

as at 31 December 2012

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Consolidated balance sheet

Assets (In thousands of EUR)		Notes	31/12/11	31/12/12
I.	Cash and balances with central banks	7.2.	713,586	1,964,560
II.	Loans and advances due from banks	7.3.	46,174,903	41,279,786
III.	Loans and advances to customers	7.4.	91,933,190	89,486,116
IV.	Financial assets measured at fair value through profit or loss	7.5.	5,500,634	5,077,635
V.	Financial investments	7.6.	44,911,922	31,603,663
VI.	Derivatives	9.1.	34,933,281	35,234,965
VII.	Fair value revaluation of portfolio hedge		3,198,807	4,144,582
VIII.	Investments in associates	7.8.	93,154	92,872
IX.	Tangible fixed assets	7.9.	1,401,028	1,480,271
X.	Intangible assets and goodwill	7.10.	218,533	209,794
XI.	Tax assets	7.11. & 9.2.	2,062,324	1,197,428
XII.	Other assets	7.12. & 9.3.	1,344,716	1,155,760
XIII.	Non current assets held for sale	7.13. & 9.6.	22,965	19,617
TOTAL ASSETS			232,509,043	212,947,049

Liabilities (In thousands of EUR)		Notes	31/12/11	31/12/12
I.	Due to banks	8.1.	59,415,413	40,440,300
II.	Customer borrowings and deposits	8.2.	70,264,724	66,649,092
III.	Financial liabilities measured at fair value through profit or loss	8.3.	11,082,012	10,462,951
IV.	Derivatives	9.1.	41,372,637	41,765,535
V.	Fair value revaluation of portfolio hedge		30,204	87,205
VI.	Debt securities	8.4.	24,361,727	26,439,494
VII.	Subordinated debts	8.5.	2,685,467	1,039,906
VIII.	Technical provisions of insurance companies	9.3.	16,786,233	17,579,188
IX.	Provisions and other obligations	8.6.	977,211	948,031
X.	Tax liabilities	8.7 & 9.2.	38,449	130,751
XI.	Other liabilities	8.8.	2,219,740	2,045,136
XII.	Liabilities included in disposal groups held for sale	8.9 & 9.6.	0	0
TOTAL LIABILITIES			229,233,817	207,587,589

The notes on pages 75 to 181 are an integral part of these consolidated financial statements.

Equity

(In thousands of EUR)	Notes	31/12/11	31/12/12
XIV. Subscribed capital	9.7.	3,458,066	3,458,066
XV. Additional paid-in capital		209,232	209,232
XVI. Treasury shares		0	0
XVII. Reserves and retained earnings		4,290,275	2,923,713
XIX Net income for the period		(1,366,816)	415,354
CORE SHAREHOLDERS' EQUITY		6,590,757	7,006,365
XIX. Gains and losses not recognised in the statement of income		(3,331,396)	(1,666,258)
a) Available-for-sale reserve on securities		*(2,368,136)*	*(735,459)*
b) Frozen fair value adjustment of financial assets reclassified to L&R		*(952,603)*	*(893,478)*
c) Other reserves		*(10,677)*	*(37,321)*
d) Discretionary participation features of insurance contracts(1)	9.3.	*20*	*0*
TOTAL SHAREHOLDERS' EQUITY		3,259,361	5,340,107
XXVI. Non-controlling interests		15,865	19,353
TOTAL EQUITY		3,275,226	5,359,460
TOTAL LIABILITIES AND EQUITY		232,509,043	212,947,049

(1) The presentation in equity of "Discretionary participation features of insurance contracts" was reviewed in 2012. This line item is now presented within the section "Gains and losses not recognised in the statement of income" as part of the total shareholders' equity. In addition, the calculation method of the estimated potential future liability was refined in 2012. The amount of the estimated future obligations is included entirely in the "technical provisions of insurance companies".

The notes on pages 75 to 181 are an integral part of these consolidated financial statements.

Consolidated statement of income

(In thousands of EUR)		Notes	31/12/11	31/12/12
I.	Interest income[1]	11.1.	8,851,376	7,641,037
II.	Interest expense[1]	11.1.	(6,642,024)	(5,518,518)
III.	Dividend income	11.2.	69,218	53,357
IV.	Net income from associates	11.3.	(2,739)	5,793
V.	Net income from financial instruments at fair value through profit or loss[1]	11.4.	(128,891)	(25,660)
VI.	Net income on investments	11.5.	(2,043,040)	586,589
VII.	Fee and commission income	11.6.	487,152	441,930
VIII.	Fee and commission expense	11.6.	(154,922)	(127,631)
IX.	Premiums and technical income from insurance activities	11.7. & 9.3.	2,698,278	2,143,184
X.	Technical expense from insurance activities	11.7. & 9.3.	(3,029,733)	(2,717,831)
XI.	Other net income	11.8.	(38,407)	(23,908)
INCOME			**66,268**	**2,458,342**
XII.	Staff expense[2]	11.9.	(682,318)	(723,314)
XIII.	General and administrative expense[2]	11.10.	(506,211)	(477,982)
XIV.	Network costs		(305,480)	(298,581)
XV.	Depreciation & amortisation	11.11.	(116,281)	(93,590)
EXPENSES			**(1,610,290)**	**(1,593,467)**
GROSS OPERATING INCOME			**(1,544,022)**	**864,875**
XVI.	Impairment on loans and provisions for credit commitments	11.12.	(555,289)	(267,881)
XVII.	Impairment on tangible and intangible assets	11.13.	(46,965)	231
XVIII.	Impairment on goodwill	11.14.	0	0
XIX.	Provisions for legal litigations	11.15.	572	0
NET INCOME BEFORE TAX			**(2,145,704)**	**597,225**
XX.	Tax expense	11.16.	778,791	(180,503)
NET INCOME AFER TAX			**(1,366,913)**	**416,722**
XXI.	Discontinued operations (net of tax)		0	0
NET INCOME			**(1,366,913)**	**416,722**
	Attributable to non-controlling interests		(97)	1,368
	Attributable to equity holders of the parent		(1,366,816)	415,354

(1) Until 2011, the interest results of all derivatives – both trading and hedging – were presented using the following method: the interest received was mentioned under "Interest income", while interest paid was mentioned under "Interest expense". However, a large proportion of ALM derivatives are considered as trading derivatives under IFRS, even though they hedge from an economic point of view an underlying asset. Given the restrictive nature of hedge accounting under IFRS, these transactions cannot be considered as hedging derivatives even though economically speaking they hedge a position. In 2012, it was decided to recognise all interest results from derivatives for which there is no link from an economic point of view with a related balance-sheet item in "net income from financial instruments at fair value through profit or loss". The interest results of derivatives for which there is a link with a related balance-sheet item are recognised in "interest result" as before. Following this new presentation a coherent reporting of the interest results of both economic hedges and the related balance-sheet items is achieved. This new presentation has no impact on the net result. A pro forma has been made 2011 with the impact of the new presentation.

		31/12/11		
(In thousands of EUR)		Published	Delta	Pro forma
I.	Interest income	26,888,549	18,037,173	8,851,376
II.	Interest expense	(24,747,323)	(18,105,299)	(6,642,024)
V.	Net income from financial instruments at fair value through profit or loss	(60,765)	68,126	(128,891)

(2) Figures as at 31 December 2011 have been restated for indirect staff expense. These were presented in 2011 under "General and administrative expense"; as at 2012, they are included in "Staff expense". It concerns a shift in 2011 of EUR 22 million.

The notes on pages 75 to 181 are an integral part of these consolidated financial statements.

Consolidated statement of change in equity

Core shareholders' equity (In thousands of EUR)	Subscribed capital	Additional paid-in capital	Reserves and retained earnings	Net income for the period	Core shareholders' equity
AS AT 31 DECEMBER 2010	3,458,066	209,232	3,604,061	678,322	7,949,681
Movements of the period					
Transfers to reserves	0	0	678,322	(678,322)	0
Share-based payments: value of employee services	0	0	162	0	162
Variation of scope of consolidation	0	0	(75)	0	(75)
Other movements	0	0	7,805	0	7,805
Net income for the period	0	0	0	(1,366,816)	(1,366,816)
AS AT 31 DECEMBER 2011	3,458,066	209,232	4,290,275	(1,366,816)	6,590,757

Gains and losses not recognised in the statement of income (In thousands of EUR)	Related to non-current assets held for sale	Available-for-sale reserve on securities (AFS)	"Frozen" fair value adjustment of financial assets reclassified to Loans and receivables	Derivatives (CFH)	Associates (AFS, CFH and CTA)	Cumulative translation adjustments (CTA)	Discretionary participation features of insurance contracts[1]	Total gains and losses Group share
AS AT 31 DECEMBER 2010	0	(1,247,197)	(1,254,618)	(18,002)	1,256	629	0	(2,517,932)
Movements of the period								
Net change in fair value through equity – Available-for-sale investments	0	(2,193,600)	154	0	(2,523)	0	20	(2,195,949)
Transfers to income of available-for-sale reserve amounts due to impairments	0	1,150,317	36,070	0	0	0	0	1,186,387
Transfers to income of available-for-sale reserve amounts due to disposals	0	(55,778)	153,439	0	(729)	0	0	96,932
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended	0	0	69,754	0	0	0	0	69,754
Net change in fair value through equity – Cash flow hedges	0	0	0	8,439	0	0	0	8,439
Net change in cash flow hedge reserve due to transfers to income	0	0	0	(67)	0	0	0	(67)
Translation adjustments	0	(20,181)	(17,169)	(800)	0	(868)	0	(39,018)
Variation of scope of consolidation	0	0	(2)	0	1,997	(9)	0	1,986
Transfers	(59,884)	(1,697)	59,769	0	0	0	0	(1,812)
Transfers to income following classification from assets held for sale	59,884	0	0	0	0	0	0	59,884
AS AT 31 DECEMBER 2011	0	(2,368,136)	(952,603)	(10,430)	1	(248)	20	(3,331,396)

(1) The presentation of "Discretionary participation features of insurance contracts" has changed. We refer to the consolidated balance sheet and accounting policies for a detailed description.

The notes on pages 75 to 181 are an integral part of these consolidated financial statements.

Non-controlling interests

(In thousands of EUR)	Core equity	Gains and losses not recognised in the statement of income	Non-controlling interests
AS AT 31 DECEMBER 2010	21,431	(1,051)	20,380
Movements of the period			
Increase of capital			0
Dividends	(911)		(911)
Net income for the period	(97)		(97)
Net change in fair value through equity		(1,251)	(1,251)
Transfers to income of available-for-sale reserve amounts due to disposals		(18)	(18)
Transfers to income of available-for-sale reserve amounts due to impairments		1,373	1,373
Translation adjustments		(18)	(18)
Variation of scope of consolidation	(2,263)	1	(2,262)
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended		78	78
Others	(1,405)	(4)	(1,409)
AS AT 31 DECEMBER 2011	16,755	(890)	15,865

(In thousands of EUR)	
Core shareholders' equity	6,590,757
Gains and losses not recognised in the statement of income attributable to equity holders of the parent	(3,331,396)
Non-controlling interests	15,865
TOTAL EQUITY AS AT 31 DECEMBER 2011	3,275,226

The notes on pages 75 to 181 are an integral part of these consolidated financial statements.

Core shareholders' equity (In thousands of EUR)	Subscribed capital	Additional paid-in capital	Reserves and retained earnings	Net income for the period	Core shareholders' equity
AS AT 31 DECEMBER 2011	**3,458,066**	**209,232**	**4,290,275**	**(1,366,816)**	**6,590,757**
Movements of the period					
Transfers to reserves	0	0	(1,366,816)	1,366,816	0
Variation of scope of consolidation	0	0	43	0	43
Other movements	0	0	211	0	211
Net income for the period	0	0	0	415,354	415,354
AS AT 31 DECEMBER 2012	**3,458,066**	**209,232**	**2,923,713**	**415,354**	**7,006,365**

Gains and losses not recognised in the statement of income (In thousands of EUR)	Related to non-current assets held for sale	Available-for-sale reserve on securities (AFS)	"Frozen" fair value adjustment of financial assets reclassified to Loans and receivables	Derivatives (CFH)	Associates (AFS, CFH and CTA)	Cumulative translation adjustments (CTA)	Discretionary participation features of insurance contracts(1)	Total gains and losses Group share
AS AT 31 DECEMBER 2011	**0**	**(2,368,136)**	**(952,603)**	**(10,430)**	**1**	**(248)**	**20**	**(3,331,396)**
Movements of the period								
Net change in fair value through equity – Available-for-sale investments	0	1,591,790	(68,485)	0	0	0	(20)	1,523,285
Transfers to income of available-for-sale reserve amounts due to impairments	0	32,349	14,819	0	0	0	0	47,168
Transfers to income of available-for-sale reserve amounts due to disposals	0	134,930	48,065	0	0	0	0	182,995
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended	0	0	64,430	0	0	0	0	64,430
Net change in fair value through equity – Cash flow hedges	0	0	0	(30,918)	0	0	0	(30,918)
Net change in cash flow hedge reserve due to transfers to income	0	0	0	(97)	0	0	0	(97)
Translation adjustments	0	7,541	390	4,337	0	35	0	12,303
Variation of scope of consolidation	0	(29)	(23)	0	0	0	0	(52)
Transfers to technical provisions of insurance companies(2)	0	(133,904)	(71)	0	0	0	0	(133,975)
Transfers	0	0	0	0	(1)	0	0	(1)
AS AT 31 DECEMBER 2012	**0**	**(735,459)**	**(893,478)**	**(37,108)**	**0**	**(213)**	**0**	**(1,666,258)**

(1) The presentation of "Discretionary participation features of insurance contracts" has changed. We refer to the consolidated balance sheet and accounting policies for a detailed description.
(2) Transfer of amounts after tax as a result of the application of Shadow accounting. We refer to the note 9.3. "Insurances contracts".

The notes on pages 75 to 181 are an integral part of these consolidated financial statements.

Non-controlling interests

(In thousands of EUR)	Core equity	Gains and losses not recognised in the statement of income	Non-controlling interests
AS AT 31 DECEMBER 2011	16,755	(890)	15,865
Movements of the period			
Increase of capital	1,292		1,292
Dividends	(1,040)		(1,040)
Net income for the period	1,369		1,369
Net change in fair value through equity		2,697	2,697
Cancellation of FV following AFS disposals		(116)	(116)
Net change in fair value due to transfers to income		67	67
Translation adjustments			0
Variation of scope of consolidation	(1,167)	52	(1,115)
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended		57	57
Other	553	(276)	277
AS AT 31 DECEMBER 2012	17,762	1,591	19,353

(In thousands of EUR)	
Core shareholders' equity	7,006,365
Gains and losses not recognised in the statement of income attributable to equity holders of the parent	(1,666,258)
Non-controlling interests	19,353
TOTAL EQUITY AS AT 31 DECEMBER 2012	5,359,460

The notes on pages 75 to 181 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(In thousands of EUR)	31/12/11 Before-tax amount	Tax	Net-of-tax amount
NET RESULT RECOGNISED IN THE STATEMENT OF INCOME	(2,145,704)	778,791	(1,366,913)
Unrealised gains (losses) on available-for-sale financial investments and "frozen" fair value adjustment of financial assets reclassified to Loans and receivables	(1,131,258)	312,496	(818,762)
Gains (losses) on cash flow hedges	11,117	(3,545)	7,572
Cumulative translation adjustements	(878)	0	(878)
Other comprehensive income from associates	(1,255)	0	(1,255)
Discretionary participation features of insurance contracts(1)	31	(11)	20
OTHER COMPREHENSIVE INCOME	(1,122,243)	308,951	(813,303)
TOTAL COMPREHENSIVE INCOME	(3,267,947)	1,087,742	(2,180,216)
Attributable to equity holders of the parent			(2,180,281)
ATTRIBUTABLE TO NON-CONTROLLING INTERESTS			65

(In thousands of EUR)	31/12/12 Before-tax amount	Tax	Net-of-tax amount
NET RESULT RECOGNISED IN THE STATEMENT OF INCOME	597,225	(180,503)	416,722
Unrealised gains (losses) on available-for-sale financial investments and "frozen" fair value adjustment of financial assets reclassified to Loans and receivables	2,490,817	(796,535)	1,694,282
Gains (losses) on cash flow hedges	(29,040)	2,362	(26,678)
Cumulative translation adjustements	35	0	35
Other comprehensive income from associates	0	0	0
Discretionary participation features of insurance contracts(1)	(31)	11	(20)
OTHER COMPREHENSIVE INCOME	2,461,781	(794,162)	1,667,619
TOTAL COMPREHENSIVE INCOME	3,059,006	(974,665)	2,084,341
Attributable to equity holders of the parent			2,080,492
ATTRIBUTABLE TO NON-CONTROLLING INTERESTS			3,849

(1) The presentation of "Discretionary participation features of insurance contracts" has changed. We refer to the consolidated balance sheet and accounting policies for a detailed description.

The notes on pages 75 to 181 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

(In thousands of EUR)	Notes	31/12/11	31/12/12
CASH FLOW FROM OPERATING ACTIVITIES			
Net income after income taxes		(1,366,913)	416,722
Adjustment for:			
Depreciation, amortisation and other impairment		179,977	111,500
Impairment on bonds, equities, loans and other assets		1,860,848	(1,504,083)
Net gains or losses on investments		211,373	55,540
Charges for provisions (mainly insurance provision)		1,275,893	574,430
Unrealised gains or losses		20,644	33,535
Income from associates		2,739	(5,793)
Dividends from associates		38,474	3,595
Deferred taxes		(789,719)	164,647
Other adjustments		151	0
Changes in operating assets and liabilities		(11,808,865)	(19,066,040)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		(10,375,398)	(19,215,947)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(425,375)	(361,316)
Sales of fixed assets		114,951	223,646
Acquisitions of unconsolidated equity shares		(461,840)	(443,657)
Sales of unconsolidated equity shares		807,923	432,203
Acquisitions of subsidiaries and of business units		0	(23,259)
Sales of subsidiaries and of business units		19,577	770
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		55,236	(171,613)
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of new shares		0	62
Issuance of subordinated debts		0	25
Reimbursement of subordinated debts		(101,888)	(1,070,322)
Purchase of treasury shares		0	0
Sale of treasury shares		0	0
Dividends paid		(911)	(1,803)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		(102,799)	(1,072,038)
NET CASH PROVIDED		(10,422,961)	(20,459,598)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	7.1.	38,035,992	27,613,031
Cash flow from operating activities		(10,375,398)	(19,215,947)
Cash flow from investing activities		55,236	(171,613)
Cash flow from financing activities		(102,799)	(1,072,038)
Effect of exchange-rate changes and change in scope of consolidation on cash and cash equivalents		0	(4,232)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7.1.	27,613,031	7,149,201
ADDITIONAL INFORMATION			
Income tax paid		(11,750)	(16,722)
Dividends received		107,692	56,951
Interest received(1)		10,162,952	8,078,456
Interest paid(1)		(7,804,713)	(5,892,359)

(1) The presentation of the interest results of the derivatives has been revised. We refer to the "Consolidated statement of income" for a more detailed description.

The notes on pages 75 to 181 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

I. 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: International Financial Reporting Interpretations Committee
- IFRS: International Financial Reporting Standards

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

The financial statements have been approved by the board of directors of Belfius on 28 March 2013.

Accounting policies

1. Basis of accounting

1.1. General

The consolidated financial statements of Belfius are prepared in accordance with all IFRSs as adopted by the EU.

The European Commission published Regulation EC 1606/2002 on 19 July 2002, requiring listed groups to apply IFRS as from 1 January 2005. This regulation has been updated several times since 2002.

The financial statements of Belfius have therefore been prepared "in accordance with all IFRSs as adopted by the EU" and endorsed by the European Commission up to 31 December 2012 including the conditions of application of interest-rate portfolio hedging.

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

The consolidated financial statements are prepared on a going-concern basis. They are stated 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 and assumptions 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.

Judgements are made principally in the following areas:

- Classification of financial instruments into the appropriate category "loans and receivables", "held-to-maturity", "available-for-sale", "held for trading" and "financial assets measured at fair value" for measurement purposes based on instrument's characteristic and the intention of Belfius (see section I.6.);
- Determination on whether there is an active market or not based on criteria such as volume, actual trade, market liquidity, bid offer spread for financial instruments measured at fair value (see section I.7.);
- Determination of fair value for financial instruments measured at fair value by means of valuation techniques (see section I.7.);
- Determination on whether Belfius controls the investee, including SPEs (see section I.3.);
- Identification of non-current assets and disposal groups held for sale and discontinued operations (IFRS 5) (see section I.17.);
- The appropriateness of designating derivatives as hedging instruments (see section I.12., I.13.);
- Existence of a present obligation with probable outflows in the context of litigations (see section I.24.);
- Identification of impairment triggers (see section I.6.5.).

These judgements are entered in the corresponding sections (as referenced above) of the accounting policies.

Estimates are principally made in the following areas:

- Determination of the recoverable amount of impaired financial assets and fair value less costs to sell for non-current assets and disposal groups held for sale (see section I.6.5. and I.17.);
- Determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets (see section I.15. and I.16.);
- Determination of the market value correction to adjust for market value and model uncertainty (see section I.7.);
- Measurement of liabilities for insurance contracts (see section I.10.);
- The measurement of hedge effectiveness in hedging relations (see section I.12. and I.13.);
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets (see section I.23. and note 8.6.);
- Estimate of future taxable profit for the recognition and measurement of deferred tax assets (see section I.22.);
- Estimate of the recoverable amount of cash-generating units for goodwill impairment (see section I.18.2.).

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

The overview of the texts below is made until the reporting date of 31 December 2012.

2.1. IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 2012

The following standards, interpretations or amendments have been endorsed by the European Commission and are applied as from 1 January 2012.

- Amendment to IFRS 7 "IFRS Disclosures – Transfers of Financial Assets". This amendment will impact Belfius by requiring more detailed disclosures on transferred financial assets.
- Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets". There is no impact for Belfius as these assets are measured at amortised cost.
- Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters". This amendment will have no impact on Belfius, which is not a first-time adopter anymore.

2.2. IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from 1 January 2012

- Amendments to IAS 19 "Employee Benefits" will be applicable as from 1 January 2013 (retrospective application) and will impact Belfius. This amendment principally changes the recognition and measurement of post employment defined benefit plans (e.g. removal of corridor mechanism) and enhances the disclosure requirements for these plans. As a consequence Belfius will no longer be allowed to apply the corridor approach and the full amount of actuarial gains or losses is recognised directly in Other Comprehensive Income. The net interest on the net defined benefit liability will be calculated by using as a discount rate the interest rate on high quality corporate bonds.
- Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income" clarifies the requirements on the presentation of the statement of comprehensive income and introduces a presentation of items in other comprehensive income (OCI) on the basis of recyclability through profit or loss. This amendment will be applicable as from 1 January 2013 (retrospective application) and will impact the presentation of other comprehensive income of Belfius.
- Amendments to IAS 32 "Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities" clarify the application of the offsetting rules of financial instruments and remove certain aspects of diversity in application. The amended IAS 32 will be applicable as from 1 January 2014 (retrospective application) and could impact the financial statements of Belfius.
- Amendments to IFRS 7 "Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities" require additional disclosures of recognised financial instruments that are set off and of recognised financial instruments subject to enforceable master netting arrangements or similar agreements even if they are not set off under IAS 32. The amended IFRS 7 will be applicable as from 1 January 2013 (retrospective application) and will expand the disclosures of Belfius regarding offsetting of financial instruments in the annual reporting.

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine". This interpretation has no impact on Belfius.
- IFRS 13 "Fair Value Measurement" describes how to measure fair value under IFRS and introduces new and enhanced disclosure requirements. IFRS 13 will be applicable as from 1 January 2013 (prospective application) and will have limited impact on how Belfius measures fair value.
- A "package of five" new and revised standards on the accounting treatment and disclosure requirements of interests in other entities will be applicable as from 1 January 2014 (limitative retrospective application). This publication could impact Belfius accounting for certain interests and the level of disclosures to be provided and comprises the following:
  - IFRS 10 "Consolidated Financial Statements" introduces one single consolidation model for all entities, based on control and regardless of the nature of the investee. Belfius does not expect a material impact of this standard on its financial reporting.
  - IFRS 11 "Joint Arrangements" will no longer admit the proportionate consolidation method when accounting for jointly controlled entities. Only the equity method will be allowed for the joint ventures of Belfius. There is no significant impact for Belfius.
  - IFRS 12 "Disclosures of Interests in Other Entities" will require enhanced disclosures about Belfius interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities in which Belfius has an involvement.
  - Revised IAS 27 "Separate Financial Statements" continues to be a standard dealing solely with separate financial statements: the existing guidance is unchanged.
  - Revised IAS 28 "Investments in Associates and Joint Ventures" is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

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

- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). This amendment simplifies the transition and provides additional relief from disclosures. This amendment will impact Belfius and will be applicable as from 1 January 2013 at the earliest (retrospective application).
- Annual Improvements to IFRSs (2009-2011 Cycle), which are a collection of amendments to existing International Financial Reporting Standards. These amendments are effective as from 1 January 2013 (retrospective application) and there is no material impact for Belfius.
- Government Loans (Amendments to IFRS 1). This amendment has no impact on Belfius, which is not a first-time adopter anymore.
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27): these amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. They also introduce disclosure requirements for investment entities into IFRS 12 and amend IAS 27. These amendments are effective from 1 January 2014. This amendment will not impact Belfius.

The presentation of "discretionary participation features of insurance contracts" within equity has been reviewed. This line item will be presented within the section "Gains and losses not recognised in the statement of income" as part of total shareholders' equity. This new presentation has no impact on the result.

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 generally 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 whose financial and operating policies Belfius, directly or indirectly, may exercise control.

Subsidiaries are fully consolidated as at the date on which effective control is transferred to Belfius and are no longer consolidated as at the date on which control of Belfius ceases. Intercompany transactions, balances and unrealised gains and losses on transactions among companies of Belfius have been eliminated. Where necessary, the accounting policies of the subsidiaries have been amended to ensure consistency with the policies adopted by Belfius.

Changes in ownership interests of Belfius in subsidiaries that do not result in Belfius losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of interests of Belfius and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

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.

The fair value of any investment retained in the former subsidiary at the date on which control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, where applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3.3. Jointly controlled entities

A joint venture (JV) is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint ventures are accounted for via the proportionate consolidation method. In the financial statements, joint ventures are integrated by combining their share of the assets, liabilities, income and expenses on a line-by-line basis.

The same consolidation treatment as applied to subsidiaries, is applied to intercompany transactions. Where necessary, the accounting policies of the jointly controlled entities have been amended to ensure consistency with the policies adopted by Belfius.

3.4. Associates

Investments in associates are initially measured at cost and 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. The ownership share of net income for the year is recognised as income of associates, whereas the share in other comprehensive income of associates is carried on a separate line of the statement of comprehensive income and the investment is recorded in the balance sheet at an amount that reflects its share of the net assets increased with related goodwill.

Gains on transactions between Belfius and its "equity method investments" are eliminated to the extent of the interest of Belfius. The recognition of losses from associates is discontinued when the carrying amount of the investment reaches zero, unless Belfius has incurred or guaranteed legal or constructive obligations in respect of the associates' undertakings. Where necessary, the accounting policies of the associates have been amended to ensure consistency with the policies adopted by Belfius.

3.5. Special purpose entities (SPEs)

An SPE shall be consolidated when the substance of the relationship between Belfius and the SPE indicates that the SPE is controlled by Belfius.

Control may arise through the predetermination of the activities of the SPE (operating on "autopilot") or otherwise. The following circumstances require judgement and may indicate a relationship in which Belfius controls an SPE (which it should consequently consolidate):

- The activities of the SPE are being conducted on behalf of Belfius according to its specific business needs;
- Belfius has the decision-making powers or delegated these powers to obtain the majority of the benefits of the activities of the SPE;
- Belfius has the right to obtain the majority of the benefits of the SPE and may be exposed to its risks; or
- Belfius retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

4. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset (and consequently, the net amount only 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 statements of 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 shareholders' 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.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

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. 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 assets and liabilities

Management uses judgement on the criteria mentioned in the paragraphs below in determining the appropriate classification of its investments at initial recognition. However, under certain conditions, financial assets could subsequently be reclassified.

6.1. Recognition and derecognition of financial instruments

Belfius recognises and derecognises financial assets measured at fair value through P&L on trade date. For these financial assets, Belfius recognises in the statement of income and as at the trade date, any unrealised gains or losses arising from revaluing the contract to fair value at the reporting date. Belfius recognises these unrealised gains and losses under "Net income from financial instruments at fair value through profit or loss".

All other "regular way" purchases and sales of financial assets are recognised and derecognised on the settlement date, which is the date of delivery to or by Belfius.

Belfius recognises the financial liabilities on its balance sheet when it becomes party to the contractual provisions of the instrument. Belfius derecognises financial liabilities only when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

6.2. Loans and advances due from banks and customers

Belfius classifies non-derivative financial assets with fixed or determinable payments that are not quoted on an active market into this category (labelled by IAS 39 as Loans and Receivables – L&R) except for:

- → those that Belfius intends to sell immediately or in the near term, which are classified as held for trading, and those that Belfius, upon initial recognition, designates as being at fair value through profit or loss;
- → those that Belfius, upon initial recognition, designates as available-for-sale; or
- → those for which Belfius might not substantially recover all of its initial investment, other than because of credit deterioration, such L&R then being classified as available-for-sale.

Belfius recognises interest-bearing loans and advances initially at fair value plus transaction costs and subsequently at amortised cost, less any allowance for impairment. Interest is calculated using the effective interest rate method and recorded under "Interest income". The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset.

6.3. Financial instruments measured at fair value through profit or loss

6.3.1. Loans and securities held for trading

Belfius reports loans held for trading purposes in the line "Financial assets held for trading" at their fair value, with unrealised gains and losses recorded in the statement of income under "Net income from financial instruments at fair value through profit or loss". Interest income is accrued using the effective interest-rate method and is recorded under "Interest income".

Trading securities are securities acquired for generating a profit from short-term fluctuations in price or dealer's margins, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Belfius initially recognises trading securities at fair value and subsequently re-measures them at fair value. All realised and unrealised gains and losses are recorded under "Net income from financial instruments at fair value through profit or loss". Interest earned is recorded under "Interest income", and dividends received under "Dividend income".

6.3.2. Liabilities held for trading

Liabilities held for trading are subject to the same accounting rules as those for "loans and securities held for trading".

6.3.3. Loans and securities designated at fair value through profit or loss

In some cases and if appropriately documented, Belfius can designate a financial asset, a financial liability or a group of financial instruments as "at fair value through profit or loss" where:

- → such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- → a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- → an instrument contains a non-closely related embedded derivative:
  - that significantly modifies the cash flows that otherwise would be required by the contract; or
  - for which it is not clear, with little or no analysis, that the separation of the embedded derivative is prohibited.

In order to avoid volatility in its equity and results, Belfius has designated the assets and liabilities of unit-linked contracts (Branch 23) at fair value through profit or loss.

6.3.4. Financial liabilities designated at fair value

For subsequent measurement, these financial liabilities are subject to the same accounting principles as described earlier under the item "Financial instruments measured at fair value through profit or loss".

6.3.5. Derivatives – Trading portfolio

When a derivative is not designated in a hedge relationship, it is deemed to be held for trading. The main types of derivatives are the currency and the interest-rate derivatives. Belfius, which also makes use of credit derivatives and equity derivatives, 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 no link from an economic point of view with the interest result of a related balance sheet item are recognised in "net income from financial instruments at fair value through profit or loss".

Belfius reports derivatives as assets when fair value is positive and as liabilities when fair value is negative.

Derivatives embedded in other financial instruments are treated as separate derivatives within the portfolio derivatives trading portfolio:

- when their risks and characteristics are not closely related to those of the host contract; and
- when the hybrid contract is not carried at fair value with unrealised gains and losses reported in the statement of income.

6.3.6. Hedging derivatives

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 hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash-flow hedge); or
- a hedge of a net investment in a foreign operation.

Belfius designates derivatives 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 the liabilities that is attributable to that specific hedged risk. The interest results are recognised in "interest results".

If the hedge no longer meets the criteria for a fair value hedge, Belfius amortises the adjustment to the carrying amount of a hedged interest-bearing financial instrument 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.

Belfius recognises the effective part of the changes in the fair value of derivatives that are designated and qualify as cash-flow hedges, in "Other comprehensive income" under the item "Gains and losses not recognised in the statement of income" (see "Consolidated statement of changes in shareholders' equity"). Any non-effective portion of the changes in the fair value of the hedging instrument is recognised in the statement of income. Amounts deferred in equity are transferred to the statement of income and classified as revenue or expense in the periods during which the hedged firm commitment or forecast transaction affects the statement of income.

6.3.7. Fair value hedge of the interest rate-risk exposure of a portfolio

As explained in I.1.1. General, Belfius makes use of the provisions in IAS 39 as adopted by the European Union ("IAS 39 carve-out") because it better reflects the way in which Belfius manages its financial instruments.

Hedge accounting is intended to reduce the interest-rate risk exposure stemming from the selected category of assets or liabilities designated as the qualifying hedged items.

Belfius performs a global analysis of interest-rate risk exposure. It consists in assessing fixed-rate exposure, taking into account all the exposure coming from balance-sheet and off-balance-sheet items. This global analysis may exclude certain components of the exposure, such as financial market activities, provided that the risk exposure stemming from the excluded activities is monitored on an activity-by-activity basis.

Belfius applies the same methodology to select which assets and/or liabilities will be entered into the fair value hedge of interest-rate risk exposure of the portfolio. Assets and liabilities are included in all the time buckets of the portfolio. Hence, when they are removed from the portfolio, they must be removed from all the time buckets in which they had an impact. Belfius may designate as qualifying hedged items different categories of assets or liabilities such as available-for-sale assets or loan portfolios.

On the basis of this gap analysis, which is realised on a net basis, Belfius defines, at inception, the risk exposure to be hedged, the length of the time-bucket, the test method and the frequency of the tests.

The hedging instruments are a portfolio of derivatives, which may contain offsetting positions. Belfius recognises the hedging items at fair value with adjustments accounted for in the statement of income.

Belfius reports hedged interest-rate risk revaluation of elements carried at amortised cost on the balance sheet under the line "Fair value revaluation of portfolio hedges".

6.4. Financial investments

6.4.1. Held-to-maturity

Belfius classifies the interest-bearing financial assets with fixed maturity quoted in an active market as held-to-maturity (HTM) when management has both the intent and the ability to hold the assets to maturity.

Belfius recognises such interest-bearing financial assets initially at fair value plus transaction costs and subsequently at amortised cost, less any allowance for impairment. Interest is recognised based on the effective interest rate method and recorded under "Interest income".

6.4.2. Available-for-sale

Belfius classifies financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, as available-for-sale (AFS).

Belfius recognises financial assets initially at fair value plus transaction costs. Interest is recognised based on the effective interest-rate method and recorded under "Net interest income". Belfius recognises dividend income from equities under "Dividend income".

Belfius subsequently re-measures available-for-sale financial assets at fair value (cf. 1.6.7. Fair value of financial instruments). Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised within equity under the item "Gains and losses not recognised in the statement of income". When securities are disposed of, or impaired, Belfius recycles the related accumulated fair value adjustments in the statement of income as "Net income on investments".

6.5. Impairments on financial assets

Belfius records allowances for impairment losses when there is objective evidence that a financial asset or group of financial assets is impaired as a result of one or more events occurring after initial recognition and evidencing (a) a decline in the expected cash flows and (b) the impact on the estimated future cash flows that can be reliably estimated.

6.5.1. Financial assets valued at amortised cost

Belfius first assesses whether objective evidence of impairment exists individually for financial assets. If no such evidence exists, the financial assets is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

Determination of the impairment

- Specific impairments – If there is objective evidence that loans or other receivables or financial assets classified as held-to-maturity are impaired, the amount of the impairment on specifically identified assets is calculated as the difference between the carrying amount and the estimated recoverable amount, being the present value of expected cash flows, including judgements on the amounts recoverable from guarantees and collateral, discounted at the financial instrument's original effective interest rate (except for reclassified assets, see below). Assets with small balances that share similar risk characteristics follow the principles as described below.
- Collective impairments – Collective impairments cover losses "incurred but not yet reported" on segments (portfolios) where there is objective evidence of future losses. Belfius estimates these impairments based on the historical patterns of losses in each segment, the credit ratings allocated to the borrowers and reflecting the current economic environment in which the borrowers operate. Belfius develops for that purpose credit-risk models using an approach that combines appropriate default probabilities and loss-given defaults that are subject to regular back-testing and are based on Basel II data and risk models, consistently with the "incurred-loss" model. Assumptions are made when defining the way inherent losses are modelled and to determine the required parameters, based on historical experience.

Accounting treatment of the impairment

Belfius recognises changes in the amount of impairment losses in the statement of income and reports them as "Impairment on loans and provisions for credit commitments". The impairment losses are reversed through the statement of income if the increase in future cash flows relates objectively to an event occurring after the impairment was recognised.

6.5.2. Reclassified financial assets

In rare circumstances, Belfius can reclassify financial assets initially classified as held for trading or available-for-sale into held-to-maturity or loans and receivables categories. In such circumstances, the fair value at the date of transfer becomes the new amortised cost of those financial assets. Any fair value adjustment previously recognised under "Other comprehensive income" is "frozen" and amortised on the residual maturity of the instrument. Regarding the calculation of impairment, reclassified financial assets are governed by the same estimates, judgements and accounting principles as financial assets initially valued at amortised cost. If there is objective evidence that reclassified financial assets are impaired.

Belfius calculates the amount of the impairment on reclassified assets as the difference between the net carrying amount of the asset and the net present value of the expected cash flows discounted at the recalculated effective yield at the time of reclassification. Any unamortised part of the "frozen" AFS reserve is recycled in the statement of income and reported under the item "Impairment on loans and provisions for credit commitments" as a part of the impairment.

6.5.3. Available-for-sale assets

Belfius recognises the impairment of available for-sale assets on an individual basis if there is objective evidence of impairment as a result of one or more events occurring after initial recognition.

Determination of the impairment

- Equities – For equities quoted in an active market, any significant decline in their price (more than 50% at reporting date) or a prolonged decline (5 years) compared to the acquisition price is considered as an objective evidence of impairment. In addition, management can decide to recognise impairment losses should other objective evidence be available. An impairment is recognised for non quoted equities when objective evidence is available, such as financial difficulties of the issuer, a probability of bankruptcy.
- Interest-bearing financial instruments – In the case of interest-bearing financial instruments, impairment is triggered based on the same criteria as applied to individually impaired financial assets valued at amortised cost (see 1.6.5.1.).

Accounting treatment of the impairment

When AFS financial assets are impaired, the total AFS reserve is recycled and these impairment losses are reported by Belfius in the statement of income as "Net income on investments". This line item also includes impairment losses for equity securities.

Impairments on equity securities cannot be reversed in the statement of income due to later recovery the fair value.

Please refer to chapter Risk Monitoring – Credit Risk for further information on how credit risk is monitored by Belfius.

6.5.4. Off-balance-sheet exposures

Belfius usually converts off-balance-sheet exposures such as credit substitutes (e.g., guarantees and standby letters of credit) and loan commitments into on-balance-sheet items when called. However, there may be circumstances such as uncertainty about the counterparty, where the off-balance-sheet exposure should be regarded as impaired. Belfius classifies loan commitments as impaired if the credit worthiness of the client has deteriorated to such an extent that the repayment of the loan to be granted under the loan commitment and associated interest payments have become doubtful.

6.6. Borrowings

Belfius recognises borrowings initially at fair value, being generally their issue proceeds, net of any transaction costs incurred. Subsequently, borrowings are stated at amortised cost. Belfius recognises any difference between their initial carrying amount and the reimbursement value in the statement of income over the period of the borrowings using the effective interest-rate method.

The distinction between financial liabilities and equity instruments issued by Belfius is based on the economic substance rather than their legal form.

7. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. 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 and motivated by 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.

The valuation model takes into account all factors that market participants consider when pricing the asset. 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.

The approach of Belfius for the valuation of its financial instruments (direct profit or loss, AFS and disclosures) can be summarised as follows:

7.1. Financial instruments measured at fair value (trading, designated at fair value through profit or loss, available for sale, derivatives)

7.1.1. Financial instruments measured at fair value for which reliable quoted market prices are available

If the market is active – meaning that bid-offer prices are available representing effective transactions concluded on an arm's length basis between willing counterparties – these market prices provide for the most reliable evidence of fair value and therefore shall be used for valuation purposes.

The use of market prices quoted in an active market for identical instruments with no adjustments qualifies for inclusion in level 1 within IFRS 7 fair value hierarchy, contrary to the use of quoted prices in inactive markets or the use of quoted spreads.

7.1.2. 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

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, actual trade, market liquidity, bid- offer spread. The models that Belfius uses range from standard models to in-house developed valuation models. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and the uncertainty associated with the determination of fair values. Availability of observable market prices and input parameters varies depending on the products and markets and is subject to changes based on specific events and general conditions in the financial markets.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of the expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Belfius requires that two conditions are met for inclusion in level 2:

- The model must have either passed a successful validation by the Validation department or comply with the price reconciliation process run by the Markets Risk department that has been installed to test the reliability of its valuations.
- The data that Belfius incorporates in its valuation models are either directly observable data (prices), indirectly observable data (spreads) or own assumptions about unobservable market data.

Fair value measurements that rely significantly on own assumptions need to be reported as part of the level 3 disclosure.

For bonds traded in inactive markets, these are valued using valuation techniques of Belfius. The valuation price is composed of a market price component and a model price component. The weight granted to the model price component is based upon an assessment of the liquidity of the market and/or the specific bond characteristics.

For its price derived from valuation techniques, Belfius uses a discounted cash-flow model, based on a spread that incorporates both credit and liquidity risk. The credit spread is estimated from the specific characteristics of the security (sector, rating, Loss Given Default …) and from the level of some liquid CDS indices. A liquidity component is added to the credit component to obtain the instrument's spread. The weight of the liquidity component depends on the instrument's central bank eligibility character.

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

This items relates to financial instruments reclassified from trading or AFS to L&R. As a response to the financial crisis, the IASB issued on 13 October 2008 an amendment to IAS 39 permitting the reclassification of certain illiquid financial assets. Belfius decided to benefit from this opportunity to reclassify assets for which an active market, as well as reliable quoted prices, was no longer available.

7.3. Financial instruments classified in HTM and L&R since inception (valuations at fair value in IFRS disclosures)

The fair value of loans and receivables, including mortgages loans 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 in HTM and L&R since inception, the valuation is done as for bonds classified in AFS.

Interest-rate part:

- → The fair value of fixed-rate loans and mortgages reflects interest-rate movements since inception;
- → Embedded derivatives, like caps, floors and prepayment options are included in determining the fair value of loans and receivables;
- → The fair value of variable-rate loans is assumed to be approximated by their carrying amounts.

Credit-risk part:

- → For corporate loan and social profit portfolios, credit spread evolutions since inception are reflected in the fair value. For other sectors, mainly retail and public sector, the spread is kept unchanged as no reliable information is available for SME and no credit losses have been recognised on the public sector where Belfius is present.

8. Interest income and expense

Interest income and expense are recognised in the statement of income for all interest bearing instruments on an accrual basis using the effective interest rate method based on the initial carrying value. This also includes transaction costs for financial instruments not valued at fair value through P&L.

Transaction costs are the incremental costs that are directly attributable to the acquisition of a financial asset or liability and are included in the calculation of the effective interest rate. An incremental cost is one that would not have been incurred if the entity had not acquired the financial instrument.

Accrued interest is reported in the same line as the related financial asset or liability in the balance sheet.

Once an interest-bearing financial asset has been impaired, interest income is thereafter recognised based on the interest that was used to discount the future cash flows for measuring the recoverable amount.

9. Fee and commission income and expense

Commissions and fees arising from most of the activities of Belfius are recognised on an accrual basis over the life of the underlying transaction.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of loans, equity securities or other securities or the purchase or sale of businesses, are recognised when the significant act has been completed.

For asset management operations, revenue consists principally of unit trust and mutual fund management and administration fees. Revenue from asset management is recognised as earned when the service is provided. Performance fees are recognised when all underlying conditions are met and thus acquired.

Loan commitment fees are recognised as part of the effective interest rate if the loan is granted, and recorded as revenue on expiry if no loan is granted.

10. Insurance and reinsurance activities

10.1. Classification

The insurance business is conducted mainly by Belfius Insurance and its insurance subsidiaries. The group operates in both life and non-life insurance.

IFRS 4 (Phase 1) is applied to all policies, whereby 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, as well as investment policies with a Discretionary Participation Feature, or DPF, also come under this field of application.

The rules for deposit accounting apply for financial instruments where there is no discretionary participation feature, as well as for unit-linked (branch 23) insurance policies. This means that the deposit component and the insurance component are valued separately. With deposit accounting, this portion of the premiums and the resultant entry of the obligation are not recorded in the profit-and-loss account. The obligations themselves are not stated in the technical provisions, but under financial obligations. Associated management charges and commission fees are entered immediately in the profit-and-loss account. Payments made are not entered in the profit-and-loss account, but result in a reduction of the obligation. For unit-linked (branch 23) policies, the deposit component and the corresponding investments are valued at their fair value, with variations in the profit-and-loss account. 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 does not come under IFRS 4, but instead comes under the valuation rules for pension schemes.

10.2. Valuation

10.2.1. Application of local accounting standards

Under IFRS 4 (phase 1), local accounting standards are used for valuing the (re)insurance policies that come under the field of application set out above. Under IFRS, no provision may be made for equalisation and disaster.

Provision for unearned premiums

The provision for unearned premiums is calculated by the *pro rata temporis* method for each agreement separately, based on the net premium. In the reinsurance policy taken out, the reserves are applied based on data passed on by the assigning companies.

Provision 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 forward-looking method: this method is applied for provisions in classical branch 21 insurance policies and modern branch 21 policies with guaranteed returns on future premiums. The calculation is based on the technical terms of the policies.
- Valuation using the retrospective method: this method is applied for provisions in modern branch 21 insurance policies. The calculation is based on the technical terms of the policies, without taking future deposits into account.

For business accepted, a provision is applied separately for each agreement based on the information provided by the assignor.

As a supplement to the rules set out above, an additional provision is applied in line with statutory local requirements in relation to the low rate risk.

Provision for damages to be paid

The amount of the provision for claims to be paid in direct cases of the non-life business is equal to the amount owed to beneficiaries, plus the management charges for the claims.

For claims stated, the provision for the damages to be paid out in direct cases of the non-life business is calculated on a case-by-case basis, including future settlement costs or as a separate reserve for a group of cases.

When an indemnity has to be made in the form of periodic payments, the amounts that need to be set aside are calculated based on actuarial methods.

For instances of "claims incurred but not (entirely) reported" (IBN(E)R) on the balance date, a provision is applied in which account is taken of past experience with regard to the number and amount of claims reported after the balance date. Account is also taken of exceptional occurrences and additional provisions are also made on the basis of statutory requirements, such as for occupational accidents.

Provision for beneficiary participation and funds for future allocations (discretionary beneficiary participation)

Discretionary beneficiary participation is a contractual but conditional entitlement to receive additional benefits on top of a guaranteed return. Belfius has opted to present this beneficiary participation separately until it is allocated to individual insurance policies after approval by the general meeting of shareholders. From that time onwards, it forms part of the provisions for life insurance and there is a definitive waiver by the insurance company to the policyholder.

In the main, the provision for beneficiary participation consists of the share in the profits for the financial year just closed which the insurance company, in line with its profit-sharing plan and after approval by the general meeting of shareholders that rules on the past financial year, that is expected to be allocated to policyholders.

The funds set aside in accordance with local accounting standards for future allocations also form part of the discretionary beneficiary participation and are processed via the profit-and-loss account. In making allocations and withdrawals from these funds, Belfius takes account of the investment results achieved and the estimate made by it on the reporting date of any conditional future beneficiary participation. A new estimate is made on each reporting date and account is taken of the market conditions and the fund's financial position at the time.

If the total estimate of the beneficiary participation is higher than the sum of the provision set aside for beneficiary participation and the funds for future allocations, this shortfall will be entered separately in the figures for equity capital by separating out a portion of the non-realised profits in the available for sale portfolio.

Reinsurance assets

A special reduction in value is applied to the reinsurance assets if:
- there is objective evidence, resulting from an event that occurred after the initial acknowledgment of the reinsurance assets, that the assignor is not to receive all of the amounts owed to it under the policy. Among other things in this case, account is taken of the rating and solvency of the reinsurer; and
- this event has a reliable measurable impact on the amounts that the assignor will receive from the reinsurer.

We refer here to the rules relating to special reductions in value that apply.

10.2.2. Shadow accounting

Belfius has opted to use shadow accounting in this case to take account of the differences in the valuation principles between assets classified as available for sale and technical provisions. If the realisation of unrealised profits from available for sale assets entered under equity capital has an effect on the valuation of the technical provisions, shadow accounting offers a solution through the partial transfer of unrealised investment results from equity capital to technical provisions.

First and foremost, Belfius 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 and investment policies with discretionary participation (DPF). This application occurs mainly in insurance policies that have funds set aside that are managed separately from an administrative point of view.

There is also the requirement of a "shadow-loss" adjustment of the other available for sale assets that exist with respect to technical provisions. In this case, a check is carried out to see whether realising these investments, coupled with a reinvestment at yields currently in line with the market, will have an effect on the valuation of the technical provisions. If this check shows that the required technical provisions are higher, unrealised profits are taken from equity capital to make up for this shortfall and are classified with technical provisions.

10.2.3. Liability Adequacy Tests – LAT

After carrying out the shadow accounting stated above, Belfius conducts liability adequacy tests on its technical provisions. If these additional tests indicate that the book figure for the technical provisions is insufficient in relation to the current value of the estimated future cash flows, an additional technical provision is set aside for this shortfall from the profit-and-loss account. These tests are assessed separately for technical provisions life and technical provisions non-life.

If a liability adequacy test for life obligations imposed by the local government is available, it will show whether the technical provisions are adequate or not. If this test is not available, an assessment will be made of the forecast cash flows from life insurance, taking into account assumptions such as those that are also used for other modelling purposes. When conducting these liability adequacy tests, account is taken of the guarantees and options included in the policies. The current value of the cash flows is determined using an interest rate based mainly on the effective interest rate of the investment portfolio and the current market conditions where there is reinvestment of investments approaching maturity.

For non-life, the liability adequacy test checks to see whether the provision for unearned premiums and the provisions for claims are sufficient to make final settlement of any claims that may still occur within the insured term of the policies, as well as for claims already made.

11. Network costs

This item records the commission paid to intermediaries associated by exclusive sales mandate for drumming up business, which are not accounted as transaction costs attributable to the acquisition of a financial asset or financial liability.

12. Day one profit or loss

The day one profit or loss is applicable to all financial instruments measured at fair value through profit or loss.

The day one profit or loss is the difference between:

- the transaction price and the quoted market price; in cases where the financial instrument is quoted; or
- the transaction price and the fair value determined by using a valuation technique, (mark-to-model) in cases where the instrument is not quoted.

If the main parameters of the model are observable and if Risk Management validates the model, the day one profit or loss will be recognised immediately in the statement of income.

If the main parameters are not observable and if Risk Management does not validate the model, the day one profit or loss will be amortised linearly over the expected life of the instrument. However, if the data becomes observable subsequently, Belfius will recognise the remaining portion of day one profit or loss 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. In cases of partial early termination, Belfius will recognise in the statement of income the part of the day one profit or loss relating to the partial early termination.

13. Tangible fixed assets

Tangible fixed assets include property, plant & equipment and investment properties.

All property, plant & equipment are stated at their cost less accumulated depreciation and impairments. Subsequent costs are, where necessary, 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 main useful lives are as follows:

- 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, plant & 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.

In 2012 Belfius has reviewed the depreciation term of certain assets. The depreciation term of certain assets has been changed from 20 years to 33 years in order to better comply with economic reality.

The exchange losses on liabilities for the acquisition of an asset are expensed immediately. The interest on specific or general borrowings to finance the construction of qualifying assets, as far as the commencement date for capitalisation is before 1 January 2009 is also expensed immediately. If the commencement date for capitalisation is on or after 1 January 2009, the interest is included in the valuation basis of the qualifying tangible fixed assets.

Tangible fixed assets are tested for impairment when an indication of impairment loss exists. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. 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 determined by reference to their carrying amount and are included under "Net income on investments".

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 their 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 "Other net income".

14. Intangible assets

Intangible assets consist mainly of (a) internally generated 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 used to increase the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives from the time the software is available for use. This amortisation period is usually between three and five years.

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. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount and are included under "Net income on investments".

15. Non-current assets 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 its carrying amount or at its fair value less costs to sell (whichever is the lower). 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.

16. Goodwill

16.1. Measurement of goodwill

Goodwill is as 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, and
  - fair value of the acquirer's previously held equity interest in the acquiree (if any) and
- minus the fair value determined at acquisition date of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, this difference is negative ("negative goodwill"), it is recognised immediately in profit or loss as a bargain purchase gain.

Variations in the percentage of ownership in fully-consolidated companies are considered as transactions with shareholders. Therefore neither fair value adjustments nor goodwill adjustments are made whenever percentage increases or decreases take place without any change in the consolidation method. The difference between the purchase or the sale of a net asset and the purchase or sale price is directly recorded in equity.

16.2. 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 cash-generating units to which it has been allocated is lower than the carrying value.

The recoverable amount is the "fair value less cost to sell" or the "value in use" (whichever is the higher). 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 management-improved financial budget.

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.

17. 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, plan assets relating to employee benefit obligations. These other assets are measured in accordance with the applicable standard. Plan assets are recognised in accordance with IAS 19 requirements.

18. Leases

A finance lease is one that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

18.1. Belfius is the lessee

Belfius grants operating leases principally for the rental of equipment or real estate. Lease rentals are recognised in the statement of income on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

If the lease agreement substantially transfers the risk and rewards of ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalised. At inception the asset is recorded as the present value of the minimum lease payments or the fair value (whichever is the lower) and is depreciated over its estimated useful life unless the lease term is short and the title is not expected to be transferred to Belfius. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policies applicable to that asset. The corresponding rental obligations are recorded as borrowings and interest payments are recorded using the effective interest-rate method.

18.2. 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 acts as the discount rate. Interest income is recognised over the term of the lease using the interest rate implicit in the lease.

19. Sale and repurchase agreements and lending of securities

Securities sold subject to a linked repurchase agreement ("repos") are not derecognised and remain in the balance sheet. The corresponding liability is entered under "Due to banks" or "Customer borrowings and deposits", as appropriate. The asset is reported as "pledged" in the notes.

Securities purchased under agreements to resell ("reverse repos") are recorded as off-balance sheet items and the corresponding loans recorded as "loans and advances due from banks" or "loans and advances to customers".

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 but rather recorded in the balance sheet in the same item.

Securities borrowed are not recognised in the balance sheet.

If they are sold to third parties, the gain or loss is entered under "Net income from financial instruments at fair value through profit or loss" and the obligation to return them is recorded at fair value under "Financial liabilities measured at fair value through profit or loss".

20. Deferred income tax

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from the depreciation of property, plant & equipment, the revaluation of certain financial assets and liabilities (including derivative contracts, provisions for pensions and other post-retirement benefits), provisions for loan and other impairments and, in relation to acquisitions, from the difference between the fair value of the net assets acquired and their tax base.

The rates enacted (and tax laws) that are substantively enacted at the balance-sheet date are used to determine the deferred income tax.

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.

Deferred tax liability is provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except where Belfius can controlthe 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 remeasurement of available-for-sale investments and cash flow hedges, and other transactions recorded directly in equity, are also credited or charged directly to equity.

21. Employee benefits

21.1. Short-term benefits

Short-term benefits, payable within 12 months of the service being rendered, are measured on an undiscounted basis and recognised as an expense.

21.2. Post-employment benefits

If Belfius has a legal or constructive obligation to pay post-employment benefits, the plan is either classified as "defined benefit" or "defined contribution plan". Belfius offers a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held by insurance companies or pension funds. The pension plans are generally funded by payments from both Belfius and its employees.

In some cases, Belfius provides post-retirement health care benefits to its retirees.

21.2.1. Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows using the interest rates of AA-rated corporate bonds, which have terms to maturity approximating to the terms of the related liability. The valuation technique for the assessment of pension expenses incorporates actuarial assumptions comprising both demographic assumptions and financial assumptions such as the inflation rate.

Pension costs are determined based on the Projected Unit Credit Method, under which each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. Net cumulative unrecognised actuarial gains and losses exceeding the corridor (greater than 10% of the present value of the gross defined benefit obligation and 10% of the fair value of any plan assets) are recognised in income over the average remaining working lives of the plan participants.

The amount recognised in the balance sheet is the present value of the defined benefit obligation (i.e., the present value of the expected future payments required to settle the obligation resulting from the employee service in the current and prior periods), as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets at the balance-sheet date. The defined obligation is presented net of plan assets as a liability or an asset. Therefore an asset may arise where a plan has been overfunded and is recorded separately if this asset is held by an entity of Belfius.

Any assets recognised are limited to the total of any cumulative unrecognised net actuarial losses and past service cost, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Qualified internal and external actuaries carry out valuations of these obligations. All valuations assumptions and results are reviewed and validated by an external actuary for Belfius that ensures that all calculations are harmonised and calculated in compliance with IAS 19.

21.2.2. Defined contribution pension plans

The contributions to defined contribution pension plans of Belfius are charged to the statement of income in the year to which they relate. Under such plans, the obligations of Belfius are limited to the contributions that Belfius agrees to pay into the fund on behalf of its employees.

21.2.3. Post-employment medical care

The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans.

21.3. Other long-term benefits

These mainly include provisions for jubilee premiums and bonuses that employees receive after completion of specified periods of service.

Unlike defined benefit plans, actuarial gains and losses relating to these benefits are immediately recognised. All past service costs are recognised immediately in the statement of income.

Employee entitlement to annual leave or long-service leave is recognised when it is granted to the employee. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance-sheet date.

21.4. Termination benefits

A termination benefit provision is only recorded when Belfius is obliged to terminate the employment before the normal date of retirement or to provide benefits as a result of an offer made in order to encourage voluntary redundancy. In such cases Belfius has a detailed formal plan and no realistic possibility of withdrawal.

22. Provisions

Provisions are mainly recognised for litigations claims, restructuring, and loan commitments.

Provisions are measured at the present value of the expenditures expected to be 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 are recognised when there is uncertainty about the creditworthiness of the counterparty.

23. Share capital and treasury shares

23.1. Share issue costs

External incremental costs directly attributable to the issue of new equity securities, other than as part of a business combination, are deducted from equity net of any related income tax.

23.2. Dividends on ordinary shares of Belfius

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.

23.3. Contracts with insurance discretionary participation features

Belfius classifies any unrealised gains and losses relating to assets classified as available-for-sale and backing insurance contracts with discretionary participation feature by Belfius as follows:

- As a liability in respect of the return guaranteed to the contract holders;
- As a separate component of equity to the extent of that feature.

24. Fiduciary activities

Assets which are held by Belfius and income arising thereon, together with related undertakings to return such assets to customers, are excluded from these financial statements in cases where Belfius acts in a fiduciary capacity such as nominee, trustee or agent.

25. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with a maturity of less than 3 months included within cash and balances with central banks, interbank loans and advances, financial assets available-for-sale.

II. Significant changes in scope of consolidation and list of subsidiaries and affiliated enterprises of Belfius Bank

2.1 Significant changes in scope of consolidation

1. As at 31 December 2011

Parfipar was sold to Dexia Banque Internationale à Luxembourg in the first quarter of 2011.

In addition, a number of other companies have been sold in 2011: Dexia Immorent was sold in the second quarter and Dexia Asset Management Luxembourg was sold to Dexia SA in the fourth quarter. The Dexia AM group's results for the first nine months of 2011 have been consolidated. Dexia Ingénierie Sociale was sold in November, consolidating its results up to November.

Dexia Investment Company merged with Dexia Bank Belgium (now Belfius Bank – BB) as at 30 June. In July Realex merged with Dexia Insurance Belgium (now Belfius Insurances – BI). Assurance Asset Management Company also merged with BI in October. During the fourth quarter the participation of BB and BI in Lex 2000 was sold to Société Espace Léopold, and afterwards these two companies also merged.

Dexia Capital Ireland and Dexia Securities Belgium were liquidated in 2011.

2. As at 31 December 2012

In the second quarter, Dexia Autolease Luxembourg was sold, the companies Esplanade 64 and Bogey were liquidated. The Mercurius securitisation vehicle was set up in the second quarter.

The companies LFB and Legros were purchased in June 2012.

During the third quarter of 2012, the securitisation vehicle DSFB 1 was called.

As from the fourth quarter of 2012 Belfius Financing Company is again included in the consolidation scope.

2.2. 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
Audit en Ingénierie Sociale Consulting SA	99 bis, avenue du Général Leclerc F-75014 Paris	100	30
Belfius Asset Finance Holding SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	10
Belfius Auto Lease SA	Place Rogier 11 B-1210 Bruxelles	100	5
Belfius Commercial Finance SA	Place Rogier 11 B-1210 Bruxelles	100	15
Belfius Financing Company SA	42, rue de la Vallée L-2261 Luxembourg	100	49
Belfius Funding NV	Luna Arena Herikerbergweg 238 NL-1101 CM Amsterdam Zuidoost	100	49
Belfius Immo SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	31
Belfius Insurance SA	Avenue Galilée 5 B-1210 Bruxelles	99.79	28
Belfius Insurance Invest SA	Avenue Galilée 5 B-1210 Bruxelles	100	21
Belfius Insurance Services Finance SA	2, rue Nicolas Bové L-1253 Luxembourg	100	28
Belfius Ireland Unltd	International Financial Services Centre 6, George's Dock IRL-Dublin 1	100	49
Belfius Lease SA	Place Rogier 11 B-1210 Bruxelles	100	5
Belfius Lease Services SA	Place Rogier 11 B-1210 Bruxelles	100	5
Belfius Re SA	20, rue de l'Industrie L-8399 Windhof	100	28
Copharma Industries Unltd	International Financial Services Centre 6, George's Dock IRL-Dublin 1	15.41	28
Corona SA	Avenue de la Métrologie 2 B-1130 Bruxelles	100	28
Corona Invest SA	Avenue de la Métrologie 2 B-1130 Bruxelles	100	28
Crefius SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	6
Delp Invest SCRL	Namur Office Park Avenue des Dessus de Lives 2 B-5101 Loyers	93.69	21
Dexia Secured Funding Belgium SA	Boulevard Pachéco 44 B-1000 Bruxelles	10	49
Dublin Oak Ltd	International Financial Services Centre 6, George's Dock IRL-Dublin 1	0	49
Elantis SA	Rue des Clarisses 38 B-4000 Liège	100	6
Eurco Ltd	International Financial Services Centre 6, George's Dock IRL-Dublin 1	100	28
Eurco Re Ltd	International Financial Services Centre 6, George's Dock IRL-Dublin 1	100	28
Eurco Rück AG	Beethovenstrasse 49 CH-8002 Zürich	99.98	28
Ibro Holdings Unltd	International Financial Services Centre 6, George's Dock IRL-Dublin 1	100	10

(1) Percentage of capital held by holding company.

Name	Head office	% of capital held[1]	Business code
International Wealth Insurer SA	2, rue Nicolas Bové L-1253 Luxembourg	100	25
Legros-Renier Les Amarantes Seigneurie de Loverval SA	Avenue Galilée 5 B-1210 Bruxelles	100	31
LFB SA	Avenue Galilée 5 B-1210 Bruxelles	100	31
Mercurius Funding SA	Boulevard Pachéco 44 B-1000 Bruxelles	0	49
Penates Funding SA	Avenue Louise 486 B-1050 Bruxelles	0	49

2. Non-consolidated subsidiaries

Name	Head office	% of capital held[1]	Reason for exclusion	Business code
Atrium 1	Rue des Colonies 40 B-1000 Bruxelles	0	Non-significant	21
Atrium 2	Rue des Colonies 40 B-1000 Bruxelles	0	Non-significant	21
Belfius Fiduciaire SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	Non-significant	23
Belfius Part SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	Non-significant	31
Boonefaes Verzekeringen NV	Sint-Walburgapark 1 B-8360 Veurne	100	Non-significant	30
Bureau Laveaux & Martin SPRL	Ravensteinstraat 2 b3 B-9000 Gent	100	Non-significant	30
Caring people SA	Avenue de la Métrologie 2 B-1130 Bruxelles	100	Non-significant	47
Dexia Public Facilities Financing US SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	Non-significant	10
DVV Kantoor Eke NV	Steenweg 117 B-9810 Nazareth	100	Non-significant	30
Fynergie SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	Non-significant	32
GCC II Feeder BV	Herengracht 338 NL-1016 CG Amsterdam	100	Non-significant	41
Immorente SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	Non-significant	31
Sci St-Mesmin Immobilier	13, rue Croquechâtaigne F-45380 La Chapelle St Mesmin	100	Non-significant	32
Service Communal de Belgique SC	Avenue Louise 106 B-1050 Bruxelles	63.59	in liquidation	47
Shop Equipments SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	Non-significant	31
VDL – Interass NV	Brusselsesteenweg 346 C B-9090 Melle	100	Non-significant	30

3. Joint subsidiaries consolidated by the proportional method

Name	Head office	% of capital held[1]	Business code
Erasmus Gardens SA	Avenue Hermann-Debroux 42 B-1160 Bruxelles	33.33	31
Société Espace Léopold SA	Avenue Louise 416 B2 B-1050 Bruxelles	50	31

(1) Percentage of capital held by holding company.

4. Non-consolidated joint subsidiaries

Name	Head office	% of capital held(1)	Reason for exclusion	Business code
Arlinvest NV	Hamiltonpark 24-26 B-8000 Brugge	49	Non-significant	19
Domiane de Balzat SA	Avenue Jean Dubrucq 175 B-1080 Bruxelles	50	Non-significant	31
Finimmo SA	Boulevard Pachéco 44 B-1000 Bruxelles	50	Non-significant	16
Himba NV	Hamiltonpark 24-26 B-8000 Brugge	48.94	Non-significant	31
Inforum GIE	Rue d'Arlon 53 B-1040 Bruxelles	50	Non-significant	41
Leskoo NV	Gemeenschappenlaan 100 B-1200 St.-Lambrechts-Woluwe	50	Non-significant	31
Sepia SA	Avenue Galilée 5 B-1210 Bruxelles	50	Non-significant	28

5. Affiliated companies accounted for by the equity method

Name	Head office	% of capital held(1)	Business code
Auxipar SA	Avenue Britsiers 5 B-1030 Bruxelles	39.69	10
Aviabel SA	Avenue Louise 54 B-1050 Bruxelles	20	25
Ecetia Finances SA (ex SLF Finances)	Rue Sainte-Marie 5 B-4000 Liège	27.99	43
Ecetia Participations SA (ex SLF Participations)	Rue Sainte-Marie 5 B-4000 Liège	20.57	10
Isabel SA	Boulevard de l'Impératrice 13-15 B-1000 Bruxelles	24	39
Promotion Léopold SA	Avenue Louise 416 B2 B-1050 Bruxelles	35.5	31

6. Affiliated companies not accounted for by the equity method

Name	Head office	% of capital held(1)	Reason for exclusion	Business code
Arkafund NV	Alfons Gossetlaan 30 B-1702 Groot-Bijgaarden	25	Non-significant	32
Bancontact-Mistercash SA	Rue d'Arlon 82 B-1040 Bruxelles	20	Non-significant	48
Banking Funding Company SA	Rue d'Arlon 82 B-1040 Bruxelles	21.59	Non-significant	48
Bedrijvencentrum Regio Mechelen NV	De regenboog 11 B-2800 Mechelen	24.33	Non-significant	41
Ecetia Immobilier SA (ex SLF Immo)	Rue Sainte-Marie 5 B-4000 Liège	20.49	Non-significant	31
IDE Lux Finances SCRL	Drève de l'Arc-en-Ciel 98 B-6700 Arlon	36.87	Non-significant	16
Immochapelle SA	7, rue de la Chapelle L-1325 Luxembourg	20	Non-significant	31
Imsol NV	Molenbergstraat 2 B-2000 Antwerpen	40	Non-significant	31
Inframan SA	Boulevard Pachéco 44 B-1000 Bruxelles	50	Non-significant	47
Justinvest Antwerpen NV	Heistraat 129 B-2610 Antwerpen	33.33	Non-significant	32
Ondernemerstalent NV	P/A Universiteit Hasselt Agoralaan gebouw D B-3590 Diepenbeek	44.29	Non-significant	10

(1) Percentage of capital held by holding company.

Name	Head office	% of capital held(1)	Reason for exclusion	Business code
Rabot Invest NV	Heistraat 129 B-2610 Antwerpen	25	Non-significant	46
Red Laboratories NV	Z1 Researchpark 100 B-1731 Zellik	22.18	Non-significant	33
Re-Vive Brownfield CVBA	Oude Brusselseweg 71 B-9050 Ledeberg	25	Non-significant	31
Société Mixte de Développement Immobilier SA	Avenue Maurice Destenay 13 B-4000 Liège	25.04	Non-significant	32
Sofibru SA	Rue de Stassart 32 B-1050 Bruxelles	20	Non-significant	16
Vlabo Invest NV	Pater Damiaanstraat 5 B-3130 Betekom	41.43	Non-significant	32
Wandelaar Invest SA	Vieux Marché aux Grains 63 B-1000 Bruxelles	25	Non-significant	5
Zakenkantoor Vandepitte-Laplae NV	Astridlaan 37 B-8310 Assebroek	26	Non-significant	30

7. Belfius Bank Branches

Name	Head office	% of capital held(1)	Business code
Belfius Aéropole SCRL	Avenue Georges Lemaître 58 B-6041 Gosselies	26	4
Belfius Antwerpen Berchem CVBA	Grote Steenweg 456 B-2600 Berchem	26	4
Belfius Antwerpen Zuidrand CVBA	Kioskplaats 49 B-2660 Hoboken	26	4
Belfius Auderghem-Boisfort SCRL	Boulevard du Souverain 282 B-1160 Bruxelles	26	4
Belfius Basilix SCRL	Boulevard de Smet de Nayer 2 A B-1090 Bruxelles	26	4
Belfius Binche Mariemont SCRL	Avenue Charles Deliège 56 B-7130 Binche	26	4
Belfius Borinage SCRL	Rue J. Dufrane 3-5 B-7080 Frameries	26	4
Belfius Brugmann SCRL	Avenue Brugmann 247 B-1180 Bruxelles	26	4
Belfius Brugs Ommeland-Oudenburg CVBA	Gistelse Steenweg 447 B-8200 Brugge Sint-Andries	26	4
Belfius Bruxelles-Anderlecht SCRL	Place de la Vaillance 35 B-1070 Bruxelles	26	4
Belfius Centre Ardenne SCRL	Avenue de Bouillon 16 B-6800 Libramont	26	4
Belfius Charleroi Pont-à-Nôle SCRL	Avenue Paul Pastur 114 B-6032 Mont-sur-Marchienne	26	4
Belfius Charleroi-Sud SCRL	Boulevard Joseph Tirou 76-82 B-6000 Charleroi	26	4
Belfius Condroz-Famenne SCRL	Rue Saint-Eloi 1 B-5590 Ciney	26	4
Belfius Dilbeek-Lennik CVBA	Ninoofsesteenweg 117 B-1700 Dilbeek	26	4
Belfius Druivenstreek CVBA	Stationsplein 17 B-3090 Overijse	26	4
Belfius Durmevallei CVBA	Marktplein 3 B-9220 Hamme	26	4
Belfius Eeklo Gent-Oost CVBA	Grondwetlaan 9 B-9040 Sint-Amandsberg	26	4
Belfius Entre Sambre & Meuse SCRL	Rue de France 50-52 B-5600 Philippeville	26	4
Belfius Etterbeek SCRL	Rue des Champs 6 B-1040 Bruxelles	26	4

(1) Percentage of capital held by holding company.

Name	Head office	% of capital held(1)	Business code
Belfius Famenne-Semois SCRL	Rue des Ardennes 2 B-5570 Beauraing	26	4
Belfius Fléron-Beyne-Soumagne SCRL	Avenue des Martyrs 257 B-4620 Fléron	26	4
Belfius Geer-Visé SCRL	Rue Saint Hadelin 1 B-4600 Visé	26	4
Belfius Gent-Centrum & Noordwest CVBA	Zonnestraat 23-25 B-9000 Gent	26	4
Belfius Geraardsbergen-Ninove CVBA	Oudenaardsestraat 4-6 B-9500 Geraardsbergen	26	4
Belfius Groot Deurne CVBA	André Hermanslaan 1 B-2100 Deurne	26	4
Belfius Hageland Noord CVBA	Bogaardenstraat 26 B-3200 Aarschot	26	4
Belfius Hainaut Centre & Senne SCRL	Rue Albert 1er 23 B-7100 La Louvière	26	4
Belfius Haspengouw-West CVBA	Clockemstraat 38 B-3800 Sint-Truiden	26	4
Belfius Haute-Ardenne SCRL	Rue du Vieux Marché 21 C B-6690 Vielsalm	26	4
Belfius Hesbaye SCRL	Grand-Place 5 B-4280 Hannut	26	4
Belfius Kempen Noord CVBA	Gemeenteplaats 6 B-2960 Brecht	26	4
Belfius Kempen Oost CVBA	Markt 27 B-2400 Mol	26	4
Belfius Klein Brabant CVBA	Nieuwstraat 21 B-2830 Willebroek	26	4
Belfius Kortrijk CVBA	Wijngaardstraat 52 B-8500 Kortrijk	26	4
Belfius Lambermont-Laeken SCRL	Avenue H. Conscience 182 B-1140 Bruxelles	26	4
Belfius Leeuw en Zoniën CVBA	Alsembergsesteenweg 1410 B-1620 Drogenbos	26	4
Belfius Leuven CVBA	Brusselsestraat 2 B-3000 Leuven	26	4
Belfius Liège Centre & Sud SCRL	Rue des Mineurs 12 B-4000 Liège	26	4
Belfius Liège Nord & Est SCRL	Chaussée de Tongres 391 B-4000 Liège	26	4
Belfius Limburg Centrum CVBA	Dorpsstraat 1 A B-3530 Houthalen-Helchteren	26	4
Belfius Louise SCRL	Place Stéphanie 8 B-1050 Bruxelles	26	4
Belfius Mandel-Leie CVBA	Holdestraat 19 B-8760 Meulebeke	26	4
Belfius Meuse Ourthe Amblève SCRL	Place Joseph Thiry 47 B-4920 Aywaille	26	4
Belfius Midden-Brabant CVBA (in liquidation)	Tervuursesteenweg 202 B-3001 Heverlee	51	4
Belfius Namur-Eghezée SCRL	Chaussée de Louvain 440 B-5004 Bouge Namur	26	4
Belfius Namur Gembloux SCRL	Avenue de la Faculté d'Agronomie 12 B-5030 Gembloux	26	4
Belfius Namur Haute-Meuse SCRL	Rue de Marchovelette 1 B-5000 Namur	26	4
Belfius Netevallei CVBA	Grote Markt 13 B-2500 Lier	26	4
Belfius Nivelles-Tubize SCRL	Rue de Mons 55 B-1480 Tubize	26	4
Belfius Noord-Limburg CVBA	Hertog Janplein 45 B-3920 Lommel	26	4
Belfius Nord Picardie SCRL	Rue de la Station 39-41 B-7700 Mouscron	26	4

(1) Percentage of capital held by holding company.

Name	Head office	% of capital held[1]	Business code
Belfius Pays de Mons SCRL	Avenue Jean d'Avesnes 9 B-7000 Mons	26	4
Belfius Regio Aalst CVBA	Stationsstraat 4 B-9300 Aalst	26	4
Belfius Regio Asse-Ternat CVBA	Kattestraat 2 B-1730 Asse	26	4
Belfius Regio Dendermonde Buggenhout CVBA	Zuidlaan 2 B-9200 Dendermonde	26	4
Belfius Regio Erpe-Mere CVBA	Marktplein 36 B-9520 Sint-Lievens-Houtem	26	4
Belfius Regio Genk-Maaseik CVBA	Fruitmarkt 7 B-3600 Genk	26	4
Belfius Regio Hasselt CVBA	Havermarkt 36 B-3500 Hasselt	26	4
Belfius Regio Leie Schipdonk CVBA	Volhardingslaan 72 bus 1 B-9800 Deinze	26	4
Belfius Regio Mechelen CVBA	Grote Markt 31 B-2800 Mechelen	26	4
Belfius Regio Menen-Wevelgem CVBA	Kerkomtrek 16 B-8930 Menen	26	4
Belfius Regio Mortsel Kontich CVBA	Mechelsesteenweg 56 B-2640 Mortsel	26	4
Belfius Regio Noord-Antwerpen CVBA	Antwerpsesteenweg 49 B-2950 Kapellen	26	4
Belfius Regio Oostende-Oostkust CVBA	Monnikenwerve 200 B-8000 Brugge	26	4
Belfius Regio Roeselare Izegem CVBA	Hendrik Consciencestraat 23 b6 B-8800 Roeselare	26	4
Belfius Regio Sint-Niklaas CVBA	Hendrik Heymanplein 9 B-9100 Sint-Niklaas	26	4
Belfius Regio Tienen CVBA	Nieuwstraat 36 B-3300 Tienen	26	4
Belfius Regio Torhout Middelkerke CVBA	Markt 28 B-8820 Torhout	26	4
Belfius Regio Turnhout-Hoogstraten CVBA	Vrijheid 109 B-2320 Hoogstraten	26	4
Belfius Regio Waregem-Kruishoutem CVBA	Markt 12 B-8790 Waregem	26	4
Belfius Regio Wemmel CVBA	Markt 60-62 B-1780 Wemmel	26	4
Belfius Regio Westhoek CVBA	Grote Markt 31 B-8600 Diksmuide	26	4
Belfius Regio Zuid-Gent CVBA	Koning Albertlaan 142 B-9000 Gent	26	4
Belfius Région Huy-Andenne SCRL	Avenue du Bosquet 41 b11 B-4500 Huy	26	4
Belfius Région Liège Airport SCRL	Chaussée du Roi Albert 50 B-4430 Ans	26	4
Belfius Région Spa-Pays de Herve SCRL	Place du Marché 22 B-4651 Battice	26	4
Belfius Scheldeland CVBA	Kalkendorp 21 B-9270 Kalken	26	4
Belfius Sille & Dendre SCRL	Grand Place 72 B-7850 Enghien	26	4
Belfius Sud Luxembourg SCRL	Rue de la Poste 13 B-6700 Arlon	26	4
Belfius Tournai-Val de Verne SCRL	Rue Royale 105-109 B-7500 Tournai	26	4
Belfius Uccle-Rhode SCRL	Chaussée de Waterloo 1356 B-1180 Bruxelles	26	4
Belfius Val de Sambre SCRL	Rue de la Station 15-17 B-5060 Sambreville	26	4
Belfius Val d'Haine et Haut-Pays SCRL	Rue Grande 49 B-7380 Quiévrain	26	4

(1) Percentage of capital held by holding company.

Name	Head office	% of capital held(1)	Business code
Belfius Val du Piéton SCRL	Grand-Rue 12 B-6183 Trazegnies	26	4
Belfius Vallée de la Dyle SCRL	Place Alphonse Bosch 15 B-1300 Wavre	26	4
Belfius Vallée de la Woluwe SCRL	Place Dumon 22 B-1150 Bruxelles	26	4
Belfius Verviers-Heusy SCRL (in liquidation)	Rue de la Chapelle 36 B-4650 Herve	26	4
Belfius Vilvoorde-Zaventem CVBA	Portaelsplein 68 B-1800 Vilvoorde	26	4
Belfius Vlaamse Ardennen CVBA	Nederstraat 17 B-9700 Oudenaarde	26	4
Belfius Waterloo SCRL	Chaussée de Bruxelles 306 B-1410 Waterloo	26	4
Belfius West-Limburg CVBA	Kerkstraat 2 B-3560 Lummen	26	4
Belfius Zennevallei CVBA	Basiliekstraat 13 B-1500 Halle	26	4
Belfius Zottegem Land van Rhode CVBA	Heldenlaan 22 B-9620 Zottegem	26	4
Belfius Zuid-Oost Limburg CVBA	Visésteenweg 204 B1 B-3770 Riemst	26	4

(1) Percentage of capital held by holding company.

Business code

1. Bank, credit institution
2. Private savings bank
3. Government credit institution
4. Banking agency
5. Leasing
6. Home loans
7. Development capital
8. Consumer credits
9. Other lending activities
10. Investment company
11. Stock broking
12. Variable capital investment company
13. Mutual funds
14. Fund manager
15. Factoring
16. Infrastructure and construction financing
17. Other specific financing
18. Financial market administration
19. Asset and portfolio management, financial advisory services
20. Financial engineering, consultancy, financial research
21. Other professional services in financial sector
22. Guarantee company
23. Trust company
24. Foreign currency exchange
25. Life insurance
26. Nonlife insurance
27. Captive reinsurance
28. General insurance
29. Financial product agency and broking
30. Insurance agency and broking
31. Real estate (proprietary portfolio)
32. Real estate agency (third party)
33. Health and welfare
34. Computer business
35. Banking associations
36. Other associations
37. Sewage, road cleaning and maintenance and waste management
38. Recreation
39. Telecommunications
40. Transportation
41. Other services
42. Energy
43. Economic development
44. Water
45. Book publishing and multimedia
46. Research and development
47. Other service activities
48. Production, management, distribution of computerised payment media
49. Financing
50. Merchant banking

III. Business reporting

A business line is a distinguishable component of Belfius Bank that is engaged either in providing products or services (business segment). The segmentation of Belfius Bank was updated in 2012 and can be defined as follows:

- Franchise
  - Retail and Commercial Banking (RCB)
  - Public and Wholesale Banking (PWB), which includes Public and Corporate Banking
  - Insurance activities
  - Group Center
- Side

Changes in segmentation 2011 versus 2012

The changes in segmentation concern only Group Center and Side (formerly split in Investment portfolio and Group Center).

Compared to 2011, no changes occurred in the segmentations Retail and Commercial Banking, Public and Wholesale Banling and Insurance activities.

The objective of this new segmentation was to distinguish the essential activities (Core/Franchise).

Franchise is composed of Retail and Commercial Banking (RCB), Public and Wholesale Banking (PWB), Insurance activities and Group Center.

Group Center from 2012 is composed of the following activities:

- Treasury Management
- Collateral Management
- Central Assets
- Flow Management
- ALM rate & Liquidity Management

Since 2012 Side is composed of:

- Portfolio Management Group (PMG)
- Credit Spread Management and credit derivatives
- ALM Side (impact derisking on portfolio ALM)
- Arco and "Gemeentelijke Holding/Holding Communal"

1. Segmentation – Balance sheet

A. Published figures

	31/12/11	
(In thousands of EUR)	Actif	Passif
Retail and Commercial Banking	22,641,001	48,061,113
Public and Wholesale Banking	38,723,784	17,327,125
Insurances	20,149,998	20,149,998
Investment portfolio	59,665,557	16,946,438
Group Center	91,328,703	130,024,369
TOTAL	232,509,043	232,509,043

B. Pro forma[1]

	31/12/11		31/12/12	
(In thousands of EUR)	Actif	Passif	Actif	Passif
Retail and Commercial Banking	22,641,001	48,061,113	18,783,271	48,842,595
Public and Wholesale Banking	38,723,784	17,327,125	38,194,185	20,067,621
Insurance activities	20,149,998	20,149,998	22,248,680	22,248,680
Group Center	124,060,876	144,248,938	110,183,023	119,215,438
FRANCHISE	**205,575,659**	**229,787,175**	**189,409,158**	**210,374,335**
SIDE	26,933,384	2,721,869	23,537,891	2,572,714
TOTAL	232,509,043	232,509,043	212,947,049	212,947,049

(1) Figures 2011 were restated due to new segment presentation.

2. Segmentation – Result

A. Published figures

(In thousands of EUR)	31/12/11			
	Income	o/w net income from associates	o/w net interest and dividend income	Net income before tax
Retail and Commercial Banking	1,379,926	316	1,067,123	235,345
Public and Wholesale Banking	415,014	1,572	331,267	177,051
Insurances	(387,227)	(15,257)	774,902	(612,414)
Investment portfolio	(1,080,626)	0	28,288	(1,107,256)
Group Center	(260,820)	10,631	8,863	(838,430)
TOTAL	66,268	(2,739)	2,210,444	(2,145,704)
Net income before tax				(2,145,704)
Taxes				778,791
Minority interests				97
NET INCOME – GROUP SHARE				(1,366,816)

B. Pro forma[1]

(In thousands of EUR)	31/12/11			
	Income	o/w net income from associates	o/w net interest and dividend income[2]	Net income before tax
Retail and Commercial Banking	1,379,926	316	1,067,123	235,345
Public and Wholesale Banking	415,014	1,572	331,267	177,051
Insurance activities	(387,227)	(15,257)	774,902	(612,414)
Group Center	(10,354)	10,631	50,968	(206,240)
FRANCHISE	1,397,360	(2,739)	2,224,261	(406,258)
SIDE	(1,331,092)	0	54,309	(1,739,447)
TOTAL	66,268	(2,739)	2,278,570	(2,145,705)
Net income before tax				(2,145,705)
Taxes				778,791
Minority interests				97
NET INCOME – GROUP SHARE				(1,366,817)

(1) Figures 2011 were restated due to new segment presentation.
(2) The presentation of the interest results of the derivatives has been revised. We refer to the "consolidated statement of income" for a detailed description.

(In thousands of EUR)	31/12/12 Income	o/w net income from associates	o/w net interest and dividend income	Net income before tax
Retail and Commercial Banking	1,313,773	(389)	1,023,779	247,501
Public and Wholesale Banking	380,881	548	293,305	177,315
Insurance activities	269,940	2,667	778,351	79,329
Group Center	21,306	2,968	86,400	(158,232)
FRANCHISE	**1,985,900**	**5,793**	**2,181,835**	**345,913**
SIDE	**472,442**	**0**	**(5,960)**	**251,312**
TOTAL	**2,458,342**	**5,793**	**2,175,875**	**597,225**
Net income before tax				597,225
Taxes				(180,503)
Minority interests				(1,369)
NET INCOME – GROUP SHARE				**415,354**

The published result of the Belfius Insurance Group is different from the segment result "Insurance activities" due to various consolidation adjustments at Belfius group level.

IV. Significant items included in the statement of income

The result for 2012 increased with an amount of EUR 1,782 million compared to previous financial year .

While the result in 2011 is mainly impacted by the write-down on Greek sovereign bonds, the result of 2012 is mainly determined by the realised gains on the buy-back programmes of subordinated debt, though, partly offset by the tactical derisking of the bond portfolio and for the restructuring provision.

For more information we refer to the review of the result in the management report.

V. Post-balance-sheet events

Early 2013, an agreement was reached with "Mouvement Social" and "Sociaal engagement" about the repurchase of profit-sharing certificates. This repurchase programme has a positive impact on the consolidated result in 2013.

As a result of an agreement reached in 2012 with various entities of the Arco Group, Belfius Insurance proceeded in 2013 with the acquisition of a package of 1.4 million of Elia shares at a price of EUR 31 per share, with an additional commitment to transfer 1/3 of the gross dividend which will be received for 2012, 2013 and 2014. This purchase is part of the investment policy of Belfius Insurance. It increases the participation of Belfius Insurance in Elia to 3,276,497 shares, or 5.41%.

At the beginning of 2013, Assured Guarantee, a monoline insurer with which Belfius has a number of transactions, was downgraded. This will have a limited impact on the collective impairment on these contracts. In addition, for the transactions classified in trading, the impact is limited as the rating downgrade has already been factored into the credit spreads applied at year-end.

The exposure on Dexia has been further reduced in 2013; we refer to the "Risk Management" part of the Management Report.

As a result of the agreement between Dexia and the Belgian, French and Luxembourg governments, the characteristics of the "Government Guaranteed Bonds" issued by the Dexia Group (more specifically Dexia Crédit Local de France – DCL) have been changed in 2013. As this is merely a change in guarantees, there is no impact on either the balance sheet or the statement of income.

In a ruling dated 25th March 2013, the Council of State asked the Constitutional Court whether the government guarantee for cooperative shareholders in Arcofin, Arcopar and Arcoplus, all of which are in liquidation, complies with the principle of non-discrimination. We also refer in this matter to the Council of State website.

VI. Litigation

We refer to the "Risk Management" part, Litigation.

VII. Notes on the assets of the consolidated balance sheet

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

7.1. Cash and cash equivalents

For the purpose of the cash flow statement, "cash and cash equivalents" comprises the following balances with less than 90 days remaining term:

1. Analysis by nature

(In thousands of EUR)	31/12/11	31/12/12
Cash and balances with central banks	713,120	1,964,113
Loans and advances due from banks	12,563,718	3,815,771
Financial assets available for sale(1)	14,336,193	1,369,317
Non-current assets held for sale	0	0
TOTAL	27,613,031	7,149,201

(1) In 2012, the Government Guaranteed Bonds issued by Dexia on 3 months were transformed into three-year bonds.

2. Of which restricted cash

(In thousands of EUR)	31/12/11	31/12/12
Mandatory reserves(1)	213,389	0
Other	0	0
TOTAL	213,389	0

(1) "Mandatory reserves": minimum reserve deposits credit institutions must have with European Central Bank or with other central banks.

7.2. Cash and balances with central banks

Analysis by nature

(In thousands of EUR)	31/12/11	31/12/12
Cash in hand	499,731	463,928
Balances with central banks other than mandatory reserve deposits(1)	0	1,500,184
Mandatory reserve deposits	213,855	448
TOTAL	713,586	1,964,560
Of which included in cash and cash equivalents	*713,120*	*1,964,113*

(1) Following the improved liquidity position, Belfius had a cash surplus with the National Bank of Belgium on 31 December 2012. We also refer to the "Risk Management" part of the Management Report.

7.3. Loans and advances due from banks

1. Analysis by nature

(In thousands of EUR)	31/12/11	31/12/12
Cash collateral	15,945,550	19,276,013
Sight accounts	5,223,350	1,005,339
Reverse repurchase agreements	8,514,823	5,607,501
Loans and other advances(1)	15,278,505	1,754,655
Debt instruments(2)	1,193,058	13,652,024
Impaired loans	13,149	13,252
Impaired debt instruments	45,793	10,123
Less :		
Specific impairment on impaired loans or impaired debt instruments	(24,008)	(15,815)
Collective impairment	(15,317)	(23,306)
TOTAL	46,174,903	41,279,786
Of which included in cash and cash equivalents	*12,563,718*	*3,815,771*
Of which included in finance lease	*0*	*0*

(1) The decrease is mainly explained by the further reduction of positions on Dexia, we refer to the "Risk management" part of the Management report.
(2) In 2011 the first Government Guaranteed Bonds (GGBs) issued by Dexia were recorded in the category "Financial investments", whereas in 2012 the renewed GGB's were classified in the category "Loans and advances due from banks".

2. Analysis of quality

See note 7.15. Quality of financial assets

3. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

4. Analysis of the fair value

See note 12.1.

5. Reclassification of financial assets (IAS 39 amended)

See note 7.7.

7.4. Loans and advances to customers

1. Analysis by counterparty

(In thousands of EUR)	31/12/11	31/12/12
Public sector	19,216,903	19,260,163
Corporate[1]	34,521,765	31,527,024
Retail	37,086,521	37,837,872
Impaired loans	2,444,838	2,370,097
Impaired debt instruments	98,515	162,552
Less :		
Specific impairment on impaired loans or impaired debt instruments[2]	(994,529)	(1,184,619)
Collective impairment	(440,823)	(486,973)
TOTAL	91,933,190	89,486,116
Of which included in finance lease	*2,914,276*	*2,947,290*

(1) The decrease is mainly explained by the further reduction of positions on Dexia; we refer to the "Risk Management" part of the Management Report.
(2) The increase of the "Specific impairment on impaired loans or impaired debt instruments" is mainly linked to the Side activities.

2. Analysis by nature

(In thousands of EUR)	31/12/11	31/12/12
Cash collateral	2,427,642	2,480,999
Reverse repurchase agreements	689,403	478,775
Loans and other advances	78,677,660	77,348,744
Of which bills & own acceptances	*40,230*	*12,563*
Of which finance leases	*2,914,276*	*2,947,290*
Of which securitised loans	*21,530,139*	*20,636,864*
Of which consumer credits	*1,481,775*	*1,382,441*
Of which mortgage loans	*9,642,145*	*13,272,049*
Of which term loans	*38,550,721*	*35,507,434*
Of which current accounts	*3,669,387*	*2,316,301*
Of which other loans and advances	*848,987*	*1,273,802*
Debt instruments	9,030,484	8,316,541
Impaired loans	2,444,838	2,370,097
Impaired debt instruments	98,515	162,552
Less:		
Specific impairment on impaired loans or impaired debt instruments[1]	(994,529)	(1,184,619)
Collective impairment	(440,823)	(486,973)
TOTAL	91,933,190	89,486,116

(1) The increase Of the "Specific impairment on impaired loans or impaired debt instrumets" is mainly linked to the Side activities.

3. Analysis of quality

See note 7.15. Quality Of financial assets

4. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

5. Analysis of the fair value

See note 12.1.

6. Reclassification of financial assets (IAS 39 amended)

See note 7.7.

7.5. Financial assets measured at fair value through profit or loss

(In thousands of EUR)	31/12/11	31/12/12
Financial assets held for trading	2,068,297	1,314,247
Financial assets designated at fair value[1]	3,432,337	3,763,388
TOTAL	5,500,634	5,077,635

(1) Mainly branch 23.

FINANCIAL ASSETS HELD FOR TRADING

1. Analysis by counterparty

(In thousands of EUR)	31/12/11	31/12/12
Public sector	129,720	63,476
Banks	225,670	44,413
Corporate	1,710,928	1,206,358
Retail	1,979	0
TOTAL	2,068,297	1,314,247
Of which included in finance lease	*0*	*0*

2. Analysis by nature

(In thousands of EUR)	31/12/11	31/12/12
Loans	74,382	53,712
Bonds issued by public bodies	124,887	62,487
Other bonds and fixed-income instruments	1,850,778	1,182,696
Equity and variable-income instruments	18,250	15,352
TOTAL	2,068,297	1,314,247

3. Treasury bills and other eligible bills for refinancing to the central banks

(In thousands of EUR)	31/12/11	31/12/12
Treasury bills and other eligible bills for refinancing to the central banks	14,923	2,999

4. Securities pledged under repurchase agreements with other banks

	Fair value	
(In thousands of EUR)	31/12/11	31/12/12
Included in bonds issued by public bodies	16,538	9,239
Included in other bonds and fixed-income instruments	0	0

5. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

6. Analysis of the fair value

See note 12.1.

7. Reclassification of financial assets (IAS 39 amended)

See note 7.7.

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE

1. Analysis by counterparty

(In thousands of EUR)	31/12/11	31/12/12
Public sector	42,122	27,654
Banks	14,023	8,418
Corporate	3,376,192	3,727,316
Retail	0	0
TOTAL	3,432,337	3,763,388
Of which included in finance lease	*0*	*0*

2. Analysis by nature

(In thousands of EUR)	31/12/11	31/12/12
Loans	299,756	304,864
Other bonds and fixed-income instruments	189	0
Equity and variable-income instruments	0	0
Unit-linked products Insurance – bonds and loans	320,725	748,699
Unit-linked products Insurance – equity and variable-income instruments	2,811,667	2,709,825
TOTAL	3,432,337	3,763,388

3. Treasury bills and other eligible bills for refinancing to the central banks

Nil

4. Securities pledged under repurchase agreements with other banks

Nil

5. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

6. Analysis of the fair value

See note 12.1.

The category "Financial assets designated at fair value through profit or loss" is used in the following situations:

- for the insurance activities: unit-linked contracts (branch 23). The return of the unit-linked product belongs entirely to its policyholder.
- for the banking activities: to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

The methodology used to determine the fair value of "Financial assets designated at fair value" is presented in the valuation rules.

7.6. Financial investments

1. Analysis by counterparty

(In thousands of EUR)	31/12/11	31/12/12
Public sector	16,419,735	16,730,316
Banks[1]	19,533,683	7,213,647
Corporate	8,175,242	7,473,608
Retail	19,103	63,628
Impaired financial investments[2]	2,538,947	222,056
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	46,686,710	31,703,255
Less:		
Specific and collective impairment on impaired financial investments[2]	(1,774,788)	(99,592)
TOTAL	44,911,922	31,603,663
Of which included in cash and cash equivalents	*14,336,193*	*1,369,317*

(1) In 2011, Government Guaranteed Bonds (GGB) issued by Dexia were classified in de category "Financial investments". In 2012, however, the renewed GGBs from Dexia were presented in the category "Loans and advances to banks".
(2) Impairments in 2011 were mainly related to Greek sovereign bonds, the entire position was sold in 2012.

2. Analysis of quality

See note 7.15. Quality of financial assets

3. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

4. Analysis by nature

	Available for sale		Held to maturity		Total	
(In thousands of EUR)	31/12/11	31/12/12	31/12/11	31/12/12	31/12/11	31/12/12
Loans	20,436	0	0	0	20,436	0
Bonds issued by public bodies	18,623,695	16,444,888	0	0	18,623,695	16,444,888
Other bonds and fixed-income instruments[1]	27,004,937	14,070,185	0	0	27,004,937	14,070,185
Equity and variable-income instruments	1,037,642	1,188,182	0	0	1,037,642	1,188,182
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	46,686,710	31,703,255	0	0	46,686,710	31,703,255
Specific impairment on impaired financial investments[2]	(1,774,788)	(99,592)	0	0	(1,774,788)	(99,592)
TOTAL FINANCIAL INVESTMENTS	44,911,922	31,603,663	0	0	44,911,922	31,603,663

(1) In 2011, Government Guaranteed Bonds (GGB) issued by Dexia were classified in de category "Financial investments". In 2012, however, the renewed GGBs from Dexia were presented in the category "Loans and advances to banks".
(2) Impairments in 2011 were mainly related to Greek sovereign bonds, the entire position was sold in 2012.

5. Convertible bonds included in the available-for-sale portfolio (position greater than EUR 50 million)

Nil

6. Reclassification (IFRS 7.12)

Nil

7. Analysis of the fair value

See note 12.1.

8. Reclassification of financial assets (IAS 39 amended)

See note 7.7.

7.7. Reclassification of financial assets (IAS 39 amended)

(In thousands of EUR)	From Trading to Loans and receivables (1)	From Trading to Available-for-sale portfolio (2)	From Available-for-sale portfolio to Loans and receivables (3)
Carrying amount of assets reclassified, at 1 October 2008	2,800,549	0	15,446,859
Carrying amount of assets reclassified, at 1 January 2009	0	0	872,647
Carrying amount of reclassified assets at 31 December 2011 (A)	575,919	0	8,564,853
Fair value of reclassified assets at 31 December 2011 (B)	433,393	0	7,062,969
AMOUNT NOT TAKEN IN INCOME (1) & (2) DUE TO RECLASSIFICATION (B)-(A)	**(142,526)**	**0**	**n.a.**
AMOUNT NOT TAKEN IN AFS RESERVE (3) DUE TO RECLASSIFICATION (B)-(A)	**n.a.**	**n.a.**	**(1,501,884)**
P/D amortisation in P&L during the year	730	0	n.a.
P/D amortisation in AFS reserve during the year	n.a.	n.a.	87,806

(In thousands of EUR)	From Trading to Loans and receivables (1)	From Trading to Available-for-sale portfolio (2)	From Available-for-sale portfolio to Loans and receivables (3)
Carrying amount of reclassified assets at 31 December 2012 (A)	442,313	0	7,463,675
Fair value of reclassified assets at 31 December 2012 (B)	392,332	0	6,226,976
CUMULATED AMOUNT NOT TAKEN IN INCOME (1) & (2) DUE TO RECLASSIFICATION (B)-(A)	**(49,981)**	**0**	**0**
CUMULATED AMOUNT NOT TAKEN IN AFS RESERVE (3) DUE TO RECLASSIFICATION (B)-(A)	**n.a.**	**n.a.**	**(1,236,699)**
P/D amortisation in P&L during the year	442	0	0
P/D amortisation in AFS reserve during the year	n.a.	n.a.	83,336

Belfius Bank decided in 2008 and 2009 to apply the amendment of IAS 39 & IFRS 7 "Reclassification of Financial Assets".

1. Impacts of reclassifications on equity and results

We refer to the accounting policies for further details on the impact of the reclassification.

A. Transfer from "Held for trading" to "Loans and receivables"

Belfius Bank reclassified in 2008 EUR 2,8 billion from "Held for trading" to "Loans and receivables".

The difference between the carrying amount at reclassification date and the reimbursement amount is amortised over the remaining life of the asset in result.

The impact of this amortisation in the interest margin amounts to EUR 0,4 million in 2012 and EUR 0,7 million in 2011.

The fair value of reclassified assets amounts to EUR 392 million which is lower than the carrying amount of EUR 442 million at 31 December 2012.

If these bonds had not been reclassified, the difference between the fair value and the carrying amount would have been recorded in "Net income from financial instruments at fair value through profit or loss".

B. Transfer from Available for sale (AFS) to Loans and receivables (L&R)

Belfius Bank has also reclassified a significant portfolio from "Available-for-sale portfolio" to "Loans and receivables" for an amount of EUR 16,3 billion in 2008 and 2009.

The "Available-for-sale reserve for securities" was frozen at the moment of the reclassification and is subsequently amortised in result.

This amortisation is, however, compensated by the amortisation of the premium/discount of the reclassified bond, thus fully compensating the impact in result.

The fair value of reclassified assets amounts to EUR 6,23 billion which is lower than the carrying amount of EUR 7,46 billion at 31 December 2012.

If these bonds had not been reclassified, the difference between the fair value and the carrying amount would have been recorded in "Available-for-sale reserves on securities".

The reclassification resulted in a decrease of the "Cost of risk" of EUR 17 million in 2011 and EUR 7 million in 2012.

7.8. Investments in associates

1. Carrying value

(In thousands of EUR)	31/12/11	31/12/12
CARRYING VALUE AS AT 1 JANUARY	277,969	93,154
Acquisitions	490	0
Disposals(1)	(139,964)	(2,481)
Change in scope of consolidation (in)	0	0
Change in scope of consolidation (out)	0	0
Share of result before tax	(2,101)	6,184
Share of tax	(638)	(391)
Dividend paid	(38,444)	(3,549)
Changes in goodwill (see below)	0	0
Share of gains and losses not recognised in the statement of income	(3,253)	0
Translation adjustments	(905)	0
Impairment: booked	0	0
Impairment: write-back	0	0
Impairment: write-off	0	0
Other	0	(45)
CARRYING VALUE AS AT 31 DECEMBER	93,154	92,872

(1) The disposals in 2011 contain mainly Dexia Asset Management Luxembourg and its subsidiaries.

2. Positive goodwill included in carrying amount

Nil

3. List of major associates

	Book value		Website
(In thousands of EUR)	31/12/11	31/12/12	
Ecetia Finances SA	63,962	63,931	www.ecetia.be
Ecetia Participations SA	13,850	14,057	www.ecetia.be
Aviabel SA	8,570	8,455	www.aviabel.be
Isabel SA	3,818	3,110	www.isabel.eu
Auxipar SA	0	2,854	
Promotion Léopold SA	473	465	
TOTAL	90,673	92,872	

4. Discontinuation of recognition of share of loss (negative equity)

Nil

7.9. Tangible fixed assets

1. Net book value

(In thousands of EUR)	Land and buildings		Office furniture and other equipment			Investment property[2]	Total
	Own use owner[1]	Own use finance lease	Own use owner	Own use finance lease	Operating lease		
ACQUISITION COST AS AT 1 JANUARY 2011	**1,851,955**	**2,507**	**483,555**	**22**	**0**	**152,451**	**2,490,490**
Acquisitions	194,189	0	16,789	0	0	124,648	335,626
Subsequent expenditures	44,450	0	0	0	0	10,334	54,784
Post-acquisition adjustment	0	0	0	0	0	0	0
Disposals	(112,001)	0	(3,345)	0	0	(2,552)	(117,898)
Change in scope of consolidation (in)	0	0	0	0	0	0	0
Change in scope of consolidation (out)	0	0	(675)	0	0	0	(675)
Transfers and cancellations	(43,403)	0	(17,020)	0	0	1,243	(59,180)
Translation adjustments	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
ACQUISITION COST AS AT 31 DECEMBER 2011 (A)	1,935,190	2,507	479,304	22	0	286,124	2,703,147
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JANUARY 2011	**(861,701)**	**(141)**	**(361,863)**	**(13)**	**0**	**(25,479)**	**(1,249,197)**
Post-acquisition adjustment	0	0	0	0	0	0	0
Booked	(43,235)	(25)	(25,190)	(32)	0	(21,318)	(89,800)
Impairment[3]	(48,384)	0	0	0	0	0	(48,384)
Write-back	181	0	0	0	0	0	181
Disposals	28,282	0	3,272	0	0	346	31,900
Change in scope of consolidation (in)	0	0	0	0	0	0	0
Change in scope of consolidation (out)	0	0	408	0	0	0	408
Transfers and cancellations	31,560	0	16,992	29	0	4,192	52,773
Translation adjustments	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31 DECEMBER 2011 (B)	(893,297)	(166)	(366,381)	(16)	0	(42,259)	(1,302,119)
NET BOOK VALUE AS AT 31 DECEMBER 2011 (A)+(B)	1,041,893	2,341	112,923	6	0	243,865	1,401,028

(1) The acquisitions include mainly leasing contracts for the construction of property. The disposals include the delivery of these leasing contracts.
(2) In 2011, KAM Bruges North and KAM Bruges South were purchased; in 2012, the acquisitions include the Courthouse in Hasselt and retirement homes through the entities LFB and Legros Renier.
(3) For more information regarding this impairment, see note 11.13.

(In thousands of EUR)	Land and buildings		Office furniture and other equipment			Investment property(2)	Total
	Own use owner(1)	Own use finance lease	Own use owner	Own use finance lease	Operating lease		
ACQUISITION COST AS AT 1 JANUARY 2012	1,935,190	2,507	479,304	22	0	286,124	2,703,147
Acquisitions	182,535	0	9,588	0	0	102,756	294,879
Subsequent expenditures	19,140	0	0	0	0	10,515	29,655
Post-acquisition adjustment	0	0	0	0	0	14,139	14,139
Disposals	(230,006)	0	(405)	(5)	0	(61)	(230,477)
Change in scope of consolidation (in)	0	0	1	0	0	16,142	16,143
Change in scope of consolidation (out)	0	0	0	0	0	0	0
Transfers and cancellations	20,851	0	(87,062)	0	0	(11,713)	(77,924)
Translation adjustments	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
ACQUISITION COST AS AT 31 DECEMBER 2012 (A)	1,927,710	2,507	401,426	17	0	417,902	2,749,562
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JANUARY 2012(3)	(893,297)	(166)	(366,381)	(16)	0	(42,259)	(1,302,119)
Post-acquisition adjustment	0	0	0	0	0	0	0
Booked	(25,146)	(26)	(24,081)	0	0	(18,127)	(67,380)
Impairment(4)	(466)	0	(51)	0	0	0	(517)
Write-back	766	0	0	0	0	0	766
Disposals	21,433	0	397	0	0	75	21,905
Change in scope of consolidation (in)	0	0	(1)	0	0	(2,673)	(2,674)
Change in scope of consolidation (out)	0	0	0	0	0	0	0
Transfers and cancellations	(16,799)	0	87,063	0	0	10,464	80,728
Translation adjustments	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31 DECEMBER 2012 (B)	(913,509)	(192)	(303,054)	(16)	0	(52,520)	(1,269,291)
NET BOOK VALUE AS AT 31 DECEMBER 2012 (A)+(B)	1,014,201	2,315	98,372	1	0	365,382	1,480,271

(1) The acquisitions include mainly leasing contracts for the construction of property. The disposals include the delivery of these leasing contracts.
(2) In 2011, KAM Bruges North and KAM Bruges South were purchased; in 2012, the acquisitions include the Courthouse in Hasselt and retirement homes through the entities LFB and Legros Renier.
(3) In 2012 the useful life of certain assets was reassessed. To align to the economic reality and current market practice, the depreciation term for certain buildings was reviewed and prolonged from 20 into 33 years. This had a positive impact in 2012 of EUR 23 million (before tax).
(4) For more information regarding this impairment, see note 11.13.

2. Fair value of investment properties

(In thousands of EUR)	31/12/11	31/12/12
TOTAL	253,621	371,133
Fair value subject to an independent valuation	124,192	222,075
Fair value not subject to an independent valuation	129,429	149,058

3. Expenditures

Nil

4. Contractual obligations relating to investment property at the end of the period

Nil

5. Contractual obligations relating to property, plant and equipment at the end of the period

Nil

7.10. Intangible assets and goodwill

(In thousands of EUR)	Positive goodwill(1)	Internally developed software	Other intangible assets(2)	Total
ACQUISITION COST AS AT 1 JANUARY 2011	129,886	478,275	70,249	678,410
Acquisitions	0	29,384	5,394	34,778
Disposals	0	(2,265)	0	(2,265)
Change in scope of consolidation (in)	0	0	0	0
Change in scope of consolidation (out)	0	0	(94)	(94)
Transfers and cancellations	0	0	(9,572)	(9,572)
Translation adjustments	0	0	0	0
Post-acquisition adjustment	0	0	0	0
Other	0	0	0	0
ACQUISITION COST AS AT 31 DECEMBER 2011 (A)	129,886	505,394	65,977	701,257
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2011	(25,920)	(373,642)	(49,613)	(449,175)
Booked	0	(34,992)	(8,220)	(43,212)
Change in scope of consolidation (in)	0	0	0	0
Change in scope of consolidation (out)	0	0	91	91
Write-back	0	0	0	0
Disposals	0	0	0	0
Transfers and cancellations	0	0	9,572	9,572
Translation adjustments	0	0	0	0
Post-acquisition adjustment	0	0	0	0
Other	0	0	0	0
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2011 (B)	(25,920)	(408,634)	(48,170)	(482,724)
NET BOOK VALUE AS AT 31 DECEMBER 2011 (A) + (B)	103,966	96,760	17,807	218,533

(1) Positive goodwill only includes goodwill on the Belfius Insurance Group. We also refer to the note 11.14. Impairment on goodwill.
(2) Other intangible assets include mainly purchased software: EUR 17,583 thousand in 2011 and EUR 17,749 thousand in 2012.

(In thousands of EUR)	Positive goodwill(1)	Internally developed software	Other intangible assets(2)	Total
ACQUISITION COST AS AT 1 JANUARY 2012	129,886	505,394	65,977	701,257
Acquisitions	0	28,413	8,221	36,634
Disposals	0	(1,050)	(632)	(1,682)
Change in scope of consolidation (in)	0	0	0	0
Change in scope of consolidation (out)	0	0	0	0
Transfers and cancellations(3)	0	(255,088)	(696)	(255,784)
Translation adjustments	0	0	0	0
Post-acquisition adjustment	0	0	0	0
Other	0	0	304	304
ACQUISITION COST AS AT 31 DECEMBER 2012 (A)	129,886	277,669	73,174	480,729
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2012	(25,920)	(408,634)	(48,170)	(482,724)
Booked	0	(36,194)	(8,157)	(44,351)
Change in scope of consolidation (in)	0	0	0	0
Change in scope of consolidation (out)	0	0	0	0
Write-back	0	0	0	0
Disposals	0	54	314	368
Transfers and cancellations	0	255,088	684	255,772
Translation adjustments	0	0	0	0
Post-acquisition adjustment	0	0	0	0
Other	0	0	0	0
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2012 (B)	(25,920)	(189,686)	(55,329)	(270,935)
NET BOOK VALUE AS AT 31 DECEMBER 2012 (A)+(B)	103,966	87,983	17,845	209,794

(1) Positive goodwill only includes goodwill on the Belfius Insurance Group. We also refer to the note 11.14. Impairment on goodwill.
(2) Other intangible assets include mainly purchased software: EUR 17,583 thousand in 2011 and EUR 17,749 thousand in 2012.
(3) Cancellation of assets that are fully depreciated and no longer used.

7.11. Tax assets

(In thousands of EUR)	31/12/11	31/12/12
Current taxes	26,938	22,918
Deferred tax assets (see note 9.2.)	2,035,386	1,174,510
TOTAL	2,062,324	1,197,428

7.12. Other assets

(In thousands of EUR)	31/12/11	31/12/12
Other assets	1,119,673	840,345
Other assets specific to insurance companies	225,043	315,415
TOTAL	1,344,716	1,155,760

1. Other assets

Analysis by nature

(In thousands of EUR)	31/12/11	31/12/12
Accrued income	53,165	54,568
Deferred expenses	21,177	16,404
Accounts receivable from clients	888,001	565,709
Plan assets[1]	6,157	6,441
Long-term construction contracts	0	0
Inventories	1,038	1,155
Operational taxes	45,429	33,150
Precious metals	104,706	162,918
TOTAL	1,119,673	840,345

(1) see note 8.6.5.I.

2. Other assets specific to insurance companies

Analysis by nature (acquisition costs and share of reinsurers)

(In thousands of EUR)	31/12/11	31/12/12
Share of the reinsurers in the technical reserves	84,708	100,455
Receivables resulting from direct insurance transactions	42,442	46,884
Premiums still to be issued	23,029	2,875
Deferred acquisition costs	4,013	5,944
Other insurance assets[1]	70,851	159,257
Impaired insurance assets	419	547
Less:		
Specific impairment	(419)	(547)
Provisions on not impaired insurance assets	0	0
TOTAL	225,043	315,415

(1) Mainly claims on reinsurance entities.

7.13. Non current assets held for sale

(In thousands of EUR)	31/12/11	31/12/12
Assets of subsidiaries held for sale	0	0
Tangible and intangible assets held for sale	21,504	18,209
Discontinued operations	0	0
Other assets	1,461	1,408
TOTAL	22,965	19,617

7.14. Leasing

1. Belfius as a lessor

A. Finance lease

(In thousands of EUR)	31/12/11	31/12/12
Gross investment in finance leases		
Not later than 1 year	798,106	720,213
Later than 1 year and not later than 5 years	1,499,251	1,504,967
Later than 5 years	1,309,077	1,380,749
SUBTOTAL (A)	3,606,434	3,605,929
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASES (B)	697,608	663,377
NET INVESTMENT IN FINANCE LEASES (A)-(B)	2,908,826	2,942,552

(In thousands of EUR)	31/12/11	31/12/12
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	679,473	606,518
Later than 1 year and not later than 5 years	1,190,084	1,203,140
Later than 5 years	1,039,269	1,132,894
TOTAL	2,908,826	2,942,552

(In thousands of EUR)	31/12/11	31/12/12
Amount of contingent rents recognised in the statement of income during the period	0	0
Amount of uncollectible finance lease receivables included in the provision for loan losses at the end of the period	97,192	64,395
Residual values unguaranteed by lessees	0	0
Estimated fair value of finance lease	2,819,886	2,960,637
Accumulated allowance for uncollectible minimum lease payments receivable	26,933	28,548

B. Operating lease

(In thousands of EUR)	31/12/11	31/12/12
Future net minimum lease receivables under non-cancellable operating leases are as follows:		
Not later than 1 year	9,333	14,592
Later than 1 year and not later than 5 years	34,388	51,344
Later than 5 years	227,484	307,349
TOTAL	271,205	373,285
Amount of contingent rents recognised in the statement of income during the period	0	0

2. Belfius as a lessee

A. Finance lease

Amounts involved are immaterial. See note 7.9.

B. Operating lease

(In thousands of EUR)	31/12/11	31/12/12
Future net minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	8,265	9,574
Later than 1 year and not later than 5 years	27,347	31,177
Later than 5 years	19,736	23,686
TOTAL	55,348	64,437
Amount of future minimum sublease payments expected to be received under non-cancellable subleases at the balance-sheet date	8,084	6,263
Lease and sublease payments recognised as an expense during the period:		
Minimum lease payments	23,046	8,957
Contingent rents	69	0
Sublease payments	(694)	(30)
TOTAL	22,421	8,927

7.15. Quality of financial assets

1. Analysis of normal loans and securities

	Gross amount (A)	
(In thousands of EUR)	31/12/11	31/12/12
Normal loans and advances due from banks	46,155,287	41,295,532
Normal loans and advances to customers	90,825,189	88,625,059
Normal investments held to maturity	0	0
Normal financial assets available for sale	44,147,763	31,481,200
of which fixed-income instruments	*43,180,007*	*30,437,821*
of which equity instruments	*967,756*	*1,043,379*
Collective impairment on not specifically impaired loans (-)	(456,140)	(510,279)
TOTAL	180,672,099	160,891,512

2. Analysis of impaired loans and securities

(In thousands of EUR)	Gross amount (B) 31/12/11	Gross amount (B) 31/12/12	Specific loan loss allowance (C) 31/12/11	Specific loan loss allowance (C) 31/12/12	Total (B)+(C) 31/12/11	Total (B)+(C) 31/12/12
Impaired loans and advances due from banks	58,942	23,375	(24,008)	(15,814)	34,934	7,561
Impaired loans and advances to customers(1)	2,543,352	2,532,649	(994,529)	(1,184,619)	1,548,823	1,348,030
Impaired investments held to maturity	0	0	0	0	0	0
Impaired financial assets available for sale	2,538,947	222,055	(1774,788)	(99,592)	764,159	122,463
of which fixed-income instruments(2)	*2,469,061*	*77,252*	*(1,732,318)*	*(33,648)*	*736,743*	*43,604*
of which equity instruments	*69,886*	*144,803*	*(42,470)*	*(65,944)*	*27,416*	*78,859*
TOTAL	5,141,241	2,778,079	(2,793,325)	(1,300,025)	2,347,916	1,478,054

(1) The increase of "Specific impairments on loans or debt instruments" is mainly linked to Side activities.
(2) Impairments in 2011 were mainly related to Greek sovereign bonds, the entire position was sold in 2012.

3. Normal + impaired

(In thousands of EUR)	Gross amount (A)+(B) 31/12/11	Gross amount (A)+(B) 31/12/12	Specific loan loss allowance (C) 31/12/11	Specific loan loss allowance (C) 31/12/12	Total (A)+(B)+(C) 31/12/11	Total (A)+(B)+(C) 31/12/12
Loans and advances due from banks	46,214,229	41,318,907	(24,008)	(15,814)	46,190,221	41,303,093
Loans and advances to customers(1)	93,368,541	91,157,708	(994,529)	(1,184,619)	92,374,012	89,973,089
Investments held to maturity	0	0	0	0	0	0
Financial assets available for sale	46,686,710	31,703,255	(1,774,788)	(99,592)	44,911,922	31,603,663
of which fixed-income instruments(2)	*45,649,068*	*30,515,073*	*(1,732,318)*	*(33,648)*	*43,916,750*	*30,481,425*
of which equity instruments	*1,037,642*	*1,188,182*	*(42,470)*	*(65,944)*	*995,172*	*1,122,238*
Collective impairment on not impaired loans	(456,140)	(510,279)	0	0	(456,140)	(510,279)
TOTAL	185,813,340	163,669,591	(2,793,325)	(1,300,025)	183,020,015	162,369,566

(1) The increase of "Specific impairments on loans or debt instruments" is mainly linked to Side activities.
(2) Impairments in 2011 were mainly related to Greek sovereign bonds, the entire position was sold in 2012.

A. The coverage ratio

The coverage ratio for "Loans and advances to customers" which were subject to a specific impairment, amounted to 46.8%. This ratio resulted in 39.1% in 2011.

The coverage ratio measures the ratio between the specific impairment losses on loans and advances to customers and the gross amount of loans and advances to customers subject to a specific impairment.

B. The asset quality ratio of "Loans and advances to customers"

The asset quality ratio for "Loans and advances to customers" remained stable in 2012, amounting to 2.78%; in 2011, the ratio was at 2.72%.

The asset quality ratio measures the ratio between the gross amount of loans and advances to customers subject to a specific impairment and the gross outstanding amount of "Loans and advances to customers".

VIII. Notes on the liabilities of the consolidated balance sheet

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

8.1. Due to banks

1. Analysis by nature

(In thousands of EUR)	31/12/11	31/12/12
On demand	316,297	266,385
Term	1,225,838	2,197,976
Repurchase activity	5,925,994	2,792,945
Central banks(1)	42,500,827	25,201,736
Cash collateral received(2)	9,370,059	9,907,718
Other borrowings	76,398	73,540
TOTAL	59,415,413	40,440,300

(1) The improved liquidity position of Belfius reduces the need of central bank loans. For more details, we refer to the "Risk Management" part in the Management Report.
(2) Cash collateral concerns mainly collateral received from Dexia entities.

2. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

3. Analysis of the fair value

See note 12.1.

8.2. Customer borrowings and deposits

1. Analysis by nature

(In thousands of EUR)	31/12/11	31/12/12
Demand deposits	15,876,331	16,153,919
Saving deposits	26,089,100	28,017,841
Term deposits	7,233,514	9,080,658
Other customer deposits	4,942,635	5,253,965
TOTAL CUSTOMER DEPOSITS	**54,141,580**	**58,506,383**
Repurchase activity	16,087,986	8,120,717
Other borrowings	35,158	21,992
TOTAL CUSTOMER BORROWINGS	**16,123,144**	**8,142,709**
TOTAL	70,264,724	66,649,092

2. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

3. Analysis of the fair value

See note 12.1.

8.3. Financial liabilities measured at fair value through profit or loss

(In thousands of EUR)	31/12/11	31/12/12
Financial liabilities held for trading	199,660	96,394
Financial liabilities designated at fair value	10,882,352	10,366,557
TOTAL	11,082,012	10,462,951

FINANCIAL LIABILITIES HELD FOR TRADING

1. Analysis by nature

(In thousands of EUR)	31/12/11	31/12/12
Bonds issued by public bodies	109,709	35,368
Other bonds	89,951	60,956
Repurchase agreements	0	0
Equity instruments	0	70
TOTAL	199,660	96,394

2. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

3. Analysis of the fair value

See note 12.1.

FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

1. Analysis by nature

(In thousands of EUR)	31/12/11	31/12/12
Non-subordinated liabilities	7,433,998	6,594,395
Subordinated liabilities	315,962	313,638
Unit-linked products – Branch 23	3,132,392	3,458,524
TOTAL	10,882,352	10,366,557

2. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

3. Analysis of the fair value

See notes 12.1. and 12.2.h. for own credit risk.

The category "Financial assets designated at fair value through profit or loss" is used in the following situations:

- for the insurance activities: unit-linked contracts (branch 23). The return of the unit-linked product belongs entirely to its policyholder.
- for the banking activities: to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise; mainly in case of debt issues.

The methodology used to determine the fair value of "Financial assets designated at fair value" is presented in the valuation rules.

8.4. Debt securities

1. Analysis by nature

(In thousands of EUR)	31/12/11	31/12/12
Certificates of deposit	124,411	1,743,419
Customer savings certificates	11,786,022	10,080,865
Convertible debts	0	0
Other dilutive instruments	0	0
Non-convertible bonds	12,451,294	13,273,617
Covered bonds	0	1,341,593
TOTAL	24,361,727	26,439,494

2. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

3. Analysis of the fair value

See note 12.1.

In November 2012, Belfius introduced a programme for the issue of Belgian covered bonds based on mortgage loans. The launch of this programme follows the Law of 3 August 2012 establishing a legal framework for the issue of Belgian covered bonds. The reserved assets (known as "special estate") by which the covered bonds are guaranteed, comply with all criteria and restrictions as foreseen by the law. Belfius Bank obtained the necessary licences from the National Bank of Belgium and approval by the FSMA concerning the documentation. Belfius covered bonds have an AAA rating from Fitch and S&P and are listed on Euronext Brussels. They are a part of the Belfius strategy aiming to increase the diversification of available funding sources.

For more information, please refer to the prospectus on the Bank's website, and the Highlights in the Management report.

8.5. Subordinated debts

1. Analysis by nature

(In thousands of EUR)	31/12/11	31/12/12
CONVERTIBLE SUBORDINATED DEBT		
Nil		
NON-CONVERTIBLE SUBORDINATED DEBT		
Loan capital perpetual subordinated notes(1)	1,133,093	266,018
Other	1,049,537	773,888
TOTAL	2,182,630	1,039,906
HYBRID CAPITAL AND REDEEMABLE PREFERENCE SHARES(2)	502,837	0

(1) In the framework of the capital management actions, a nominal amount of EUR 613 million of subordinated debts was repurchased after approval of the Belgian regulator, in preparation of the new regulations (Basel III). We refer to the Highlights of the Management report.
(2) Following the split of Dexia and Belfius, the hybrid Tier 1 issue was repurchased after approval of the Belgian regulator. We refer to the Highlights of the Management report.

2. Analysis of subordinated debt convertible in Dexia shares

Nil

3. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

4. Analysis of the fair value

See note 12.1.

5. 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
1.	EUR	205	2013	a) not applicable b) no specific conditions c) none	Variable
2.	EUR	35,000	15/12/2014	a) not applicable b) no specific conditions c) none	CMS linked(1)
3.	EUR	15,000	15/12/2015	a) not applicable b) no specific conditions c) none	Basket linked (Nikkei, Eurostoxx50, S&P500)
4.	EUR	15,000	15/07/2019	a) not applicable b) no specific conditions c) none	CMS linked(1)
5.	EUR	40,000	03/12/2019	a) not applicable b) no specific conditions c) none	• if GBP Libor 12 months < 5%: rate = GBP Libor 12 months + 20 bp, • if GBP Libor 12 months ≥ 5%: rate = 7.55%
6.	EUR	11,000	16/12/2019	a) not applicable b) no specific conditions c) none	CMS linked(1)
7.	EUR	29,923	01/03/2022	a) not applicable b) no specific conditions c) none	Euribor 3 m + 43 bp
8.	EUR	44,927	04/04/2022	a) not applicable b) no specific conditions c) none	6%
9.	EUR	20,000	02/04/2037 (call date: 02/04/2017)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each period of 5 years b) no specific conditions c) none	4.86%
10.	EUR	20,000	01/03/2047 (call date: 01/03/2017)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each period of 5 years b) no specific conditions c) none	5.04%
11.	EUR	17,500	undetermined (call date: 29/12/2023)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each period of 12 years b) no specific conditions c) none	IRS 12 y + 200 bp
12.	EUR	17,500	undetermined (call date: 29/12/2019)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each period of 10 years b) no specific conditions c) none	IRS 10 y + 200 bp
13.	EUR	42,768	undetermined		
14.	EUR	50,000	undetermined (call date: 15/07/2023)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each period of 12 years b) no specific conditions c) none	IRS 12 y + 250 bp
15.	EUR	94,701	undetermined		

(1) CMS: "Constant Maturity Swap".

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
16.[(1)(2)]	EUR	65,904	undetermined (call date: 18/05/2013)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	Euribor 6 m + 187 bp
17.[(1)]	GBP	150,000	09/02/17 (call date: 09/02/2013)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	GBP Libor 3 m + 70 bp
18.[(1)]	USD	50,000	undetermined (call date: 25/02/2013)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	USD Libor 3 m + 175 bp
19.[(1)]	USD	100,000	undetermined (call date: 21/03/2013)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	USD Libor 3 m + 175 bp
20.	JPY	10,000,000	11/09/2025	a) not applicable b) no specific conditions c) none	6.10%
21.	JPY	10,000,000	11/09/2025	a) not applicable b) no specific conditions c) none	6.05%
22.[(1)]	EUR	299,533	20/06/2018 (call date: 20/06/2013)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	5.25% till 20/06/2013, then: Euribor 12 m + 150 bp

(1) This issue falls within the scope of the temporary restrictions on early redemption (call) as agreed with the European Commission.
(2) This issue falls within the scope of the temporary restrictions on coupon payments as agreed with the European Commission.

8.6. Provisions and other obligations

1. Analysis by nature

(In thousands of EUR)	31/12/11	31/12/12
Litigation claims[(1)]	131,269	73,788
Restructuring[(2)]	94,787	175,902
Long-term defined benefit plans	548,586	561,129
Other post-retirement obligations	51,068	52,923
Other long-term employee benefits	17,267	20,105
Provision for off-balance-sheet credit commitments	30,417	5,964
Onerous contracts	14,849	4,310
Other provisions (non insurance)	88,968	53,910
TOTAL	977,211	948,031

(1) The "Litigation claims" contain mainly small disputes with third parties, as well as lawyer costs. We refer to the "Corporate Governance" part of the Management Report.
(2) Belfius announced in 2012 a restructuring plan. The determination of the restructuring provision is mainly based on an estimation of expected participation to the plan of the concerned employees. The estimation is mainly based on the bank's experience in former restructuring plans. We refer to the "Human Resources" part of the Management Report.

2. Analysis of movements

(In thousands of EUR)	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance-sheet credit commitments	Onerous contracts	Other provisions	Total
AS AT 1 JANUARY 2011	88,693	91,999	591,969	23,211	35,029	69,958	900,859
Exchange difference	29	4	0	706	30	64	833
Additional provisions	63,687	31,475	95,614	7,636	0	36,539	234,951
Unused amounts reversed	(19,243)	(4,645)	(1,168)	(1,119)	(10,367)	(6,095)	(42,637)
Utilised during the year	(2,091)	(23,817)	(69,500)	(17)	(9,843)	(11,451)	(116,719)
Changes in scope of consolidation (in)	0	0	0	0	0	0	0
Changes in scope of consolidation (out)	(41)	(276)	0	0	0	0	(317)
Transfers	0	47	6	0	0	(47)	6
Other movements	235	0	0	0	0	0	235
AS AT 31 DECEMBER 2011	131,269	94,787	616,921	30,417	14,849	88,968	977,211

(In thousands of EUR)	Litigation claims(1)	Restructuring (2)	Pensions and other employee benefits	Provision for off-balance-sheet credit commitments	Onerous contracts	Other provisions	Total
AS AT 1 JANUARY 2012	131,269	94,787	616,921	30,417	14,849	88,968	977,211
Exchange difference	(9)	9	0	(703)	58	70	(575)
Additional provisions	76,546	136,008	112,295	4,257	4,022	35,723	368,851
Unused amounts reversed	(132,580)	(30,899)	(299)	(28,002)	0	(61,954)	(253,734)
Utilised during the year	(1,438)	(23,962)	(95,043)	(5)	(14,619)	(8,945)	(144,012)
Changes in scope of consolidation (in)	0	0	0	0	0	0	0
Changes in scope of consolidation (out)	0	0	0	0	0	0	0
Transfers	0	(41)	283	0	0	48	290
Other movements	0	0	0	0	0	0	0
AS AT 31 DECEMBER 2012	73,788	175,902	634,157	5,964	4,310	53,910	948,031

This table is prepared on a quarterly basis.

(1) The "Litigation claims" contain mainly small disputes with third parties, as well as lawyer costs. We refer to the "Corporate Governance" part of the Management Report.
(2) Belfius announced in 2012 a restructuring plan. The determination of the restructuring provision is mainly based on an estimation of expected participation to the plan of the concerned employees. The estimation is mainly based on the bank's experience in former restructuring plans. We refer to the "Human Resources" part of the Management Report.

3. Analysis by interest rate repricing

See note 12.4.

4. Analysis by liquidity

See note 12.6.

5. Provisions for pensions and other long-term benefits

Belfius provides an additional retirement plan for its employees. There are two types of pension plans: defined benefit plans and defined contribution plans.

For defined benefit plans, the final benefit may take the form of an annual payment or a lump sum. The employee's future benefit depends on various factors such as the age of retirement, the number of active years, the last salary. The defined benefit plan is funded by employer's contributions. However, one of these plans is also funded by contributions of employees.

For defined contributions plans, the benefit upon retirement depends on the investment's performance of the employer's contributions and those of the employees with a minimum return equaling the guaranteed legal interest rate. These contributions are based on the number of active years and wages.

A. Change in benefit obligation

(In thousands of EUR)	31/12/11	31/12/12
Benefit obligation at beginning of year	1,536,208	1,643,789
Current service cost	55,218	57,734
Interest cost	68,549	67,767
Plan participants' contributions	3,028	3,138
Amendments	942	(1,390)
Actuarial (gains)/losses	37,955	3,784
Benefits paid	(56,771)	(68,924)
Expenses paid	0	0
Taxes paid	0	0
Premiums paid	(3,366)	(3,564)
Acquisitions/divestitures	1,927	28,770
Plan curtailments	0	0
Plan settlements	(804)	0
Exchange-rate changes	903	436
BENEFIT OBLIGATION AS AT END OF YEAR	1,643,789	1,731,540

B. Change in plan assets

(In thousands of EUR)	31/12/11	31/12/12
Fair value of plan assets as at beginning of year	940,075	928,743
Expected return on plan assets	44,418	41,608
Actuarial gains/(losses) on plan assets	(58,510)	128,128
Employer contributions	59,812	65,889
Member contributions	2,275	3,138
Benefits paid	(56,019)	(45,789)
Expenses paid	0	0
Taxes paid	0	0
Premiums paid	(3,366)	(3,564)
Plan settlements	(793)	0
Acquisitions/divestitures	0	16,976
Exchange-rate changes	851	460
FAIR VALUE OF PLAN ASSETS AS AT END OF YEAR	928,743	1,135,591

C. Amounts recognised in the balance sheet

(In thousands of EUR)	31/12/11	31/12/12
Present value of funded obligations	1,125,710	1,175,764
Fair value of plan assets	928,743	1,135,591
Deficit/(surplus) for funded plans	196,967	40,172
Present value of unfunded obligations	518,081	555,776
Unrecognised net actuarial gains/(losses)(1)	(109,266)	8,431
Unrecognised past service (cost)/benefit	0	0
Effect of paragraph 58(b) limit	4,982	23,337
NET LIABILITY/(ASSET)	610,764	627,716
Amounts in the balance sheet		
Liabilities	616,921	634,157
Assets	(6,157)	(6,441)
NET LIABILITY/(ASSET)	610,764	627,716

(1) The evolution of the "unrecognised net actuarial gains/losses" is mainly due to the positive evolution of the return on the assets. The revision of the assumptions in the calculation has a limited impact on the amount of the obligation (see also H. below).

D. Components of pension cost

(In thousands of EUR)	31/12/11	31/12/12
AMOUNTS RECOGNISED IN THE STATEMENT OF INCOME		
Current service cost	55,218	57,734
Interest cost	68,549	67,767
Expected return on plan assets	(44,418)	(41,608)
Expected return on reimbursement assets	0	0
Amortisation of past service cost incl. §58(a)	942	(1,390)
Amortisation of net (gain)/loss incl. §58(a)	4,754	(6,647)
Effect of paragraph 58(b) limit	(2,402)	18,355
Curtailment (gain)/loss recognised	0	0
Settlement (gain)/loss recognised	68	0
TOTAL PENSION COST RECOGNISED IN THE STATEMENT OF INCOME	82,711	94,210
ACTUAL RETURN ON ASSETS		
Actual return on plan assets	(14,092)	169,737
Actual return on reimbursement assets	0	0

E. Balance-sheet reconciliation

(In thousands of EUR)	31/12/11	31/12/12
Balance sheet liability/(asset) as at beginning of year	585,818	610,764
Pension expense recognised in the statement of income in the financial year	82,711	94,210
Amounts recognised in SORIE in the financial year	0	0
Employer contributions made in the financial year	(40,254)	(65,171)
Benefits paid directly by company in the financial year	(19,558)	(23,854)
Credit to reimbursements	0	0
Net transfer in/(out) (including the effect of any business combinations/divestitures)	2,087	11,794
Exchange-rate adjustment – (gain)/loss	(40)	(27)
Plan participants' contributions – defined contribution plans Belgium	0	0
BALANCE-SHEET LIABILITY/(ASSET) AS AT END OF YEAR	610,764	627,716

F. Plan assets

Asset category	Percentage of plan assets	
	31/12/11	31/12/12
Equity securities	10.50%	10.42%
Debt securities	87.67%	88.03%
Real estate	0.00%	0.00%
Other(1)	1.83%	1.55%

(1) Includes qualifying insurance policies.

G. History of experience gains and losses

(In thousands of EUR)	31/12/11	31/12/12
DIFFERENCE BETWEEN THE ACTUAL AND EXPECTED RETURN ON PLAN ASSETS		
Amount(1)	(58,510)	128,128
Percentage of plan assets	-6.30%	11.28%
EXPERIENCE GAINS (-) AND LOSSES ON PLAN LIABILITIES		
Amount	20,929	(5,607)
Percentage of present value of plan liabilities	1.30%	-0.33%

(1) The positive difference between the actual and the expected return on the assets is explained by the good performance of the shares, the decreased interest rates, and the recovery of the confidence in the euro zone.

H. Range of assumptions to determine pension expense

31/12/11	Discount rate	Inflation	Expected return on assets	Expected return on bonds	Expected return on shares	Salary increase Rate
Eurozone countries	2.75% - 4.25%	2.00%	4.38% - 4.68%	2.75% - 4.25%	5.75% - 7.25%	2.00%
United Kingdom	4.60%	3.20%	5.94%	3.98%	7.00%	5.70%

31/12/12	Discount rate	Inflation	Expected return on assets	Expected return on bonds	Expected return on shares	Salary increase Rate
Eurozone countries	3.10% - 3.20%	2.00%	3.8% - 4.55%	3.75% - 4.25%	6.75% - 7. 25%	0.75% - 2.25%
United Kingdom	4.40%	2.80%	5.14%	3.99%	7.00%	n.a.

Comment on assumptions

The discount rate changed in 2012 and is now based on a constructed AA-rated curve of corporate bonds.

If the available sample of bonds is insufficient for a specific maturity profile, corporate bonds rated A are also included taking into account a credit-risk adjustment. The discount rate for the different plans has changed from 2.75 to 4.25% and from 3.1 to 3.2%.

The expected increase in salaries, used to estimate the benefit obligation, reflects the age of the employees in 2012. The inflation rate remains unchanged at 2% and is based on estimates of the European Central Bank.

The return on shares takes into account a risk premium. The expected return on assets is based on the expected return of a portfolio composed of bonds and shares.

I. Reconciliation with financial statements

(In thousands of EUR)	31/12/11	31/12/12
Long-term obligations		
Outstanding liability relating to defined benefit plans	548,586	561,129
Outstanding liability relating to other post-retirement obligations	51,068	52,923
Outstanding liability relating to other long-term employee benefits	17,267	20,105
TOTAL OUTSTANDING LIABILITY REPORTED IN THE FINANCIAL STATEMENTS(1)	616,921	634,157
TOTAL LIABILITY CALCULATED BY ACTUARIALS	616,921	634,157
TOTAL LIABILTIY RELATING TO INSIGNIFICANT PLANS	0	,0
Outstanding asset reported in the financial statements(2)	6,157	6,441
TOTAL ASSETS ANALYSED BY ACTUARIALS	6,157	6,441
TOTAL ASSETS RELATING TO INSIGNIFICANT PLANS	0	0

(1) See note 8.6.2.
(2) See note 7.12.1.

J. Concentration risk

Some of the Belfius Bank defined benefit plans are insurance policies issued by Ethias.

The fair value of the plan assets amounts to EUR 1 billion as at 31 December 2012.

Sensitivity to changes of interest rates

A decrease of the discount rate with 25 bp results in an increase of the defined benefit obligation at the end of 2012 with 3.01%. An increase of the discount rate with 25 bp, results in a decrease of the defined benefit obligation at the end of 2012 with 2.84%.

The amendments to the revised IAS 19 "Employee Benefits" are applicable as from 1 January 2013. This amendment principally changes the recognition and measurement of post-employment defined benefit plans (e.g. removal of corridor mechanism) and enhances the disclosure requirements for these plans. As a consequence Belfius will no longer apply the corridor approach and the full amount of actuarial gains or losses is recognised directly in "Other comprehensive income". The net interest on the net defined benefit obligation will be calculated using a discount rate based on the interest rate of high quality corporate bonds. The impact of the amended IAS 19 is limited for Belfius.

6. Defined contribution plan

Contributions to legal pensions are not included in the amounts.

For 2011 and 2012, the amount recognised as an expense for defined contribution plans is respectively EUR 13,968,515 and EUR 15,889,729.

8.7. Tax liabilities

Analysis by nature

(In thousands of EUR)	31/12/11	31/12/12
Current income tax	35,274	29,642
Deferred tax liabilities (see note 9.2.)	3,175	101,109
TOTAL	38,449	130,751

8.8. Other liabilities

(In thousands of EUR)	31/12/11	31/12/12
Other liabilities (except relating to insurance companies)	2,050,397	1,758,965
Other liabilities specific to insurance activities	169,343	286,171
TOTAL	2,219,740	2,045,136

1. Other liabilities (except relating to insurance companies)

(In thousands of EUR)	31/12/11	31/12/12
Accrued costs	98,484	143,640
Deferred income	24,470	34,182
Subsidies	0	0
Other granted amounts received	550	541
Salaries and social charges (payable)	142,214	166,065
Shareholder dividends payable	0	0
Operational taxes	90,659	60,622
Long-term construction contracts	0	0
Debts to service providers	1,694,020	1,353,915
TOTAL	2,050,397	1,758,965

2. Other liabilities specific to insurance activities

(In thousands of EUR)	31/12/11	31/12/12
Debts for deposits from assignees	67,959	85,401
Debts resulting from direct insurance transactions	89,747	191,227
Debts resulting from reinsurance transactions	11,637	9,543
Other insurance liabilities	0	0
TOTAL	169,343	286,171

8.9. Liabilities included in disposal groups held for sale

Nil

IX. Other notes on the consolidated balance sheet

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

9.1. Derivatives

1. Analysis by nature

	31/12/11		31/12/12	
(In thousands of EUR)	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	32,421,541	32,864,817	31,995,938	31,187,290
Derivatives designated as fair value hedges	68,425	307,794	11,463	290,762
Derivatives designated as cash flow hedges	14,103	19,173	62	38,067
Derivatives of portfolio hedge	2,429,212	8,180,853	3,227,502	10,249,416
Derivatives designated as hedge of a net investment in foreign entities	0	0	0	0
TOTAL	34,933,281	41,372,637	35,234,965	41,765,535

2. Detail of derivatives held for trading

	31/12/11				31/12/12			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	32,839,278	33,205,692	2,293,258	2,569,060	29,441,432	29,600,478	1,818,463	1,624,980
Interest-rate derivatives	666,319,854	686,485,052	28,702,662	28,724,187	598,163,063	617,541,611	28,986,655	28,249,418
Equity derivatives	4,581,613	5,522,346	213,534	288,451	2,708,333	3,237,844	151,610	171,094
Credit derivatives	11,966,171	9,703,702	1,211,079	1,282,119	9,691,594	7,949,995	1,039,210	1,141,798
Commodity derivatives	1,033	1,024	1,008	1,000	0	0	0	0
TOTAL	715,707,949	734,917,816	32,421,541	32,864,817	640,004,422	658,329,928	31,995,938	31,187,290

3. Detail of derivatives designated as fair value hedges

	31/12/11				31/12/12			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	1,015,913	1,186,945	58,942	173,863	610,318	697,310	210	172,950
Interest-rate derivatives	1,373,307	1,477,325	9,483	133,931	845,572	845,572	11,253	117,812
Equity derivatives	0	0	0	0	0	0	0	0
Credit derivatives	0	0	0	0	0	0	0	0
Commodity derivatives	0	0	0	0	0	0	0	0
TOTAL	2,389,220	2,664,270	68,425	307,794	1,455,890	1,542,882	11,463	290,762

4. Detail of derivatives designated as cash flow hedges

	31/12/11				31/12/12			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	1,352,350	1,443,078	14,103	19,173	0	0	62	38,067
Interest-rate derivatives	0	0	0	0	0	0	0	0
Equity derivatives	0	0	0	0	0	0	0	0
Credit derivatives	0	0	0	0	0	0	0	0
Commodity derivatives	0	0	0	0	0	0	0	0
TOTAL	1,352,350	1,443,078	14,103	19,173	0	0	62	38,067

5. Detail of derivatives of portfolio hedge(1)

	31/12/11				31/12/12			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	0	0	0	0	0	0	0	0
Interest-rate derivatives	86,879,417	86,879,421	2,429,212	8,180,854	79,007,933	79,007,933	3,227,502	10,249,416
TOTAL	86,879,417	86,879,421	2,429,212	8,180,854	79,007,933	79,007,933	3,227,502	10,249,416

(1) Used only in a fair-value hedge strategy.

6. Detail of derivatives designated as hedge of a net investment in foreign operations

Nil

The derivatives position of Belfius originated from the fact that Belfius was the competence center for the derivatives within the Dexia Group.

The derivatives concluded with the Dexia Group were hedged externally.

This historical derivatives position is neutral from a market-risk perspective. We refer to the note 12.5. Market Risk.

In 2012, there was an important decrease of the notional amount of the derivatives. In the light of an optimal management and derisking policy, Belfius has settled an important number of derivatives.

9.2. Deferred taxes

1. Analysis

(In thousands of EUR)	31/12/11	31/12/12
Deferred income tax liabilities	(3,175)	(101,109)
Deferred income tax assets	2,249,509	1,469,137
DEFERRED TAX	2,246,334	1,368,028
Derecognised deferred tax assets	(214,123)	(294,627)
NET DEFERRED INCOME TAX ASSETS/(LIABILITIES)	2,032,211	1,073,401

2. Movements

(In thousands of EUR)	31/12/11	31/12/12
AS AT 1 JANUARY	933,505	2,032,211
Movements of the year		
Statement of income charge/credit	789,725	(164,568)
Items directly computed by equity	308,981	(792,873)
Effect of change in tax rates - statement of income	0	(5)
Effect of change in tax rates - equity	0	(1,364)
Changes in consolidation scope	0	0
Exchange differences	0	0
Other movements	0	0
AS AT 31 DECEMBER	2,032,211	1,073,401

A. Deferred tax coming from assets of the balance sheet

	31/12/11		31/12/12	
(In thousands of EUR)	Total	O/w impact in result	Total	O/w impact in result
Cash, loans and loan loss provisions	(68,103)	(30,988)	(8,865)	59,238
Securities	505,999	(254,065)	(526,233)	(149,741)
Derivatives	(4,721,357)	(573,687)	(4,778,039)	(23,170)
Investment in associates	0	0	0	0
Tangible and intangible fixed assets	1,046	93,908	15,141	14,095
Other assets specific to insurance companies	(1,377)	(734)	(2,045)	(668)
Other	5,884	28,166	10,525	4,640
TOTAL	(4,277,908)	(737,400)	(5,289,516)	(95,606)

B. Deferred tax coming from liabilities of the balance sheet

	31/12/11		31/12/12	
(In thousands of EUR)	Total	O/w impact in result	Total	O/w impact in result
Securities	20,787	(51,640)	15,335	(5,452)
Derivatives	5,310,122	902,229	5,591,034	146,441
Borrowings, deposits and issuance of debt securities	69,349	33,283	58,816	(10,533)
Provisions	131,767	47,397	151,399	19,630
Pensions	64,986	(5,507)	29,955	(35,041)
Other liabilities specific to insurance companies	42,681	28,569	167,618	54,502
Legal tax free provisions	0	0	0	0
Entities with special tax status	0	0	0	0
Minority interest, reserves of associates and treasury shares	0	0	0	0
Other	24,014	(7,263)	17,026	(6,989)
TOTAL	5,663,706	947,068	6,031,183	162,558

C. Deferred tax coming from other elements

(In thousands of EUR)	31/12/11 Total	31/12/11 O/w impact in result	31/12/12 Total	31/12/12 O/w impact in result
Tax losses carried forward	860,536	790,550	626,361	(233,322)
Tax credit carried forward	0	0	0	0
Entities with special tax status	0	0	0	0
TOTAL	860,536	790,550	626,361	(233,322)
TOTAL DEFERRED TAX	2,246,334	1,000,218	1,368,028	(166,370)

3. Expiry date of unrecognised deferred tax assets

Nature

(In thousands of EUR)	Less than 1 year	Between 1 to 5 years	Over 5 years	Unlimited maturity	Total
Temporary difference	0	0	0	(82,301)	(82,301)
Tax losses carried forward	0	0	(46,390)	(165,936)	(212,326)
TOTAL	0	0	(46,390)	(248,237)	(294,627)

The most remarkable evolution in 2012 was the decline in the stock of deferred tax assets of EUR 2 billion to EUR 1 billion. This is mainly due to (i) the increase in the market value of securities available for sale and (ii) the use of tax losses carried forward (*sensu lato*) on the taxable profits of the year 2012.

9.3. Insurance contracts

1. General overview Life/Non-Life contracts

(In thousands of EUR)	31/12/11 Life branch 21 and 26	31/12/11 Life branch 23	31/12/11 Non-Life	31/12/11 Total	31/12/12 Life branch 21 and 26	31/12/12 Life branch 23	31/12/12 Non-Life	31/12/12 Total
Gross reserves(1)	15,906,269	0	879,964	16,786,233	16,621,011	0	958,177	17,579,188
Gross reserves – Share of reinsurers(2)	11,921	0	72,787	84,708	12,470	0	87,985	100,455
Gross earned premiums	2,080,108	0	492,624	2,572,732	1,485,694	0	518,290	2,003,984
Claims incurred and other technical expenses	(2,323,117)	18,883	(339,042)	(2,643,276)	(1,952,214)	17,047	(382,165)	(2,317,332)
Acquisition commissions	(122,008)	(7,995)	(75,693)	(205,696)	(132,554)	(6,967)	(81,799)	(221,320)
Technical result from ceded reinsurance	(45,317)	0	(9,899)	(55,216)	(41,966)	0	1,987	(39,979)
TOTAL TECHNICAL RESULT(3)	(410,334)	10,888	67,990	(331,456)	(641,040)	10,080	56,313	(574,647)

(1) Liabilities VIII. Technical provisions of insurance companies.
(2) See note 7.12. Other assets, table B. Other assets specific to insurance companies.
(3) See note 11.7. Technical margin of insurance activities.

2. Insurance contracts life

A. Income and expenses

Technical result branch 21 and 26 (In thousands of EUR)	31/12/11 Insurance contracts	31/12/11 Investment contracts with DPF(1)	31/12/11 Total	31/12/12 Insurance contracts	31/12/12 Investment contracts with DPF(1)	31/12/12 Total
Gross premiums written(2)	765,455	1,314,634	2,080,089	555,695	930,073	1,485,768
Change in gross unearned premium reserves (UPR)	19	0	19	(74)	0	(74)
GROSS EARNED PREMIUMS	765,474	1,314,634	2,080,108	555,621	930,073	1,485,694

(1) Discretionary participation feature.
(2) The decline of the gross premiums written is mainly situated in Luxembourg (-49%) following the general economic context and the difficulties with the brand name related to Dexia resulting in a decrease of the sale via Dexia BIL. The Belgian distribution channels remained stable, nevertheless, the new product branch 23 Belfius Invest offered via the banking channels started quite promising. The premiums received for life insurance contracts increased significantly following different new contracts with local governments, exceptional deposits and an increase of premiums of existing contracts. See note 11.7. Technical margin of insurance activities.

(In thousands of EUR)	31/12/11	31/12/12
GROSS PREMIUMS WRITTEN LIFE	2,080,089	1,485,768
Direct business	1,852,841	1,291,106
Accepted reinsurance	227,248	194,662

(In thousands of EUR)	31/12/11 Insurance contracts	31/12/11 Investment contracts with DPF(1)	31/12/11 Total	31/12/12 Insurance contracts	31/12/12 Investment contracts with DPF(1)	31/12/12 Total
Gross claims paid	(419,003)	(748,198)	(1,167,201)	(366,008)	(1,056,765)	(1,422,773)
Changes in claims reserves	(31,620)	(127,097)	(158,717)	(871)	110,971	110,100
Changes in life insurance reserves	(241,396)	(795,530)	(1,036,926)	(215,116)	(237,067)	(452,183)
Changes in profit-sharing reserves	3,103	54,862	57,965	(117,522)	(57,058)	(174,580)
Changes in other technical reserves	(77)	0	(77)	(60)	0	(60)
Other technical income and charges	(6,908)	(11,253)	(18,161)	(11,528)	(1,190)	(12,718)
CLAIMS INCURRED AND OTHER TECHNICAL EXPENSES	(695,901)	(1,627,216)	(2,323,117)	(711,105)	(1,241,109)	(1,952,214)

(1) Discretionary participation feature.

(In thousands of EUR)	31/12/11 Insurance contracts	31/12/11 Investment contracts with DPF(1)	31/12/11 Total	31/12/12 Insurance contracts	31/12/12 Investment contracts with DPF(1)	31/12/12 Total
Acquisition commissions insurance paid	(106,031)	(15,977)	(122,008)	(89,569)	(42,985)	(132,554)
Acquisition commissions brokers distribution paid	0	0	0	0	0	0
ACQUISITION COMMISSIONS	(106,031)	(15,977)	(122,008)	(89,569)	(42,985)	(132,554)

(1) Discretionary participation feature.

(In thousands of EUR)	31/12/11 Insurance contracts	31/12/11 Investment contracts with DPF(1)	31/12/11 Total	31/12/12 Insurance contracts	31/12/12 Investment contracts with DPF(1)	31/12/12 Total
Premiums ceded to reinsurers	(111,622)	(15)	(111,637)	(102,368)	(15)	(102,383)
Share of reinsurers in change of unearned premium reserves (UPR)	(9)	0	(9)	(2)	0	(2)
EARNED PREMIUMS – SHARE OF REINSURERS	(111,631)	(15)	(111,646)	(102,370)	(15)	(102,385)
Claims paid – share of reinsurers	44,236	0	44,236	40,727	0	40,727
Changes in claims reserves – share of reinsurers	(286)	0	(286)	(97)	0	(97)
Changes in life insurance reserves – share of reinsurers	1,464	0	1,464	658	0	658
Changes in profit-sharing reserves – share of reinsurers	2,378	0	2,378	1,257	0	1,257
Changes in other technical reserves – share of reinsurers	0	0	0	0	0	0
Other technical income and charges – share of reinsurers	(188)	0	(188)	(121)	0	(121)
CLAIMS INCURRED AND OTHER TECHNICAL EXPENSES – SHARE OF REINSURERS	47,604	0	47,604	42,424	0	42,424
Acquisition commissions and profit sharing received from reinsurers	18,725	0	18,725	17,995	0	17,995
TECHNICAL RESULT FROM CEDED REINSURANCE	(45,302)	(15)	(45,317)	(41,951)	(15)	(41,966)

(1) Discretionary participation feature.

(In thousands of EUR)	31/12/11	31/12/12
Technical result branch 23	10 888	10 080

B. Changes in technical reserves

Change in unearned premium reserves

(In thousands of EUR)	31/12/11 Insurance contracts	31/12/11 Investment contracts with DPF(1)	31/12/11 Total	31/12/12 Insurance contracts	31/12/12 Investment contracts with DPF(1)	31/12/12 Total
Unearned premium reserves (UPR) as at 1 January	470	0	470	450	0	450
Variation in opening due to variation of scope of consolidation	0	0	0	0	0	0
Unearned premium reserves (UPR) as at 31 December	(450)	0	(450)	(524)	0	(524)
GROSS CHANGE IN UNEARNED PREMIUM RESERVES (UPR)	19	0	19	(74)	0	(74)

(1) Discretionary participation feature.

Change in claims reserves

(In thousands of EUR)	31/12/11 Insurance contracts	31/12/11 Investment contracts with DPF(1)	31/12/11 Total	31/12/12 Insurance contracts	31/12/12 Investment contracts with DPF(1)	31/12/12 Total
Claims reserves as at 1 January	46,710	31,046	77,756	76,879	158,143	235,022
Variation in opening due to variation of scope of consolidation	0	0	0	0	0	0
Claims reserves as at 31 December	(76,879)	(158,143)	(235,022)	(54,540)	(70,382)	(124,922)
Transferred claims reserves	(1,451)	0	(1,451)	(23,210)	23,210	0
GROSS CHANGE IN CLAIMS RESERVES	(31,620)	(127,097)	(158,717)	(871)	110,971	110,100

(1) Discretionary participation feature.

Change in life insurance reserves

(In thousands of EUR)	31/12/11 Insurance contracts	31/12/11 Investment contracts with DPF(1)	31/12/11 Total	31/12/12 Insurance contracts	31/12/12 Investment contracts with DPF(1)	31/12/12 Total
Life insurance reserves as at 1 January	3,528,448	11,052,676	14,581,125	3,751,942	11,839,035	15,590,977
Variation in opening due to conversion rate and to variation of scope of consolidation	0	0	0	0	0	0
Life insurance reserves as at 31 December	(3,751,942)	(11,839,035)	(15,590,977)	(3,962,685)	(12,074,085)	(16,036,770)
Transferred life insurance reserves	(17,902)	(9,171)	(27,073)	(4,373)	(2,017)	(6,390)
GROSS CHANGE IN LIFE INSURANCE RESERVES	(241,396)	(795,530)	(1,036,925)	(215,116)	(237,067)	(452,183)

(1) Discretionary participation feature.

Change in profit sharing reserve

(In thousands of EUR)	31/12/11 Insurance contracts	31/12/11 Investment contracts with DPF(1)	31/12/11 Total	31/12/12 Insurance contracts	31/12/12 Investment contracts with DPF(1)	31/12/12 Total
Profit-sharing reserve as at 1 January	16,726	109,922	126,648	12,148	63,728	75,876
Variation in opening due to variation of scope of consolidation	0	0	0	0	0	0
Profit-sharing reserve as at 31 December	(12,148)	(63,728)	(75,876)	(128,835)	(121,248)	(250,083)
Paid profit share	(1,444)	0	(1,444)	(373)	0	(373)
Transferred profit-sharing reserve	(31)	8,668	8,637	(462)	462	0
GROSS CHANGE IN PROFIT-SHARING RESERVE(2)	3,103	54,862	57,965	(117,522)	(57,058)	(174,580)

(1) Discretionary participation feature.
(2) This reserve includes the fund for future attributions.

Change in other technical reserves

(In thousands of EUR)	31/12/11 Insurance contracts	31/12/11 Investment contracts with DPF(1)	31/12/11 Total	31/12/12 Insurance contracts	31/12/12 Investment contracts with DPF(1)	31/12/12 Total
Other technical reserves Life as at 1 January	30	0	30	107	0	107
Variation in opening due to variation of scope of consolidation	0	0	0	0	0	0
Other technical reserves Life as at 31 December	(107)	0	(107)	(167)	0	(167)
GROSS CHANGE IN OTHER TECHNICAL RESERVES LIFE	**(77)**	**0**	**(77)**	**(60)**	**0**	**(60)**

(1) Discretionary participation feature.

C. Changes in technical reserves – share of reinsurers

Change in unearned premium reserves - share of reinsurers

(In thousands of EUR)	31/12/11 Insurance contracts	31/12/11 Investment contracts with DPF(1)	31/12/11 Total	31/12/12 Insurance contracts	31/12/12 Investment contracts with DPF(1)	31/12/12 Total
Share of reinsurers in unearned premium reserves as at 1 January	(11)	0	(11)	(2)	0	(2)
Variation in opening due to variation of scope of consolidation	0	0	0	0	0	0
Share of reinsurers in unearned premium reserves as at 31 December	2	0	2	0	0	0
SHARE OF REINSURERS IN CHANGE IN UNEARNED PREMIUM RESERVES (UPR)	**(9)**	**0**	**(9)**	**(2)**	**0**	**(2)**

(1) Discretionary participation feature.

Change in claims reserves - share of reinsurers

(In thousands of EUR)	31/12/11 Insurance contracts	31/12/11 Investment contracts with DPF(1)	31/12/11 Total	31/12/12 Insurance contracts	31/12/12 Investment contracts with DPF(1)	31/12/12 Total
Share of reinsurers in claims reserves as at 1 January	(1,855)	0	(1,855)	(1,569)	0	(1,569)
Variation in opening due to variation of scope of consolidation	0	0	0	0	0	0
Share of reinsurers in claims reserves as at 31 December	1,569	0	1,569	1,472	0	1,472
Share of reinsurers in transferred claims reserves	0	0	0	0	0	0
SHARE OF REINSURERS IN CHANGE IN CLAIMS RESERVES	**(286)**	**0**	**(286)**	**(97)**	**0**	**(97)**

(1) Discretionary participation feature.

Change in life insurance reserves - share of reinsurers

(In thousands of EUR)	31/12/11 Insurance contracts	31/12/11 Investment contracts with DPF[1]	31/12/11 Total	31/12/12 Insurance contracts	31/12/12 Investment contracts with DPF[1]	31/12/12 Total
Share of reinsurers in Life insurance reserves as at 1 January	(8,849)	0	(8,849)	(10,313)	0	(10,313)
Variation in opening due to conversion rate and to variation of scope of consolidation	0	0	0	0	0	0
Share of reinsurers in Life insurance reserves as at 31 December	10,313	0	10,313	10,971	0	10,971
Share of reinsurers in transferred Life insurance reserves	0	0	0	0	0	0
SHARE OF REINSURERS IN CHANGE IN LIFE INSURANCE RESERVES	1,464	0	1,464	658	0	658

(1) Discretionary participation feature.

Change in profit-sharing reserve - share of reinsurers

(In thousands of EUR)	31/12/11 Insurance contracts	31/12/11 Investment contracts with DPF[1]	31/12/11 Total	31/12/12 Insurance contracts	31/12/12 Investment contracts with DPF[1]	31/12/12 Total
Share of reinsurers in profit-sharing reserve as at 1 January	(32)	0	(32)	(37)	0	(37)
Variation in opening due to variation of scope of consolidation	0	0	0	0	0	0
Share of reinsurers in profit-sharing reserve as at 31 December	37	0	37	27	0	27
Share of reinsurers in paid profit share	2,373	0	2,373	1,267	0	1,267
Share of reinsurers in transferred profit-sharing reserve	0	0	0	0	0	0
SHARE OF REINSURERS IN CHANGE IN PROFIT-SHARING RESERVE	2,378	0	2,378	1,257	0	1,257

(1) Discretionary participation feature.

D. Losses resulting from Liability Adequacy Test (LAT)

Nil

E. Assets and liabilities

Gross reserves

(In thousands of EUR)	31/12/11 Insurance contracts	31/12/11 Investment contracts with DPF[1]	31/12/11 Total	31/12/12 Insurance contracts	31/12/12 Investment contracts with DPF[1]	31/12/12 Total
Life insurance reserve	3,751,942	11,839,036	15,590,978	3,962,685	12,074,085	16,036,769
Reserves due to results of LAT (Liability Adequacy Test)	0	0	0	0	0	0
Reserves due to shadow-accounting adjustments	3,835	0	3,835	53,216	155,328	208,544
Reserves due to IAS 39	0	0	0	0	0	0
TOTAL LIFE INSURANCE RESERVE	3,755,777	11,839,036	15,594,813	4,015,901	12,229,413	16,245,314
Claims reserves	76,879	158,143	235,022	54,541	70,382	124,923
Profit-sharing reserves	12,148	63,728	75,876	128,835	121,248	250,083
Unearned premium reserves	450	0	450	524	0	524
Other technical reserves	107	0	107	167	0	167
TOTAL GROSS TECHNICAL RESERVES LIFE	3,845,361	12,060,907	15,906,268	4,199,968	12,421,043	16,621,011

(1) Discretionary participation feature.

Share of reinsurers

(In thousands of EUR)	31/12/11 Insurance contracts	31/12/11 Investment contracts with DPF[1]	31/12/11 Total	31/12/12 Insurance contracts	31/12/12 Investment contracts with DPF[1]	31/12/12 Total
Share of reinsurers in life insurance reserve	10,313	0	10,313	10,971	0	10,971
Share of reinsurers in claims reserves	1,569	0	1,569	1,472	0	1,472
Share of reinsurers in unearned premium reserves (UPR)	2	0	2	0	0	0
Share of reinsurers in profit-sharing reserves	37	0	37	27	0	27
Share of reinsurers in other technical reserves	0	0	0	0	0	0
TOTAL SHARE OF REINSURERS IN TECHNICAL RESERVES LIFE	11,921	0	11,921	12,470	0	12,470

(1) Discretionary participation feature.

Discretionary participation feature included in equity

	31/12/11			31/12/12		
	Contracts with DPF[1]			Contracts with DPF[1]		
(In thousands of EUR)	Individual	Group	Total	Individual	Group	Total
Net discretionary participation feature included in equity	11	11	22	0	0	0

(1) Discretionary participation feature.

Reconciliation of changes in life insurance reserve

(In thousands of EUR)	2011 Gross amount contracts	2011 Reinsurance amount	2011 Net amount	2012 Gross amount contracts	2012 Reinsurance amount	2012 Net amount
LIFE INSURANCE RESERVE AS AT 1 JANUARY	14,586,211	8,849	14,577,362	15,594,813	10,313	15,584,500
Variation in opening due to variation of scope of consolidation	0	0	0	0	0	0
Net payments received/premiums receivable	1,652,881	6,239	1,646,642	1,387,814	4,991	1,382,823
Additional reserves due to shadow-accounting adjustments	(1,251)	0	(1,251)	204,709	0	204,709
Additional reserves due to results of LAT (Liability Adequacy Test)	0	0	0	0	0	0
Claims paid	(1,087,396)	(2,162)	(1,085,234)	(1,350,256)	(2,172)	(1,348,084)
Results on death and on life	(80,494)	(2,805)	(77,689)	(84,151)	(2,582)	(81,569)
Attribution of technical interest	444,579	377	444,203	457,983	427	457,556
Other changes	80,283	(185)	80,468	34,402	(6)	34,408
Variation of scope of consolidation	0	0	0	0	0	0
LIFE INSURANCE RESERVE AS AT 31 DECEMBER	15,594,813	10,313	15,584,500	16,245,314	10,971	16,234,343

Classification of the reserve for life insurance branch 21 and 26 by guaranteed interest rate

Guaranteed interest rate (In thousands of EUR)	Classification of the reserve(1) 31/12/11		31/12/12	
> 4.00%	1,838,256	12%	1,801,074	11%
≤4.00%	1,917,399	12%	1,964,671	12%
≤3.50%	4,075,173	26%	3,417,513	21%
≤3.00%	4,675,167	30%	5,243,619	33%
≤2.50%	1,537,997	10%	1,800,087	11%
≤2.00%	25,937	0%	329,132	2%
Equal to 0%	1,440,888	9%	1,376,262	9%
Other	80,161	1%	104,411	1%
TOTAL	15,590,978	100%	16,036,769	100%

(1) Total gross technical reserves Life excluded shadow-accounting adjustments.

3. Insurance contracts non-life

A. Income and expenses

(In thousands of EUR)	31/12/11	31/12/12
Gross premiums written(1)	498,527	520,690
Change in gross unearned premium reserves (UPR)	(5,902)	(2,401)
GROSS EARNED PREMIUMS	492,625	518,289

(1) The Non-Life premiums increased with 4.4% compared to last year. The increase results from a continuous inflow of new contracts, mainly through specialised brokers with whom the production increases each year as well as successful tenders for public contracts and direct sale. The retail channels had to deal with a decrease in car sales (-15%) so that the increase of car insurance contracts tempered. For Fire, the premiums written increased following rise in rates and an adjustment to the ABEX. In the Direct channel, the product group Cars performed quite well through our Affinity dealers (+15.8%)." See note 11.7. Technical margin of insurance activities.

(In thousands of EUR)	31/12/11	31/12/12
Gross claims paid	(293,757)	(306,290)
Changes in claims reserves	(44,619)	(75,204)
Changes in profit-sharing reserves	(8)	8
Changes in other technical reserves	(1,070)	(609)
Other technical income and charges	411	(71)
CLAIMS INCURRED AND OTHER TECHNICAL EXPENSES	(339,043)	(382,166)

(In thousands of EUR)	31/12/11	31/12/12
Acquisition commissions insurance paid	(22,395)	(24,397)
Acquisition commissions brokers distribution paid	(53,298)	(57,402)
ACQUISITION COMMISSIONS	(75,693)	(81,799)

(In thousands of EUR)	31/12/11	31/12/12
Premiums ceded to reinsurers	(35,585)	(35,722)
Share of reinsurers in change of unearned premium reserves (UPR)	(99)	69
EARNED PREMIUMS - SHARE OF REINSURERS	(35,684)	(35,653)
Claims paid - share of reinsurers	14,561	20,181
Changes in claims reserves - share of reinsurers	8,675	15,202
Changes in other technical reserves - share of reinsurers	(59)	(72)
Other technical income and charges - share of reinsurers	(349)	(231)
CLAIMS INCURRED AND OTHER TECHNICAL EXPENSES - SHARE OF REINSURERS	22,828	35,080
Acquisition commissions and profit sharing received from reinsurers	2,958	2,561
TECHNICAL RESULT FROM CEDED REINSURANCE	(9,898)	1,988

B. Changes in technical reserves

Change in unearned premium reserves

(In thousands of EUR)	31/12/11	31/12/12
Unearned premium reserves (UPR) as at 1 January	103,849	109,348
Variation in opening due to variation of scope of consolidation	0	0
Unearned premium reserves (UPR) as at 31 December	(109,348)	(111,749)
Transferred unearned premium reserves (UPR)	(403)	0
GROSS CHANGE IN UNEARNED PREMIUM RESERVES (UPR)	(5,902)	(2,401)

Change in claims reserves

(In thousands of EUR)	31/12/11	31/12/12
Claims reserve as at 1 January	703,531	748,150
Variation in opening due to variation of scope of consolidation	0	0
Claims reserve as at 31 December	(748,150)	(823,354)
Transferred claims reserves	0	0
GROSS CHANGE IN CLAIMS RESERVES	(44,619)	(75,204)

Change in profit-sharing reserve

(In thousands of EUR)	31/12/11	31/12/12
Profit-sharing reserve as at 1 January	0	0
Variation in opening due to variation of scope of consolidation	0	0
Profit-sharing reserve as at 31 December	0	0
Paid profit share	(8)	8
Transferred profit-sharing reserve	0	0
GROSS CHANGE IN PROFIT-SHARING RESERVE	(8)	8

Change in other technical reserves

(In thousands of EUR)	31/12/11	31/12/12
Other technical reserves as at 1 January	21,396	22,466
Variation in opening due to variation of scope of consolidation	0	0
Other technical reserves as at 31 December	(22,466)	(23,075)
GROSS CHANGE IN OTHER TECHNICAL RESERVES	(1,070)	(609)

C. Changes in technical reserves - share of reinsurers

Change in unearned premium reserves - share of reinsurers

(In thousands of EUR)	31/12/11	31/12/12
Share of reinsurers in unearned premium reserves as at 1 January	(1,724)	(1,625)
Variation in opening due to variation of scope of consolidation	0	0
Share of reinsurers in unearned premium reserves as at 31 December	1,625	1,694
SHARE OF REINSURERS IN CHANGE IN UNEARNED PREMIUM RESERVES (UPR)	(99)	69

Change in claims reserves - share of reinsurers

(In thousands of EUR)	31/12/11	31/12/12
Share of reinsurers in claims reserves as at 1 January	(61,839)	(70,514)
Variation in opening due to variation of scope of consolidation	0	0
Share of reinsurers in claims reserves as at 31 December	70,514	85,716
Share of reinsurers in transferred claims reserves	0	0
SHARE OF REINSURERS IN CHANGE IN CLAIMS RESERVES	8,675	15,202

Change in other technical reserves - share of reinsurers

(In thousands of EUR)	31/12/11	31/12/12
Share of reinsurers in other technical reserves as at 1 January	(707)	(648)
Variation in opening due to variation of scope of consolidation	0	0
Share of reinsurers in other technical reserves as at 31 December	648	576
SHARE OF REINSURERS IN CHANGE IN OTHER TECHNICAL RESERVES	(59)	(72)

D. Losses resulting from Liability Adequacy Test (LAT)

Nil

E. Non-life insurance by product group

(In thousands of EUR)	Gross earned premiums	Claims incurred and other technical expenses	Acquisition commis-sions	Technical result reinsurance	Costs	Net income on capital	Other	Total P&L
TOTAL AS AT 31 DECEMBER 2011	492,625	(339,043)	(75,693)	(9,898)	(95,565)	(6,856)	2,715	(31,715)
Accepted reinsurance	2,159	(1,834)	(657)	274	(13)	471	(53)	347
Direct business	490,466	(337,209)	(75,036)	(10,171)	(95,552)	(7,327)	2,768	(32,061)
All risks/accidents	72,094	(31,775)	(9,747)	(4,127)	(18,148)	(1,936)	(422)	5,939
Cars/third-party liability	141,112	(111,516)	(18,085)	1,390	(28,219)	(1,551)	(1,167)	(18,036)
Cars/other branches	73,748	(43,100)	(10,536)	(620)	(14,547)	(340)	(105)	4,500
Credit and suretyship	1,213	(6,722)	214	4,688	(53)	(33)	(7)	(700)
Non-life distribution	0	0	(1,936)	0	(169)	0	4,872	2,767
Health	25,000	(20,871)	(1,622)	(270)	(4,371)	(594)	(117)	(2,845)
Fire and other damage to property	153,807	(100,307)	(32,455)	(10,421)	(26,608)	(1,639)	(272)	(17,895)
Accidents at work	23,492	(22,918)	(869)	(811)	(3,437)	(1,234)	(14)	(5,791)

(In thousands of EUR)	Gross earned premiums	Claims incurred and other technical expenses	Acquisition commis-sions	Technical result reinsurance	Costs	Net income on capital	Other	Total P&L
TOTAL AS AT 31 DECEMBER 2012	518,289	(382,166)	(81,799)	1,988	(97,134)	49,547	(1,474)	7,251
Accepted reinsurance	1,714	(1,077)	(1,138)	(152)	1	810	(62)	96
Direct business	516,575	(381,089)	(80,661)	2,140	(97,135)	48,737	(1,412)	7,155
All risks/accidents	76,652	(42,873)	(10,473)	(2,824)	(17,870)	8,895	(3,222)	8,285
Cars/third-party liability	147,092	(162,985)	(18,923)	17,521	(29,940)	24,032	(1,407)	(24,610)
Cars/other branches	75,994	(44,841)	(11,809)	(579)	(15,179)	1,955	(354)	5,187
Credit and suretyship	77	(5,221)	301	5,073	(64)	142	(3)	305
Non-life distribution	0	0	(1,105)	0	(40)	0	3,836	2,691
Health	26,102	(21,533)	(1,775)	545	(4,126)	2,560	(77)	1,696
Fire and other damage to property	165,083	(84,112)	(36,195)	(15,981)	(26,378)	6,299	(151)	8,565
Accidents at work	25,575	(19,524)	(682)	(1,615)	(3,538)	4,854	(34)	5,036

4. Assets and liabilities

A. Gross reserves

(In thousands of EUR)	31/12/11	31/12/12
Claims reserves	678,605	723,208
Reserves Unallocated Loss Adjustment Expenses (ULAE)	26,617	27,704
Premium deficiency reserves (Non-Life LAT)	0	0
Reserves for claims incurred but not reported (IBNR)	42,928	72,442
GROSS TECHNICAL RESERVES NON-LIFE	748,150	823,354
Other technical reserves	22,466	23,075
Unearned premium reserves (UPR)	109,348	111,748
TOTAL GROSS TECHNICAL RESERVES NON-LIFE	879,964	958,177

B. Share of reinsurers

(In thousands of EUR)	31/12/11	31/12/12
Share of reinsurers in claims reserves	70,514	85,716
Share of reinsurers in reserves Unallocated Loss Adjustment Expenses (ULAE)	0	0
Share of reinsurers in reserves for claims incurred but not reported (IBNR)	0	0
SHARE OF REINSURERS IN TOTAL CLAIMS RESERVES	**70,514**	**85,716**
Share of reinsurers in other technical reserves	648	576
Share of reinsurers in unearned premium reserves (UPR)	1,625	1,693
TOTAL SHARE OF REINSURERS IN TECHNICAL RESERVES NON-LIFE	**72,787**	**87,985**

C. Reconciliation of changes in claims reserves

	2011			2012		
(In thousands of EUR)	Gross amount	Reinsurance amount	Net amount	Gross amount	Reinsurance amount	Net amount
CLAIMS RESERVES AS AT 1 JANUARY	**703,531**	**61,839**	**641,692**	**748,150**	**70,514**	**677,636**
Claims paid on previous years	(138,647)	(9,099)	(129,548)	(150,882)	(11,803)	(139,079)
Change in claim charges on previous years	(28,714)	10,810	(39,524)	(10,227)	17,596	(27,823)
Liabilities on claims current year	211,980	6,964	205,016	236,313	9,409	226,904
CLAIMS RESERVES AS AT 31 DECEMBER	**748,150**	**70,514**	**677,636**	**823,354**	**85,716**	**737,638**

D. Claims development

The claims triangle is the usual method for expressing the settlement of claims stretched out over a number of years. Actuaries base their evaluation of the appropriateness of the technical provisions on the analysis of this triangle.

The table below shows how claims have evolved since 2002, both in terms of the expected total incurred claims' cost (payments plus provisions) shown in the triangle and in terms of cumulative payments. The difference between the incurred claims and the cumulative payments gives the current claims provisions.

RESERVES (REINSURANCE AND INTERNAL COSTS EXCLUDED)

(In thousands of EUR)	Year of occurrence										
Year of settlement	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Estimation at the end of the year of occurence	209,380	201,627	220,006	236,074	236,347	264,980	283,747	331,940	377,586	368,410	366,403
1	201,614	189,989	201,226	220,780	220,842	252,578	285,478	315,687	380,915	365,547	
2	198,130	182,447	192,969	211,463	212,356	238,903	277,521	303,138	379,076		
3	195,838	177,821	190,228	208,809	203,851	230,875	266,177	302,495			
4	195,539	175,828	186,994	202,227	203,874	227,911	266,535				
5	193,279	169,727	182,405	197,559	201,336	230,685					
6	191,193	166,230	180,903	194,354	201,281						
7	189,313	165,174	181,611	199,111							
8	187,978	163,969	181,985								
9	186,359	164,932									
10	187,355										

(In thousands of EUR)											
Actual estimation	187,355	164,932	181,985	199,111	201,281	230,685	266,535	302,495	379,076	365,547	366,403
Cumulative payments	(172,870)	(146,846)	(160,221)	(171,526)	(164,581)	(189,611)	(210,761)	(243,270)	(265,412)	(246,586)	(164,585)
Actual provisions	14,485	18,086	21,764	27,586	36,700	41,074	55,773	59,225	113,664	118,961	201,818

(In thousands of EUR)	
Provisions (after 2002)	709,137
Provisions (before 2002)	73,572
Internal costs	28,772
Accepted deals	11,872
TOTAL(1)	**823,354**

(1) Claim reserves 31/12/2012 - notes 9.3.

9.4. Related parties transactions

The standard IAS 24 "Related Parties Disclosures" provides a partial exemption from the disclosure requirements for government-related entities. Consequently these related entities are not included in the table "Related parties transactions" at the end of December 2012. The exposure of Belfius Bank on Belgian Government bonds can be found in the Management Report on Risk Management.

1. Related parties transactions

	Directors and key management personnel(1)		Subsidiaries	
(In thousands of EUR)	31/12/11	31/12/12	31/12/11(4)	31/12/12
Loans(2)	841	1,152	7,527	7,547
Interest income	35	34	145	213
Deposits(2)	2,404	2,380	66,094	4,557
Interest expense	(53)	(29)	(2,555)	(28)
Net commission	0	0	182	113
Guarantees issued and commitments provided by the Group(3)	0	0	6,866	6,815
Guarantees and commitments received by the Group	0	0	0	0

	Associates		Joint ventures in which the entity is a venturer	
(In thousands of EUR)	31/12/11	31/12/12	31/12/11	31/12/12
Loans(2)	128,763	280,992	19,389	18,717
Interest income	10,083	11,237	816	773
Deposits(2)	199,050	142,004	6,101	11,953
Interest expense	(1,714)	(2,052)	(61)	(37)
Net commission	18,495	21,443	33	31
Guarantees issued and commitments provided by the Group(3)	65,700	61,148	3,519	3,239
Guarantees and commitments received by the Group	64,526	65,572	28,965	28,965

(1) Key management includes the Board of Directors and the Management Board.
(2) Transactions with related parties are concluded at general market conditions.
(3) Unused lines granted.
(4) Figures as at 31 December 2011 have been restated for "Guarantees issued and commitments provided by the Group".

No impairments were recorded on loans given to related parties.

2. Key management compensations

(In thousands of EUR)	31/12/11	31/12/12
Short-term benefits	4,617	5,767
Post-employment benefits	104	8
Other long-term benefits	0	0
Termination benefits	0	0
Share-based payments	0	0

Short-term benefits include the salaries, bonuses and other advantages. Post-employment benefits: service cost calculated in accordance with IAS 19. Share-based payments include the cost of stock options and the discount given on capital increase allowed to the key management.

3. Former related parties transactions

Although Belfius is not obliged to report on its former related parties, a commentary regarding its relations with Dexia, the liquidation of the Arco group and of the Holding Communal, might however, be appropriate.

As part of the dismantling of the Dexia Group, Dexia Bank Belgium (now Belfius Bank & Insurance) was sold in October 2011 to the Federal Holding and Investment Company, which handles the central management of the participations of the Belgian federal government. Within the former Dexia Group, Belfius Bank played an important role as a competence centre in liquidity management and derivatives trading. As stated in the management report, Belfius succeeded in reducing its risk on the Dexia Group radically in the course of 2012. Moreover, the current exposure is government guaranteed or pledged. A Transition Committee composed of representatives of the Belgian State, Dexia and Belfius, deals with all aspects of disconnecting Belfius from the Dexia Group.

At the end of 2012, exposure to the Holding Communal in liquidation amounted to EUR 792 million. The available collateral on this exposure was partially realised in 2012 and this process will continue in 2013 with a clear objective to recover as much as possible. The reported net exposure was calculated taking into account the available collateral and the appropriate specific impairments.

At the end of 2012, the remaining exposure of Belfius on the Arco companies in liquidation amounted to EUR 380 million. The loans are guaranteed by pledges and joint liability from the various Arco companies.

With regard to the exposure on the Arco companies, again the reported net exposure takes into account the available collateral and appropriate specific impairments.

4. Dexia Real Estate Capital Markets

Dexia Real Estate Capital Markets (DRECM) was sold by Belfius Bank in July 2010 to Dexia Holding, Inc. (Delaware).

Although DRECM and Dexia Holding, Inc. (Delaware) are no longer related parties to Belfius, an overview of the remaining engagements of Belfius towards the former activities of DRECM is presented.

A. The purpose and context of the comfort letters

In the framework of 5 Commercial Real Estate Mortgage Loans securitisation operations in which DRECM is involved, DRECM entered into a Mortgage Loan Purchase Agreement as a seller of Commercial Mortgage Loans and into an Indemnification agreement. In these agreements DRECM has given certain representation and warranties in respect to some aspects of corporate standing and on some characteristics of the Commercial Mortgage Loans to certain CMBS trusts. Under the Mortgage Loan Purchase Agreement a loan seller would be obligated under the reps and warranties to repurchase a loan if there was a material breach of the reps and warranties or a material document defect that can not be remedied, or cured, within a certain period of time (usually 90 days with extensions possible). Given the fact that this is a kind of operational ongoing obligation of DRECM and DRECM is a non-rated entity, rating agencies required a larger first loss tranch (economically expensive for DRECM) or a counter guarantee from a rated entity. In this context Belfius Bank as a successor of Artesia Banking Corporation SA has delivered the said comfort letters because the bank had a sufficient rating to reduce the requirement of the rating agencies with respect to the credit enhancement.

B. The legal nature of the comfort letters

The first obligation to respect the terms of the Mortgage Loan Purchase Agreements and the Indemnification Agreements is the responsibility of DRECM. It is only in case DRECM would not be performing that Belfius Bank promised to intervene with all means be it, human, technical or financial. The obligations of Belfius are obligations to perform or to pay. It is not a guarantee on first demand, nor an obligation to buy any non-performing loan but a stand by back-up agreement for performance or payment. Although the shares of Belfius in DRECM were sold to Dexia Holding, Inc. (Delaware) on 16 July 2010, these comfort letters are still in place. However, we believe that the risks for Belfius are extremely remote, seen only one repurchase is outstanding and no previous transactions have led to any repurchases and DRECM is sufficiently capitalised to meet its contractual obligations.

9.5. Securitisation

Belfius Bank has five securitisation vehicles: Atrium-1, Atrium-2, Dexia Secured Funding Belgium, Penates Funding and Mercurius Funding. The total assets of these companies amount to EUR 21,112 million as at 31 December 2012 compared to EUR 21,500 million as at 31 December 2011.

The assets of Dexia Secured Funding Belgium, Penates Funding and Mercurius Funding are included in the consolidated financial statements. Belfius Bank's other securitisation vehicles have been deconsolidated due to their non-significant amounts.

Atrium-1 is a Belgian securitisation transaction of social housing loans pursuant to a long-term credit facility between Belfius Bank and Domus Flandria NV (the borrower) and guaranteed by the Flemish Region. The guarantee of the Flemish Region was transferred to the special purpose entity (SPE). The original size of the transaction was EUR 188 million. Two classes of fixed-rate notes were issued on 30 April 1996, both carrying a Moody's rating equal to that of the Flemish government (initially Aa2sf, currently Aa2sf as well). As at 31 December 2012, EUR 50.7 million is still outstanding under class A2 while class A1 has been repaid.

Atrium-2 is a Belgian securitisation transaction of social housing loans pursuant to a long-term credit facility between Belfius Bank and Domus Flandria NV (the borrower) and guaranteed by the Flemish Region. The guarantee of the Flemish Region was transferred to the SPE. The original size of the transaction was EUR 129.3 million. Two classes of fixed-rate notes were issued on 19 June 1997, both carrying a Moody's rating equal to that of the Flemish government (initially Aa2sf, currently Aa2sf as well). As at 31 December 2012, EUR 43.2 million is still outstanding under class A2 while class A1 has been repaid.

Dexia Secured Funding Belgium NV (DSFB) is a Belgian securitisation vehicle (société d'investissement en créances (SIC) under Belgian law) with currently six compartments, of which two with activity.

DSFB-1 (using the first ring-fenced compartment of DSFB) is a securitisation transaction of loans granted to public entities in Belgium or 100% guaranteed by such public entities. This transaction has been called on 25 September 2012.

DSFB-2 (using the second ring-fenced compartment of DSFB) is a securitisation transaction of loans granted to Belgian entities (public and other). All the loans are 100% guaranteed by one of the three Belgian Regions. This EUR 1,621 million transaction was launched on 28 April 2008. One tranche of floating rate notes, rated at closing AA/Aa1/AA+ by respectively S&P, Moody's and Fitch, was issued. Belfius Bank has guaranteed the full and timely payment of principal and interest on the notes. As at 31 December 2012, EUR 1,330 million are still outstanding and the notes have a rating of A-/A-/Baa1.

DSFB-4 (using the fourth ring-fenced compartment of DSFB) is a securitisation transaction of loans granted to Belgian public entities. This EUR 5,060 million transaction was launched on 14 December 2009. Three classes of floating rate notes were issued: EUR 4,700 million Class A notes (initially rated AAsf by Fitch Ratings, currently AA-sf), EUR 300 million non-rated Class B notes and EUR 60 million non rated Class C notes. As at the end of December 2012, EUR 3,888 million is still outstanding.

The DSFB transactions have been fully subscribed by Belfius Bank and by Dexia Municipal Agency (part of the Dexia Group).

Penates Funding NV is a Belgian securitisation vehicle (SIC) with currently six compartments. Two compartments, Penates-1 and Penates-4, had outstanding notes at the end of 2012. Penates-2 has been called in April 2010 and Penates-3 has been called in December 2011.

On 27 October 2008, Belfius Bank closed a EUR 8,080 million RMBS securitisation transaction. The SPE, Penates Funding acting through its compartment Penates-1, securitised Belgian residential mortgage loans originated by Belfius Bank and issued five classes of notes: EUR 7,600 million Class A Mortgage-Backed Floating Rate Notes due 2041 (initially Fitch AAAsf/S&P AAAsf, currently A+sf/Asf); EUR 160 million Class B Mortgage-Backed Floating Rate Notes due 2041 (initially Fitch AAsf, currently Asf); EUR 120 million Class C Mortgage-Backed Floating Rate Notes due 2041 (Fitch Asf); EUR 120 million Class D Mortgage-Backed Floating Rate Notes due 2041 (Fitch BBBsf) and EUR 80 million Subordinated Class E Floating Rate Note due 2041 (not rated). The outstanding amounts for all classes of notes are still at their initial amount except for the Class A notes where the balance decreased to EUR 4,283 million. There is hence EUR 4,763 million outstanding under Penates-1 as at 31 December 2012.

On 19 December 2011, Belfius Bank closed a EUR 9,117 million RMBS securitisation transaction. The SPE, Penates Funding acting through its compartment Penates-4, securitised Belgian residential mortgage loans originated by Belfius Bank and issued four classes of notes: EUR 8,077.5 million Class A Mortgage-Backed Floating Rate Notes due 2045 (initially Fitch AAAsf/Moody's Aaasf/DBRS AAAsf, currently A+sf/AaaNW/AAAsf); EUR 472.5 million Class B Mortgage-Backed Floating Rate Notes due 2045 (initially Fitch Asf/Moody's A3sf/DBRS Asf, currently A-sf/A3sf/Asf); EUR 450 million Class C Mortgage-Backed Floating Rate Notes due 2045 (not rated) and EUR 117 million Subordinated Class D Floating Rate Notes due 2045 (not rated). The outstanding amounts for all classes of notes are still at their initial amount except for the Class A notes where the balance decreased to EUR 6,772 million. There is hence EUR 7,811 million outstanding under Penates-4 as at 31 December 2012.

The Penates transactions have been fully subscribed by Belfius Bank and its subsidiary Belfius Ireland. The notes can be used as collateral in repurchase agreements with the European Central Bank.

Mercurius Funding NV is a Belgian securitisation vehicle (SIC) with currently six compartments. One compartment, Mercurius-1, had outstanding notes at the end of 2012.

On 7 May 2012, Belfius Bank closed a EUR 4,124 million SME (Small & Medium Enterprises) securitisation transaction. The SPE, Mercurius Funding acting through its compartment Mercurius-1, securitised Belgian SME loans originated by Belfius Bank and issued two classes of notes: EUR 3,200 million Class A Asset-Backed Fixed Rate Notes due 2035 (Fitch A+sf/Moody's A1sf/DBRS A(low)sf); EUR 924 million Class B Asset-Backed Fixed Rate Notes due 2037 (not rated). The outstanding amount for Class B notes is still at its initial amount and the Class A notes balance decreased to EUR 2,688 million. There is hence EUR 3,612 million outstanding under Mercurius-1 as at 31 December 2012.

The Mercurius transaction has been fully subscribed by Belfius Bank and its subsidiary Belfius Ireland. The notes can be used as collateral in repurchase agreements with the European Central Bank.

9.6. Acquisitions and disposals of consolidated companies

1. Main acquisitions

A. Year 2011

There were no significant acquisitions in 2011.

B. Year 2012

On 29 June 2012, LFB SA and Legros Renier - Les Amarantes Seigneurie de Loverval SA have been acquired.
It concerns investment in companies specialised in retirement homes.

The assets and liabilities acquired were as follows:

	2011	2012	
(In thousands of EUR)		LFB	Legros
Cash and cash equivalents	0	0	0
Loans and advances due from banks	0	499	589
Loans and advances to customers	0	0	0
Financial assets measured at fair value through profit or loss	0	0	0
Financial investments	0	0	0
Derivatives	0	0	0
Tax assets	0	0	0
Tangible fixed assets	0	16,613	20,971
Other assets	0	6	5
Due to banks	0	0	0
Customer borrowings and deposits	0	(8,018)	(7,016)
Financial liabilities measured at fair value through profit or loss	0	0	0
Derivatives	0	0	0
Debt securities	0	0	0
Subordinated debts	0	0	0
Technical provisions of insurance companies	0	0	0
Other liabilities	0	(129)	(238)
NET ASSETS	0	8,971	14,311
Purchase price (in cash)	0	8,971	14,311
Less: cost of the transaction	0	0	0
Less: cash and cash equivalents in the subsidiary acquired	0	(3)	(1)
NET CASH OUTFLOW THROUGH ACQUISITION	0	8,968	14,310

2. Main disposals

A. Year 2011

On 16 March 2011, Parfipar has been sold to Dexia BIL.
On 1 December 2011, Dexia Ingénierie Sociale has been sold to Verspieren.

B. Year 2012

There were no significant disposals in 2012.

On 3 April 2012 Dexia Auto Lease Luxembourg was sold. The entity was consolidated via the equity method.

The assets and liabilities disposed were as follows:

	2011		2012
(In thousands of EUR)	Parfipar	Dexis	
Cash and cash equivalents	4	6,534	0
Loans and advances due from banks	459	0	0
Loans and advances to customers	0	0	0
Financial assets measured at fair value through profit or loss	0	0	0
Financial investments	0	251	0
Derivatives	0	0	0
Tax assets	0	243	0
Other assets	307	15,528	0
Due to banks	0	(371)	0
Customer borrowings and deposits	0	0	0
Financial liabilities measured at fair value through profit or loss	0	0	0
Derivatives	0	0	0
Debt securities	0	0	0
Subordinated debts	0	0	0
Technical provisions of insurance companies	0	0	0
Other liabilities	(2)	(7,529)	0
NET ASSETS	768	14,656	0
Proceeds from sale (in cash)	3,267	22,750	0
Less: cost of the transaction	0	0	0
Less: cash and cash equivalents in the subsidiary sold	(4)	(6,534)	0
NET CASH INFLOW ON SALE	3,263	16,216	0

3. Assets and liabilities included in disposal groups held for sale

There were no subsidiaries recorded as a group held for sale as at 31 December 2011 and at 31 December 2012.

9.7. Equity

	2011	2012
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
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

9.8. Share-based payments

Nil

9.9. Non-controlling interests – Core equity

(In thousands of EUR)	
AS AT 1 JANUARY 2011	21,431
Increase of capital	0
Dividends	(911)
Net income for the period	(97)
Translation adjustments	0
Variation of scope of consolidation	(2,263)
Other	(1,405)
AS AT 31 DECEMBER 2011	16,755

(In thousands of EUR)	
AS AT 1 JANUARY 2012	16,755
Increase of capital	1,292
Dividends	(1,040)
Net income for the period	1,369
Translation adjustments	0
Variation of scope of consolidation	(1,167)
Other	553
AS AT 31 DECEMBER 2012	17,762

9.10. Exchange rates

		31/12/11		31/12/12	
		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.2708	1.3415	1.2735	1.2452
Canadian dollar	CAD	1.3220	1.3798	1.3169	1.2910
Swiss franc	CHF	1.2169	1.2318	1.2074	1.2040
Koruna (Czech republic)	CZK	25.5118	24.5628	25.1095	25.1541
Danish krone	DKK	7.4327	7.4495	7.4608	7.4448
Euro	EUR	1.0000	1.0000	1.0000	1.0000
Pound sterling	GBP	0.8359	0.8698	0.8137	0.8115
Hong Kong dollar	HKD	10.0801	10.8594	10.2451	10.0216
Forint	HUF	313.9378	280.2999	291.1000	288.1549
Shekel	ILS	4.9645	5.0079	4.9388	4.9687
Yen	JPY	100.1382	111.3213	114.2150	103.4577
Mexican peso	MXN	18.0986	17.4227	17.1702	16.9718
Norwegian Krone	NOK	7.7570	7.7812	7.3530	7.4658
New Zealand dollar	NZD	1.6721	1.7511	1.6041	1.5869
Swedish krona	SEK	8.8999	8.9948	8.5982	8.6794
Singapore dollar	SGD	1.6828	1.7530	1.6146	1.6074
Turkish lira	TRY	2.4531	2.3500	2.3575	2.3108
US dollar	USD	1.2978	1.4001	1.3220	1.2921

X. Notes on the consolidated off-balance-sheet items

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

10.1. Regular way trade

(In thousands of EUR)	31/12/11	31/12/12
Loans to be delivered and purchases of assets	4,571,596	2,614,408
Borrowings to be received and sales of assets	11,097,652	2,599,813

10.2. Guarantees

(In thousands of EUR)	31/12/11	31/12/12
Guarantees given to credit institutions	3,174,723	2,796,175
Guarantees given to customers	6,199,986	5,671,288
Guarantees received from credit institutions	12,063	29,114
Guarantees received from customers	38,827,725	37,546,603
Guarantees received from the States	7,989	1,659

10.3. Loan commitments

(In thousands of EUR)	31/12/11	31/12/12
Unused lines granted to credit institutions	56,630	221,977
Unused lines granted to customers(1)	30,584,934	21,907,892
Unused lines obtained from credit institutions	2,034	3,866
Unused lines obtained from customers	0	0

(1) Belfius introduced in the course of 2012 a proactive policy to reduce unused credit lines together with its customers.

10.4. Other commitments to financing activities

(In thousands of EUR)	31/12/11	31/12/12
Insurance activity – Commitments given	0	0
Insurance activity – Commitments received	35,765	58,307
Banking activity – Commitments given(1)(2)	119,031,986	71,873,603
Banking activity – Commitments received(2)	58,617,285	58,689,680

(1) Mainly related to repurchase agreements and collateralisation of loans with European Central Bank and other central banks. The improved liquidity position of Belfius reduces the use of loans from central banks and consequently, the commitments given. For more details regarding the liquidity position, we refer to the "Risk Management" part of the Management Report. The section "Banking activity - commitments given" also includes the underlying assets of the covered bond programme.
(2) The figures as at 31 December 2011 have been restated.

10.5. Bond lending and bond borrowing transactions

(In thousands of EUR)	31/12/11	31/12/12
Securities lending	7,162,025	4,116,166
Securities borrowing	21,740,819	3,389,608

XI. Notes on the consolidated statement of income

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

11.1. Interest income – Interest expense

(In thousands of EUR)	31/12/11	31/12/12
INTEREST INCOME	8,851,376	7,641,037
INTEREST INCOME OF ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	5,671,763	4,877,424
Cash and balances with central banks	17,247	6,948
Loans and advances due from banks(1)	958,888	506,320
Loans and advances to customers	3,301,736	3,098,698
Financial assets available for sale	1,325,849	1,205,367
Interest on impaired assets	58,307	48,476
Other	9,736	11,615
INTEREST INCOME OF ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	3,179,613	2,763,613
Financial assets held for trading	78,350	66,461
Financial assets designated at fair value	1,318	389
Derivatives(2)	3,099,945	2,696,763
INTEREST EXPENSE	(6,642,024)	(5,518,518)
INTEREST EXPENSE OF LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(2,550,192)	(1,809,845)
Due to banks(1)	(576,350)	(342,441)
Customer borrowings and deposits(1)	(1,094,480)	(759,807)
Debt securities	(768,353)	(650,207)
Subordinated debts(3)	(68,578)	(41,927)
Preferred shares and hybrid capital(3)	(24,599)	(4,034)
Expenses linked to the amounts guaranteed by the States	(8,913)	(18)
Other	(8,919)	(11,411)
INTEREST EXPENSE OF LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(4,091,832)	(3,708,673)
Financial liabilities held for trading	(7,322)	(2,126)
Financial liabilities designated at fair value	(325,576)	(291,049)
Derivatives(2)	(3,758,934)	(3,415,498)
NET INTEREST INCOME(4)	2,209,352	2,122,519

(1) The decrease of the interest income is mainly related to the decrease of the loans given to Dexia. As a result there is also a fall in interest expense due to a reduction of the funding requirements.
(2) The presentation of the interest results of derivatives has been revised. We refer to the "Consolidated statement of income" for further detail.
(3) The decline in interest expense on subordinated debt is due to the different repurchase actions that were carried out in 2012.
(4) Belfius has presented its contribution to the deposit guarantee scheme in the interest margin.

11.2. Dividend income

(In thousands of EUR)	31/12/11	31/12/12
Financial assets available for sale	68,549	52,374
Financial assets held for trading	669	983
TOTAL	69,218	53,357

11.3. Net income from associates

(In thousands of EUR)	31/12/11	31/12/12
Income from associates before tax	(2,101)	6,184
Share of tax	(638)	(391)
TOTAL	(2,739)	5,793

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

(In thousands of EUR)	31/12/11	31/12/12
Net trading income[1]	(138,433)	29,723
Net result of hedge accounting	(20,749)	(33,645)
Net result of financial instruments designated at fair value through profit or loss and result from the related derivatives[2]	23,651	4,788
Change in own credit risk[3]	(19,330)	0
Forex activity and exchange differences	25,970	(26,526)
TOTAL	(128,891)	(25,660)

(1) The presentation of the interest results of derivatives has been revised. We refer to the "Consolidated statement of income" for further detail.

(2) Among which trading derivatives included in a fair-value option strategy	(54,158)	40,543

(3) See also note 12.2.h. credit-risk information about financial liabilities designated at fair value through profit or loss.

Result of hedge accounting

(In thousands of EUR)	31/12/11	31/12/12
FAIR VALUE HEDGES	1,429	(17,042)
Fair value changes of the hedged item attributable to the hedged risk	63,077	(13,975)
Fair value changes of the hedging derivatives	(61,648)	(3,067)
CASH FLOW HEDGES	2,698	0
Fair value changes of the hedging derivatives - ineffective portion	2,698	0
DISCONTINUATION OF CASH FLOW HEDGE ACCOUNTING (CASH FLOWS NO LONGER EXPECTED TO OCCUR)	0	0
HEDGES OF NET INVESTMENTS IN A FOREIGN OPERATION	0	0
Fair value changes of the hedging derivatives - ineffective portion	0	0
PORTFOLIO HEDGE	(24,876)	(16,603)
Fair value changes of the hedged item	2,466,758	1,433,351
Fair value changes of the hedging derivatives	(2,491,634)	(1,449,954)
TOTAL	(20,749)	(33,645)

(In thousands of EUR)	31/12/11	31/12/12
DISCONTINUATION OF CASH FLOW HEDGE ACCOUNTING (CASH FLOWS STILL EXPECTED TO OCCUR) - AMOUNTS RECORDED IN INTEREST MARGIN	104	110

11.5. Net income on investments

(In thousands of EUR)	31/12/11	31/12/12
Gains on loans and advances	27,191	30,273
Gains on financial assets available for sale	199,027	467,755
Gains on tangible fixed assets	25,424	13,471
Gains on intangible fixed assets	0	0
Gains on assets held for sale	0	0
Gains on liabilities(1)	65	779,099
TOTAL GAINS	251,707	1,290,598
Losses on loans and advances	(215,291)	(135,155)
Losses on financial assets available for sale(2)	(603,152)	(2,243,908)
Losses on tangible fixed assets	(448)	(111)
Losses on intangible fixed assets	0	0
Losses on assets held for sale	(67,625)	(90)
Losses on liabilities	(1)	(2)
Other losses	(167)	0
TOTAL LOSSES	(886,684)	(2,379,266)
NET IMPAIRMENT(3)	(1,408,063)	1,675,257
TOTAL	(2,043,040)	586,589

(1) In the framework of the capital management actions, a notional amount of EUR 613 million of subordinated liabilities were repurchased, after approval by the Belgian regulator, in preparation for the new regulations (Basel III). We refer to the Highlights of the Management Report. Following the split of Dexia and Belfius, the hybrid Tier 1 issue was repurchased after approval of the Belgian regulator. We refer to the Highlights of the Management Report.
(2) Mainly losses generated due to the derisking strategy. We refer to the "Risk Management" part of the Management Report.
(3) In 2011, Belfius impaired its Greek sovereign bonds. In 2012, Belfius participated to the Private Sector Involvement (PSI) agreement. The impairments recorded in 2011 were used in the realisation of the positions in 2012. As a consequence, a shift from "Net impairment" to the line "Losses on financial assets available for sale" can be noted without a material impact on result in 2012.

Net impairment

	Specific risk		Total
(In thousands of EUR)	Allowances	Write-backs	
AS AT 31 DECEMBER 2011			
Securities available for sale	(1,664,317)	256,254	(1,408,063)
TOTAL(1)	(1,664,317)	256,254	(1,408,063)

	Specific risk		Total
(In thousands of EUR)	Allowances	Write-backs	
AS AT 31 DECEMBER 2012			
Securities available for sale	(45,454)	1,720,711	1,675,257
TOTAL(1)	(45,454)	1,720,711	1,675,257

(1) In 2011, Belfius impaired its Greek sovereign bonds. In 2012, Belfius participated to the Private Sector Involvement (PSI) agreement. The impairments recorded in 2011 were used in the realisation of the positions in 2012. As a consequence, a shift from "Net impairment" to the line "Losses on financial assets available for sale" can be noted without a material impact on result in 2012.

11.6. Fee and commission income and expense

	31/12/11			31/12/12		
(In thousands of EUR)	Income	Expense	Net	Income	Expense	Net
Management of unit trusts and mutual funds	92,662	(3,312)	89,350	86,342	(7,090)	79,252
Administration of unit trusts and mutual funds	14,422	(42)	14,380	12,531	(43)	12,488
Insurance activity	11,739	(943)	10,796	11,150	(886)	10,264
Credit activity	47,563	(5,998)	41,565	46,930	(11,815)	35,115
Purchase and sale of securities	24,339	(3,301)	21,038	16,834	(1,078)	15,756
Purchase and sale of unit trusts and mutual funds	12,449	(2,492)	9,957	9,290	(1,285)	8,005
Payment services	129,426	(38,222)	91,204	136,420	(40,704)	95,716
Commissions to non exclusive brokers	20,900	(21,680)	(780)	6,349	(19,963)	(13,614)
Services on securities other than safekeeping	3,193	(892)	2,301	2,337	(885)	1,452
Custody	13,584	(7,721)	5,863	12,007	(6,383)	5,624
Issues and placements of securities	11,481	(637)	10,844	2,036	(2,471)	(435)
Servicing fees of securitisation	641	0	641	642	0	642
Private banking	8,377	(2,904)	5,473	7,993	(2,808)	5,185
Clearing and settlement	10,775	(20,689)	(9,914)	2,733	(9,585)	(6,852)
Securities lending	17,543	(45,141)	(27,598)	19,462	(19,998)	(536)
Other	68,058	(948)	67,110	68,874	(2,637)	66,237
TOTAL	487,152	(154,922)	332,230	441,930	(127,631)	314,299

11.7. Technical margin of insurance activities

(In thousands of EUR)	31/12/11	31/12/12
Premiums and technical income from insurance activities	2,698,278	2,143,184
Technical expense from insurance activities	(3,029,733)	(2,717,831)
NET TECHNICAL RESULT(1)	(331,455)	(574,647)

(1) See also note 9.3. Insurance contracts.

1. Premiums and technical income from insurance activities

(In thousands of EUR)	31/12/11	31/12/12
Premiums and contributions received(1)	2,578,615	2,006,458
Claims incurred – part of reinsurers	61,170	62,175
Changes in technical reserves – part of reinsurers	9,691	15,747
Other technical income	48,802	58,804
INCOME	2,698,278	2,143,184

(1) See also note 9.3. Insurance contracts.

2. Technical expense from insurance activities

(In thousands of EUR)	31/12/11	31/12/12
Premiums transferred to reinsurers(1)	(147,222)	(138,105)
Commissions and contributions paid	(205,695)	(221,320)
Claims incurred	(1,462,410)	(1,729,427)
Change in technical reserves	(1,187,883)	(594,637)
Other technical expenses	(26,523)	(34,342)
EXPENSES	(3,029,733)	(2,717,831)

(1) See also note 9.3. Insurance contracts.

11.8. Other net income

(In thousands of EUR)	31/12/11	31/12/12
Exploitation taxes	710	806
Rental income from investment property	12,588	16,911
Other rental income	10,229	12,381
Other income on other activities[1]	152,603	259,275
OTHER INCOME	**176,130**	**289,373**
Impairment on inventory	(1)	(2)
Exploitation taxes	(20,340)	(86,814)
Repair and maintenance on investment properties that generated income during the current financial year	(42)	(1,976)
Other expense on other activities[2]	(194,154)	(224,489)
OTHER EXPENSE	**(214,537)**	**(313,281)**
TOTAL	(38,407)	(23,908)

(1) "Other income on other activities" includes other operational income and write-back of provisions for other litigation claims.
(2) "Other expenses on other activities" includes other operational expenses for operating lease (other than rental expenses and contingent rents), depreciation and amortisation on office furniture and equipment given in operational lease, other operational expenses, provisions for other litigation claims and depreciation and amortisation on investment property.

This table is the result of quarterly movements. Consequently, the "Other income" and "Other expense" need to be considered together. In particular, if a provision is recorded in a quarter, it is recorded through the "Other expense", if this provision is reversed a later quarter, it will be booked through "Other income". Consequently, fluctuations within the year have an impact on both the "Other expense" and the "Other income" and hence both sections need to be analysed together. If the movements during 2012 are eliminated, the "Other income" and "Other expense" would be approximately EUR 71 million lower.

11.9. Staff expense

(In thousands of EUR)	31/12/11	31/12/12
Wages and salaries	(457,005)	(493,211)
Social security and insurance costs	(141,353)	(149,841)
Pension costs - defined benefit plans	(38,666)	(47,305)
Pension costs - defined contribution plans	(825)	(486)
Other post-retirement benefits	(1,886)	(1,855)
Stock compensation expense	(137)	412
Long-term employee benefits	(626)	(2,838)
Restructuring expenses[1]	(3,408)	(81,104)
Other expenses[2]	(38,412)	52,914
TOTAL	(682,318)	(723,314)

(1) Belfius has announced a restructuring plan in 2012. We refer to the "Human Resources" part of the Management Report.
(2) Figures as at 31 December 2011 have been restated for indirect staff expense. These were presented in 2011 under "General and administrative expense"; as of 2012, they are included in "Staff expense". It concerns a shift in 2011 of EUR 22 million.

(Average FTE)	31/12/11			31/12/12		
	Fully consolidated	Proportionally consolidated	Total	Fully consolidated	Proportionally consolidated	Total
Senior executives	189	1	190	189	0	189
Employees	7,223	0	7,223	6,986	0	6,986
Other	15	0	15	0	0	0
TOTAL	7,427	1	7,428	7,175	0	7,175

(Average FTE) as at 31 December 2011	Senior executives	Employees	Other	Total
Belgium	179	7,037	0	7,216
France	2	82	15	99
Luxembourg	5	79	0	84
Ireland	4	25	0	29
TOTAL BELFIUS BANK	190	7,223	15	7,428

(Average FTE) as at 31 December 2012	Senior executives	Employees	Other	Total
Belgium	181	6,875	0	7,056
France	0	0	0	0
Luxembourg	5	88	0	93
Ireland	3	23	0	26
TOTAL BELFIUS BANK	189	6,986	0	7,175

11.10. General and administrative expense

(In thousands of EUR)	31/12/11	31/12/12
Occupancy	(37,212)	(29,936)
Operating leases (except technology and system costs)(1)	(21,351)	(19,753)
Professional fees	(79,585)	(38,418)
Marketing advertising and public relations	(52,474)	(36,923)
Technology and system costs	(155,375)	(167,294)
Software costs and research and development costs	(14,845)	(12,652)
Repair and maintenance expenses	(456)	(519)
Insurance (except related to pension)(1)	(5,298)	(6,291)
Transportation of mail and valuable	(36,994)	(37,484)
Operational taxes	(53,677)	(42,671)
Other general and administrative expense(1)	(48,944)	(86,041)
TOTAL	(506,211)	(477,982)

(1) Figures as at 31 December 2011 have been restated for indirect staff expense. We refer to note 11.9.

11.11. Depreciation and amortisation

(In thousands of EUR)	31/12/11	31/12/12
Depreciation on land and buildings(1)	(47,848)	(25,158)
Depreciation on other tangible assets	(25,222)	(24,081)
Amortisation of intangible assets	(43,211)	(44,351)
TOTAL	(116,281)	(93,590)

(1) In 2012 the useful life of certain assets was reassessed. To align to the economic reality and current market practice, the depreciation term for certain buildings was reviewed and prolonged from 20 into 33 years. This had a postive impact in 2012 of EUR 23 million (before tax).

11.12. Impairment on loans and provisions for credit commitments

1. Collective impairment

(In thousands of EUR)	31/12/11 Allowances	31/12/11 Reversals	31/12/11 Total	31/12/12 Allowances	31/12/12 Reversals	31/12/12 Total
Loans	(217,322)	171,375	(45,947)	(208,843)	154,704	(54,139)
TOTAL	(217,322)	171,375	(45,947)	(208,843)	154,704	(54,139)

2. Specific impairment

	31/12/11				
(In thousands of EUR)	Allowances	Reversals	Losses	Recoveries	Total
Loans and advances due from banks	(36,453)	15,094	(14,825)	0	(36,184)
Loans and advances to customers(1)	(552,803)	121,192	(40,620)	5,537	(466,694)
Assets from insurance companies(2)	(6)	74	0	0	68
Other receivables(2)	(196)	164	0	0	(32)
Commitments	(8,528)	2,028	0	0	(6,500)
TOTAL	(597,986)	138,552	(55,445)	5,537	(509,342)

	31/12/12				
(In thousands of EUR)	Allowances	Reversals	Losses	Recoveries	Total
Loans and advances due from banks	(9,259)	17,489	(13,538)	489	(4,819)
Loans and advances to customers(1)	(370,879)	162,757	(55,003)	4,579	(258,546)
Assets from insurance companies(2)	(136)	7	0	0	(129)
Other receivables(2)	(193)	29,118	(8,907)	0	20,018
Commitments	(4,300)	34,034	0	0	29,734
TOTAL	(384,767)	243,405	(77,448)	5,068	(213,742)

(1) The "Specific impairments on loans or debt instruments" mainly relate to impairments linked to Side activities.
(2) Presented under item XII. of the Assets.

This table is the result of quarterly movements.

11.13. Impairment on tangible and intangible assets

(In thousands of EUR)	31/12/11	31/12/12
Impairment on investment property	0	0
Impairment on land and buildings	(48,204)	300
Impairment on other tangible assets	0	(50)
Impairment on assets held for sale	1,239	(19)
Impairment on long-term construction contracts	0	0
Impairment on intangible assets	0	0
TOTAL	(46,965)	231

11.14. Impairment on goodwill

The annual impairment test did not require an impairment of goodwill.

11.15. Provisions for legal litigation

The information regarding the provisions for legal litigations is presented in the "Corporate Governance" part of the management report.

11.16. Tax expense

(In thousands of EUR)	31/12/11	31/12/12
Income tax on current year	(13,905)	(17,532)
Deferred taxes on current year	649,058	(164,484)
TAX ON CURRENT YEAR RESULT (A)	**635,153**	**(182,016)**
Income tax on previous year	9,135	2,476
Deferred taxes on previous year	140,660	(163)
Provision for tax litigations	(6,157)	(800)
OTHER TAX EXPENSE (B)	**143,638**	**1,513**
TOTAL (A)+(B)	778,791	(180,503)

1. Effective corporate income tax charge

The standard tax rate applicable in Belgium in 2011 and 2012 was 33.99%.
Belfius Bank's effective tax rate was respectively 29,6% and 30,8% for 2011 and 2012.
The difference between these two rates can be analysed as follows :

(In thousands of EUR)	31/12/11	31/12/12
NET INCOME BEFORE TAX	**(2,145,705)**	**597,225**
Income and losses from companies accounted for by the equity method	(2,740)	5,793
TAX BASE	**(2,142,965)**	**591,432**
Statutory tax rate	33.99%	33.99%
TAX EXPENSE USING STATUTORY RATE	**(728,394)**	**201,028**
Tax effect of rates in other jurisdictions	79,612	21,777
Tax effect of non-taxable revenues(1)	(255,645)	(70,780)
Tax effect of non tax-deductible expenses	134,665	44,055
Tax effect of utilisation of previously unrecognised tax losses	668	(1,602)
Tax effect on tax benefit not previously recognised in profit or loss	0	0
Tax effect from reassessment of unrecognised deferred tax assets	210,492	(1,796)
Tax effect of change in tax rates	148	27
Items taxed at a reduced rate	0	(61)
Impairment on goodwill	0	0
Other increase (decrease) in statutory tax charge	(76,699)	(10,632)
TAX ON CURRENT YEAR RESULT	(635,153)	182,016
Taxe base	(2,142,965)	591,432
EFFECTIVE TAX RATE	29.6%	30.8%

(1) Mainly finally taxed income (dividends).

2. Contributions to the budget of the Belgian State

In 2012, Belfius paid EUR 395 million in addition to the corporate tax as detailed above, under the form of various contributions and taxes.

(In thousands of EUR)	31/12/12
CONTRIBUTION TO THE BUDGET OF THE BELGIAN STATE – OTHER THAN CORPORATE TAXES	
Specific contributions of the financial sector	157,380
Social security on salaries (employer's part)	140,369
VAT non-deductible	54,678
Real estate taxes	25,990
Regional and local taxes	9,989
Other taxes	6,404
TOTAL	394,810

XII. Notes on risk exposure

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

As requested by IFRS 7 § 34 disclosures are based on information internally provided to key management.

12.1. Fair value

In accordance with the accounting policies the fair value is equal to the accounting value for some assets and liabilities. For the determination of the fair value and the assumptions used, we refer to the accounting policies.

1. Breakdown of fair value

A. Breakdown of fair value of assets

	31/12/11			31/12/12		
(In thousands of EUR)	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks	713,586	713,586	0	1,964,560	1,964,560	0
Loans and advances due from banks	46,174,903	46,302,157	127,254	41,279,786	41,619,934	340,148
Loans and advances to customers	91,933,190	92,256,954	323,764	89,486,116	91,585,236	2,099,120
Financial assets held for trading	2,068,297	2,068,297	0	1,314,247	1,314,247	0
Financial assets designated at fair value	3,432,337	3,432,337	0	3,763,388	3,763,388	0
Financial assets available for sale	44,911,922	44,911,922	0	31,603,663	31,603,663	0
Investments held to maturity	0	0	0	0	0	0
Derivatives	34,933,281	34,933,281	0	35,234,965	35,234,965	0
Fair value revaluation of portfolio hedge	3,198,807	3,198,807	0	4,144,582	4,144,582	0
Investments in associates	93,154	93,154	0	92,872	92,872	0
Other assets(1)	5,026,601	5,026,601	0	4,043,253	4,043,253	0
Non-current assets held for sale	22,965	51,631	28,666	19,617	38,417	18,800
TOTAL	232,509,043	232,988,727	479,684	212,947,049	215,405,117	2,458,068

(1) Includes "Tangible fixed assets", "Intangible assets and goodwill", "Tax assets" and "Other assets".

The line "Fair value revaluation of portfolio hedge" corresponds to the remeasurement of the interest-rate risk on assets included in the items "Loans and advances due from banks" and "Loans and advances to customers".

B. Breakdown of fair value of liabilities

	31/12/11			31/12/12		
(In thousands of EUR)	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Due to banks	59,415,413	59,419,572	4,159	40,440,300	40,459,775	19,475
Customer borrowings and deposits	70,264,724	70,370,795	106,071	66,649,092	66,670,540	21,448
Financial liabilities held for trading	199,660	199,660	0	96,394	96,394	0
Financial liabilities designated at fair value	10,882,352	10,882,352	0	10,366,557	10,366,557	0
Derivatives	41,372,637	41,372,637	0	41,765,535	41,765,535	0
Fair value revaluation of portfolio hedge	30,204	30,204	0	87,205	87,205	0
Debt securities	24,361,727	24,884,685	522,958	26,439,494	26,132,599	(306,895)
Subordinated debts	2,685,467	1,436,186	(1,249,281)	1,039,906	941,141	(98,765)
Other liabilities(1)	20,021,633	20,021,633	0	20,703,106	20,703,106	0
Liabilities included in disposal groups held for sale	0	0	0	0	0	0
TOTAL	229,233,817	228,617,724	(616,093)	207,587,589	207,222,852	(364,737)

(1) Includes "Technical provisions from insurance companies", "Provisions and other obligations", "Tax liabilities" and "Other liabilities".

Apart from "Liabilities designated at fair value", the own credit risk on liabilities is considered as unchanged for the determination of the fair value.

The line "Fair value revaluation of portfolio hedge" corresponds to the remeasurement of the interest-rate risk on liabilities included in the lines "Customer borrowings and deposits" and "Debt securities".

2. Analysis of fair value of financial instruments

A. Assets

	31/12/11				31/12/12			
(In thousands of EUR)	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total
Financial assets held for trading	344,730	1,081,401	642,166	2,068,297	136,283	76,297	1,101,667	1,314,247
Financial assets designated at fair value – equities	2,811,667	0	0	2,811,667	2,709,825	0	0	2,709,825
Financial assets designated at fair value – other instruments	320,725	299,756	189	620,670	748,699	304,864	0	1,053,563
Financial assets available for sale – loans & receivables	0	20,436	0	20,436	0	0	0	0
Financial assets available for sale – bonds	13,441,360	23,139,777	7,315,177	43,896,314	19,623,572	3,694,609	7,163,245	30,481,426
Financial assets available for sale – equities	709,861	3,447	281,864	995,172	815,003	16,569	290,665	1,122,237
Derivatives	2,408	32,824,947	2,105,926	34,933,281	3,127	33,618,615	1,613,223	35,234,965
TOTAL	17,630,751	57,369,764	10,345,322	85,345,837	24,036,509	37,710,954	10,168,800	71,916,263

(1) Instruments classified in level 1 are those whose fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
(2) Instruments classified in level 2 are those whose fair value is derived from inputs other than quoted prices and that are observable , either directly (i.e. prices) or indirectly (i.e. derived from prices).
(3) Instruments classified in level 3 are those whose fair value is derived from valuation techniques that include inputs not based on observable market data (unobservable inputs).

B. Liabilities

	31/12/11				31/12/12			
(In thousands of EUR)	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total
Financial liabilities held for trading	117,606	82,054	0	199,660	34,959	61,424	11	96,394
Financial liabilities designated at fair value	0	10,691,983	190,368	10,882,351	0	9,949,998	416,560	10,366,558
Derivatives	4,905	38,858,669	2,509,064	41,372,638	1,391	40,124,124	1,640,020	41,765,535
TOTAL	122,511	49,632,706	2,699,432	52,454,649	36,350	50,135,546	2,056,591	52,228,487

(1) Instruments classified in level 1 are those whose fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
(2) Instruments classified in level 2 are those whose fair value is derived from inputs other than quoted prices and that are observable , either directly (i.e. prices) or indirectly (i.e. derived from prices).
(3) Instruments classified in level 3 are those whose fair value is derived from valuation techniques that include inputs not based on observable market data (unobservable inputs).

3. Transfer between Level 1 and Level 2 fair value

A. Assets

	31/12/11		31/12/12	
(In thousands of EUR)	From 1 to 2	From 2 to 1	From 1 to 2	From 2 to 1
Financial assets held for trading	40,933	11,887	0	4,946
Financial assets designated at fair value – equities	0	0	0	0
Financial assets designated at fair value – other instruments	0	0	0	0
Financial assets available for sale – loans and receivables	0	0	0	0
Financial assets available for sale – bonds[1]	610,245	0	0	4,883,097
Financial assets available for sale – equities	2	0	0	0
Derivatives	0	0	0	0
TOTAL	651,180	11,887	0	4,888,043

(1) Due to the fact that markets are more liquid, we notice a significant shift between level 2 and level 1.

B. Liabilities

	31/12/11		31/12/12	
(In thousands of EUR)	From 1 to 2	From 2 to 1	From 1 to 2	From 2 to 1
Financial liabilities held for trading	0	0	0	0
Financial liabilities designated at fair value	230,633	0	0	0
Derivatives	0	0	0	0
TOTAL	230,633	0	0	0

4. Reconciliation Level 3

A. Assets

	31/12/11										
(In thousands of EUR)	Opening balance	Total gains/ losses in P&L	Total gains/ losses in OCI	Purchase	Sale	Direct origination	Settlement	Transfers in Level 3	Transfers out of Level 3	Conversion differences	Closing
Financial assets held for trading	688,905	11,298	0	18,090	(79,926)	0	0	4,260	(461)	0	642,166
Financial assets designated at fair value – equities	0	0	0	0	0	0	0	0	0	0	0
Financial assets designated at fair value – other instruments	60,087	(68)	0	0	(59,830)	0	0	0	0	0	189
Financial assets available for sale – loans and receivables	0	0	0	0	0	0	0	0	0	0	0
Financial assets available for sale – bonds	11,994,732	(267)	42,971	448,318	(2,819,555)	0	(27,955)	287,081	(2,612,342)	2,194	7,315,177
Financial assets available for sale – equities	237,494	100	7,585	21,783	(11,735)	0	(3)	26,639	0	0	281,863
Derivatives	2,143,374	(43,732)	0	0	0	0	0	0	0	6,284	2,105,926
TOTAL	15,124,592	(32,669)	50,556	488,191	(2,971,046)	0	(27,958)	317,980	(2,612,803)	8,478	10,345,321

	31/12/12										
(In thousands of EUR)	Opening balance	Total gains/ losses in P&L	Total gains/ losses in OCI	Purchase	Sale	Direct origination	Settlement	Transfers in Level 3	Transfers out of Level 3	Conversion differences	Closing
Financial assets held for trading	642,166	55,896	0	622,159	(242,716)	0	0	26,538	(2,376)	0	1,101,667
Financial assets designated at fair value – equities	0	0	0	0	0	0	0	0	0	0	0
Financial assets designated at fair value – other instruments	189	0	0	0	(189)	0	0	0	0	0	0
Financial assets available for sale – loans and receivables	0	0	0	0	0	0	0	0	0	0	0
Financial assets available for sale – bonds	7,315,177	4,281	39,596	571,672	(804,625)	0	0	159,475	(122,331)	0	7,163,245
Financial assets available for sale – equities	281,863	(1,150)	3,083	19,659	(11,691)	0	(12)	0	(1,087)	0	290,665
Derivatives	2,105,926	(493,791)	0	0	0	0	0	0	0	1,088	1,613,223
TOTAL	10,345,321	(434,764)	42,679	1,213,490	(1,059,221)	0	(12)	186,013	(125,794)	1,088	10,168,800

B. Liabilities

(In thousands of EUR)	31/12/11 Opening balance	Total gains/ losses in P&L	Total gains/ losses in OCI	Purchase	Sale	Direct origination	Settlement	Transfers in Level 3	Transfers out of Level 3	Conversion differences	Closing
Financial liabilities held for trading	10	0	0	0	0	0	0	0	(10)	0	0
Financial liabilities designated at fair value	256,195	(1,490)	0	0	0	22,701	(16,820)	78,436	(148,654)	0	190,368
Derivatives	2,722,283	(213,204)	0	0	0	0	0	0	0	(16)	2,509,063
TOTAL	2,978,488	(214,694)	0	0	0	22,701	(16,820)	78,436	(148,664)	(16)	2,699,431

(In thousands of EUR)	31/12/12 Opening balance	Total gains/ losses in P&L	Total gains/ losses in OCI	Purchase	Sale	Direct origination	Settlement	Transfers in Level 3	Transfers out of Level 3	Conversion differences	Closing
Financial liabilities held for trading	0	0	0	11	0	0	0	0	0	0	11
Financial liabilities designated at fair value	190,368	14,296	0	0	0	109,802	(10,158)	212,928	(100,676)	0	416,560
Derivatives	2,509,063	(869,043)	0	0	0	0	0	0	0	0	1,640,020
TOTAL	2,699,431	(854,747)	0	11	0	109,802	(10,158)	212,928	(100,676)	0	2,056,591

Comments

The evolution in level 3 instruments can be explained as follows:

→ The column "Total gains/losses in P&L" cannot be analysed on a stand-alone basis, as some assets/liabilities classified at amortised cost or in level 1 or 2 may be hedged by derivatives classified in level 3. We refer to the note 11.4. – Result of hedge accounting – to have an economic view on the P&L impact.

→ Improvement to the internal models resulted in a transfer between levels.

→ The sale of "Financial assets available for sale" is mainly due to the derisking strategy to improve the risk profile in the bond portfolio.

Note that the P&L impact of level 3 items is rather limited due to the fact that structured financial instruments are fully hedged.

5. Sensitivity of Level 3 valuations to alternative assumptions

The fair value applied by Belfius Bank to bonds and CDS is partly based on a mark-to-model. The sensitivity analysis described below measures the impact on fair value of alternative assumptions used for unobservable parameters at closing date.

Belfius Bank established alternative assumptions on the mark-to-model unobservable parameters:

→ **Credit spread used in the model**

The credit spread used in the model relies on two parameters that give fundamental information on the credit quality: the 1-year Probability of Default (PD) of the issuer and the expected Loss Given Default (LGD) of the issue. Basel II parameters are used as main reference when they are available. The sensitivity has been determined by shifting the credit spread by 10% in relative.

For level 3 bonds in "Available for sale", the sensitivity of the "Available-for-sale reserve" to alternative assumptions of the credit spread component is estimated between a positive impact of EUR 28.4 million and a negative impact of EUR 28.4 million.

For Credit Default Swaps (CDS), the impact is estimated at EUR 9.4 million (positive scenario) versus EUR -9.4 million (negative scenario).

→ **Liquidity component in the model**

The other unobservable parameter impacting the fair value is the liquidity percentage which depends on the activity on the market in which the instrument is traded. The sensitivity has been determined by changing the liquidity percentage by 10%.

The impact has been calculated as:

Impact = (1-x%)*MtoMarket
+ x%*MtoModel- (1-y%)*MtoMarket-y%*MtoModel,
where
X= percentage of mark-to-model under the stressed conditions (+/-10%)
Y= percentage of mark-to-model under the normal hypothesis.

For level 3 bonds in "Available for sale", the sensitivity of the "Available-for-sale reserve" to alternative assumptions of the liquidity component is estimated between a negative impact of EUR 0.2 million to EUR 0.3 million.

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 2011 nor in 2012.

More specifically, as Belfius sells plain vanilla products, like Interest Rate Swaps (IRS), or perfectly back-to-back complex products (like structured transactions), the day-one profit is recognised up-front. As only a few transactions of unsignificant amounts having non observable parameters, the Deferred DOP is immaterial.

12.2. Credit risk exposure

1. Analysis of total credit risk exposure

Maximum credit risk exposure is disclosed in the same way as it is reported to the Management and reports:

- the net carrying amount for balance-sheet assets other than derivative contracts (i.e. accounting value after deduction of impairments), for the assets classified in "Loans and advances" without fair value hedge;
- the fair value of derivatives and of financial collateral received;
- the full commitment amount for off-balance-sheet commitments. The full commitment amount is either the undrawn part of liquidity facilities or the maximum amount Belfius Bank is committed to pay for the guarantees it has granted to third parties.
- the financial guarantees.

Credit risk exposure is broken down by geographical region and by counterparty taking into account the guarantees obtained. This means that when credit risk exposure is guaranteed by a third-part whose weighted risk (for Basel regulations) is lower than that of the direct borrower, the exposure is based on the guarantor's geographical region and activity sector.

A. Exposure by geographical region

(In thousands of EUR)	31/12/11	31/12/12
Belgium	124,323,711	124,056,451
France	36,666,803	16,986,056
Germany	3,499,645	1,403,062
Greece	896,095	66,087
Ireland	595,823	232,443
Italy	8,179,371	7,465,253
Luxembourg	3,262,361	1,272,398
Spain	6,786,231	5,677,380
Portugal	812,042	531,282
Other EU countries	13,052,613	10,096,961
Rest of Europe	2,192,686	2,420,137
Turkey	2,879,894	648,582
United States and Canada	12,587,856	8,042,940
South and Central America	516,357	503,038
Southeast Asia	559,413	369,679
Japan	400,516	405,295
Other(1)	3,303,680	3,721,117
TOTAL	220,515,097	183,898,161

(1) Includes supranational entities, like the European Central Bank.

B. Exposure by category of counterparty

(In thousands of EUR)	31/12/11	31/12/12
Central governments	33,631,558	33,715,248
Local public sector	53,964,263	51,693,822
Corporate	26,250,513	24,184,414
Monolines	4,190,231	3,208,262
ABS/MBS	5,593,632	4,491,366
Project finance	1,246,906	1,597,458
Individuals, SMEs, self-employed	35,931,097	37,269,855
Financial institutions	59,556,809	27,659,822
Other	150,087	77,914
TOTAL	220,515,097	183,898,161

C. Detail of GIIPS countries per counterparty

(In thousands of EUR)	Central government bonds[1]	Financial institutions	ABS/MBS	Local public sector	Corporate project finance	Other	Total
Greece	75	0	64,990	0	0	1,021	66,086
Ireland	10,884	159,535	59,311	0	471	2,243	232,444
Portugal	83,715	82,999	285,286	0	78,573	708	531,281
Spain	1,573	4,126,626	996,047	144,160	201,628	207,346	5,677,380
Italy	4,759,583	1,465,584	916,826	3,537	299,871	19,852	7,465,253
GIIPS	**4,855,830**	**5,834,744**	**2,322,460**	**147,697**	**580,543**	**231,170**	**13,972,444**

(1) Direct exposure.

We refer to the "Risk Management" part of the Management Report for further information.

2. Maximum credit risk exposure by class of financial instruments

	31/12/11		31/12/12	
(In thousands of EUR)	Maximum credit risk exposure	Effect of physical collateral	Maximum credit risk exposure	Effect of physical collateral
Financial assets available for sale (excluding variable-income securities)	43,807,160	0	30,484,540	0
Financial assets designated at fair value (excluding variable-income securities)	9,855	0	6,057	0
Financial assets held for trading (excluding variable-income securities)	1,642,364	0	1,181,389	0
Loans and advances (at amortised cost)	113,830,272	2,652,061	105,492,485	2,386,727
Investments held to maturity	0	0	0	0
Derivatives	7,282,137	0	6,107,300	0
Other financial instruments – at cost	2,849,846	0	2,726,308	0
Loan commitments granted	29,948,637	97,252	23,622,927	67,128
Guarantee commitments granted	21,144,825	35,263	14,277,156	51,804
TOTAL	220,515,097	2,784,576	183,898,161	2,505,659

3. Credit quality of financial assets neither past due nor impaired

	31/12/11				
(In thousands of EUR)	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Total
Financial assets available for sale (excluding variable-income securities)	25,369,062	15,613,726	2,108,135	15,586	43,106,509
Financial assets designated at fair value (excluding variable-income securities)	119	9,685	42	9	9,855
Financial assets held for trading (excluding variable-income securities)	1,134,143	502,898	2,865	2,209	1,642,115
Loans and advances (at amortised cost)	45,759,971	51,416,607	13,274,151	1,371,887	111,822,615
Investments held to maturity	0	0	0	0	0
Derivatives	2,496,241	4,519,746	240,012	17,489	7,273,488
Other financial instruments – at cost	609,515	1,446,819	16,448	777,063	2,849,846
Loan commitments granted	15,101,193	11,477,449	2,883,090	385,421	29,847,154
Guarantee commitments granted	774,837	18,928,196	1,271,777	105,322	21,080,132
TOTAL	91,245,082	103,915,125	19,796,520	2,674,987	217,631,713

(In thousands of EUR)	31/12/12 AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Total
Financial assets available for sale (excluding variable-income securities)	12,666,523	15,487,745	2,288,198	33,632	30,476,099
Financial assets designated at fair value (excluding variable-income securities)	0	6,057	0	0	6,057
Financial assets held for trading (excluding variable-income securities)	330,467	690,673	383	159,866	1,181,389
Loans and advances (at amortised cost)	56,031,907	31,438,689	14,571,715	1,124,241	103,166,551
Investments held to maturity	0	0	0	0	0
Derivatives	1,772,870	4,042,915	267,168	22,139	6,105,092
Other financial instruments – at cost	14,377	1,744,787	21,830	945,312	2,726,306
Loan commitments granted	11,556,336	9,006,071	2,622,770	324,238	23,509,415
Guarantee commitments granted	2,206,073	10,535,744	1,317,461	133,884	14,193,162
TOTAL	84,578,553	72,952,680	21,089,525	2,743,312	181,364,070

The indicated ratings are either internal or external based. In fact, Belfius Bank applies the AIRBA (Advanced Internal Ratings Based Approach) for the calculation of capital requirements for credit risk within the context of Pillar I of Basel II. Except for ABS positions for which the credit risk is calculated based on external ratings (Fitch, Standard & Poor's or Moody's).

4. Information on past-due or impaired financial assets

A financial asset is past due when the counterparty has failed to make a payment when contractually due. This is considered on a contract-by-contract basis. For example, if a counterparty fails to pay the required interests at due date, the entire loan is considered as past due.

	31/12/11			
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets, before deducting any impairment loss
(In thousands of EUR)	≤ 90 days	> 90 days ≤ 180 days	> 180 days	
Financial assets available for sale (excluding variable-income securities)	0	0	0	2,469,061
Loans and advances (at amortised cost)	520,963	50,100	36,229	2,602,294
Investments held to maturity	0	0	0	0
Other financial instruments – at cost	0	0	0	38,081
TOTAL	520,963	50,100	36,229	5,109,436

	31/12/12			
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets, before deducting any impairment loss
(In thousands of EUR)	≤ 90 days	> 90 days ≤ 180 days	> 180 days	
Financial assets available for sale (excluding variable-income securities)	0	0	0	77,252
Loans and advances (at amortised cost)	620,988	48,305	41,084	2,556,024
Investments held to maturity	0	0	0	0
Other financial instruments – at cost	0	0	0	5,711
TOTAL	620,988	48,305	41,084	2,638,987

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

5. Collateral and other credit enhancements obtained by taking possession of collateral

Nature of the assets obtained during the period by taking possession of a collateral

(In thousands of EUR)	Carrying value 31/12/11	Carrying value 31/12/12
Cash	926	668
Equity instrument	0	0
Debt instruments	82	120
Loans and advances	0	0
Property, plant and equipment	4,506	4,396
Other	76	0
TOTAL	5,590	5,184

Concerning collateral taken into possession, the adopted methodology is based upon the Judicial Code (seizure of property) and the Financial Guarantees Code (seizure of securities).

6. Movements in allowances for credit losses

(In thousands of EUR)	As at 1 Jan. 2011	Utilisation	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other	As at 31 Dec. 2011	Recoveries directly recognised in profit or loss	Charges-offs directly recognised in profit or loss
SPECIFIC ALLOWANCES FOR INDIVIDUALLY AND COLLECTIVELY ASSESSED FINANCIAL ASSETS	**(977,452)**	**281,248**	**(2,206,520)**	**111,292**	**(1,893)**	**(2,793,325)**	**5,537**	**(7,041)**
Loans and advances due from banks	(25,122)	15,094	(13,515)	0	(465)	(24,008)	0	0
Loans and advances to customers	(586,150)	33,579	(528,689)	87,613	(882)	(994,529)	5,537	(7,041)
Investments held to maturity	0	0	0	0	0	0	0	0
Financial assets available for sale	(366,180)	232,575	(1,664,316)	23,679	(546)	(1,774,788)	0	0
Of which fixed income instruments	*(292,648)*	*188,960*	*(1,651,772)*	*23,679*	*(537)*	*(1,732,318)*	*0*	*0*
Of which equity instruments	*(73,532)*	*43,615*	*(12,544)*	*0*	*(9)*	*(42,470)*	*0*	*0*
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS	**(410,193)**	**0**	**(217,322)**	**171,375**	**0**	**(456,140)**	**0**	**0**
Loans and advances due from banks	(13,562)	0	(6,117)	4,362	0	(15,317)	0	0
Loans and advances to customers	(396,631)	0	(211,205)	167,013	0	(440,823)	0	0
Investments held to maturity	0	0	0	0	0	0	0	0
TOTAL	(1,387,645)	281,248	(2,423,842)	282,667	(1,893)	(3,249,465)	5,537	(7,041)

(In thousands of EUR)	As at 1 Jan. 2012	Utilisation	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other	As at 31 Dec. 2012	Recoveries directly recognised in profit or loss	Charges-offs directly recognised in profit or loss
SPECIFIC ALLOWANCES FOR INDIVIDUALLY AND COLLECTIVELY ASSESSED FINANCIAL ASSETS	(2,793,325)	912,581	(396,968)	976,573	1,114	(1,300,025)	5,068	(16,962)
Loans and advances due from banks	(24,008)	17,305	(9,259)	184	(36)	(15,814)	489	0
Loans and advances to customers	(994,529)	55,335	(353,933)	107,422	1,086	(1,184,619)	4,579	(16,962)
Investments held to maturity	0	0	0	0	0	0	0	0
Financial assets available for sale	(1,774,788)	839,941	(33,776)	868,967	64	(99,592)	0	0
Of which fixed-income instruments	*(1,732,318)*	*818,633*	*10,996*	*868,967*	*74*	*(33,648)*	*0*	*0*
Of which equity instruments	*(42,470)*	*21,308*	*(44,772)*	*0*	*(10)*	*(65,944)*	*0*	*0*
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS	(456,140)	0	(208,752)	154,613	0	(510,279)	0	0
Loans and advances due from banks	(15,317)	0	(9,099)	1,110	0	(23,306)	0	0
Loans and advances to customers	(440,823)	0	(199,653)	153,503	0	(486,973)	0	0
Investments held to maturity	0	0	0	0	0	0	0	0
TOTAL	(3,249,465)	912,581	(605,720)	1,131,186	1,114	(1,810,304)	5,068	(16,962)

For 2011 two major events can be noticed: an additional specific impairment for EUR 528 million on Loans and advances to customers due to particular events and the specific impairments on Greek sovereign bonds for EUR 1.645 million (Financial assets AFS - fixed-income instruments).

In 2012, a strong decrease can be noticed on the specific impairments, due to the realisation of Greek government bonds.

The increase in specific impairments on "Loans and advances to customers" is mainly linked with Side activities.

7. Credit risk information for loans designated at fair value through profit or loss

As at 31 Dec. 2011	Maximum exposure to credit risk	Amount by which any related credit derivatives mitigate the maximum exposure to credit risk declared in "Maximum exposure to credit risk"	Amount of change in the loans at fair value through profit or loss attributable to changes in the credit risk		Amount of change in the fair value of any related credit derivative or similar instrument which mitigate the maximum credit risk exposure	
(In thousands of EUR)			Change of the period	Cumulative amount	Change of the period	Cumulative amount
	9,575	0	0	0	0	0

As at 31 Dec. 20121	Maximum exposure to credit risk	Amount by which any related credit derivatives mitigate the maximum exposure to credit risk declared in "Maximum exposure to credit risk"	Amount of change in the loans at fair value through profit or loss attributable to changes in the credit risk		Amount of change in the fair value of any related credit derivative or similar instrument which mitigate the maximum credit risk exposure	
(In thousands of EUR)			Change of the period	Cumulative amount	Change of the period	Cumulative amount
	6,057	0	0	0	0	0

Belfius Bank estimates the fair value of the loans by calculating the amount of future cash flows from the assets and discounting the payments to a present value at a discount rate that reflects the uncertainty associated with those payments.

8. Credit risk information about financial liabilities designated at fair value through profit or loss

As at 31 Dec. 2011 (In thousands of EUR)	Carrying value	Amount of change in the fair value attributable to changes in the credit risk of the liability		Difference between carrying value and the contractual value required to be paid at maturity[(1)]
		Change of the period	Cumulative amount	
	10,882,351	19,330	(7,353)	107,534

(1) This amount includes the premium/discount and the change in the market value.

As at 31 Dec. 2012 (In thousands of EUR)	Carrying value	Amount of change in the fair value attributable to changes in the credit risk of the liability		Difference between carrying value and the contractual value required to be paid at maturity[(1)]
		Change of the period	Cumulative amount	
	10,366,557	0	(7,353)	147,070

(1) This amount includes the premium/discount and the change in the market value.

12.3. Information about collateral

1. Assets received as collateral which can be sold or repledged

Nature of assets received as collateral

	Collateral received as at 31 Dec. 2011		Collateral received as at 31 Dec. 2012	
(In thousands of EUR)	Fair value of collateral held	Fair value of collateral sold/repledged	Fair value of collateral held	Fair value of collateral sold/repledged
Equity instruments	447,151	0	404,601	0
Debt instruments	11,127,989	9,622,664	9,212,161	7,737,754
Loans and advances	184,548	157,116	190,577	170,433
Cash collaterals	9,554,607	9,554,607	9,991,076	9,991,076
TOTAL	21,314,295	19,334,387	19,798,415	17,899,263

Collateral is obtained within the framework of repurchase agreement activities and bond lending activities.

Cash is obtained as collateral within the framework of Credit Support Annex (CSA).

Contracts determining the conditions of repledge are based on Overseas Securities Lending Agreement (OSLA) - possibly amended by the legal department - or are written directly by the legal department.

Repledging collateral is a common market practice.

2. Information on financial assets pledged as collateral

	Carrying value of financial assets pledged as collateral as at 31 Dec. 2011		Carrying value of financial assets pledged as collateral as at 31 Dec. 2012	
(In thousands of EUR)	For liabilities	For contingent liabilities	For liabilities	For contingent liabilities
	136,997,240	0	93,223,866	0

The actual borrowed amount is lower than the carrying value of the pledged financial assets.

This item includes assets that were pledged as a result of repurchase agreements, loans granted by the central banks, guarantees for the issuance of covered bonds, the assets given under bond lending transactions and cash collateral posted under the Credit Support Annex agreements (CSA).

The collateral pledged to the Central Bank amounts to EUR 47 billion by the end of 2012. This amount of assets pledged is composed of EUR 32 billion to raise funding and EUR 15 billion which is available.

In addition, an amount of EUR 22 billion of cash collateral is recorded. As a result, in 2012 an amount of approximately EUR 56 billion of assets was pledged for funding purposes.

3. Transfer of financial assets which do not qualify for derecognition in the consolidated balance sheet

(In thousands of EUR)	Carrying amount of transferred assets	Carrying amount of associated liabilities	For those liabilities that recourse only to the transferred assets		
			Fair value of transferred assets	Fair Value of associated liabilities	Net position
Loans and advances due from banks	1,390,869	1,437,721	0	0	0
Loans and advances to customers	3,752,871	3,723,972	3,973,289	3,528,750	444,539
Financial assets held for trading	9,239	8,943	0	0	0
Financial assets designated at fair value	0	0	0	0	0
Financial assets available for sale	4,953,514	4,712,493	0	0	0
TOTAL	10,106,493	9,883,129	3,973,289	3,528,750	444,539

This table lists the transferred financial assets and the related liabilities. Since virtually none of the risks and rewards of ownership are transferred, the assets remain on the balance sheet of Belfius. In this table the repurchase agreements and securitised loans are included.

Since the counterparty, in case of default, has not only a right of recourse on the transferred assets, but on the entire debt, the columns "For those liabilities that recourse only to the transferred assets" are not applicable.

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 the 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. The cash obtained under this transaction is recognised as a liability.

B. Securitisation

Belfius has different securitisation vehicles that are consolidated as most of the risks and rewards are for Belfius. The underlying financial assets continue to be recognised on the balance sheet. We refer for further details to note 9.5.

Only DSFB-4 is included in this overview as investors have a contractual right on the cash flows of the underlying loans. Since the investors only have a contractual right on the underlying credits and not on the entire debt, the column "For those liabilities that recourse only to the transferred assets" is applicable.

The related cash transfer is recognised as a liability.

12.4. 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 behavioural data. However, for the determination of the interest sensitivity, the observed behaviour is taken into account (see note 12.5).

1. 2011

A. Assets

	31/12/11									
(In thousands of EUR)	At sight and on demand(1)	Up to 3 months (1)	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undeter-mined maturity	Accrued interest	Fair value adjust-ment	Impair-ment	Total
Cash and balances with central banks	713,120						466	0	0	713,586
Loans and advances due from banks	22,815,031	16,418,360	2,602,226	4,117,394	113,400	18,438	84,714	44,665	(39,325)	46,174,903
Loans and advances to customers	6,625,223	22,570,300	11,944,299	22,106,267	27,306,759	2,402,869	348,736	64,089	(1,435,352)	91,933,190
Financial assets held for trading	0	1,537,899	36,234	364,231	155,080	27,396	11,572	(64,115)	0	2,068,297
Financial assets designated at fair value	0	3,812	0	6,000	291,237	3,131,750	721	(1,183)	0	3,432,337
Financial assets available for sale	0	16,875,481	1,839,482	5,063,346	21,919,663	1,136,684	651,077	(799,023)	(1,774,788)	44,911,922
Investments held to maturity							0	0	0	0
Derivatives							2,135,242	32,798,039		34,933,281
Fair value revaluation of portfolio hedge								3,198,807		3,198,807
Investments in associates						93,154				93,154
Tangible fixed assets						1,401,028				1,401,028
Intangible assets and goodwill						218,533				218,533
Tax assets						2,062,324				2,062,324
Other assets	129,715	80,853	46,100	26,208	6,427	1,082,446		6,158	(33,191)	1,344,716
Non-current assets held for sale						29,151		0	(6,186)	22,965
TOTAL	**30,283,089**	**57,486,705**	**16,468,341**	**31,683,446**	**49,792,566**	**11,603,773**	**3,232,528**	**35,247,437**	**(3,288,842)**	**232,509,043**

(1) Figures as at 31 December 2011 have been restated.

B. Liabilities

(In thousands of EUR)	31/12/11								
	At sight and on demand[1]	Up to 3 months [1]	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undeter-mined maturity	Accrued interest	Fair value adjust-ment	Total
Due to banks	49,867,761	6,804,760	1,172,348	1,485,832	52,366	1,934	27,203	3,209	59,415,413
Customer borrowings and deposits	46,249,789	18,204,466	3,576,355	1,121,430	492,992	69,347	550,345	0	70,264,724
Financial liabilities held for trading	0	4,978	196	168,679	80,501	0	1,603	(56,297)	199,660
Financial liabilities designated at fair value	0	715,127	2,935,176	3,443,917	389,229	3,132,393	157,387	109,123	10,882,352
Derivatives							3,152,621	38,220,016	41,372,637
Fair value revaluation of portfolio hedge								30,204	30,204
Debt securities	0	9,333,737	5,602,272	8,591,899	521,920	0	311,180	719	24,361,727
Subordinated debts	0	171,455	3,830	50,203	817,511	1,514,977	52,644	74,847	2,685,467
Technical provision of insurance companies						16,786,233			16,786,233
Provisions and other obligations						977,211			977,211
Tax liabilities						38,449			38,449
Other liabilities	1,326,280	281,801	65,541	16,174	359	529,319	266	0	2,219,740
Liabilities included in disposal groups held for sale							0	0	0
TOTAL	97,443,830	35,516,324	13,355,718	14,878,134	2,354,878	23,049,863	4,253,249	38,381,821	229,233,817

(1) Figures as at 31 December 2011 have been restated.

C. Net position

(In thousands of EUR)	31/12/11					
	At sight and on demand[1]	Up to 3 months[1]	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity
On-balance-sheet sensitivity gap	(67,160,741)	21,970,381	3,112,623	16,805,312	47,437,688	(11,446,090)

(1) Figures as at 31 December 2011 have been restated.

The balance-sheet sensitivity gap is hedged through derivatives.

2. 2012

A. Assets

(In thousands of EUR)	31/12/12									
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	1,964,112						448			1,964,560
Loans and advances due from banks	20,380,009	15,968,230	3,454,931	1,242,105	170,645	17,505	55,104	30,377	(39,120)	41,279,786
Loans and advances to customers	5,305,868	20,591,923	11,167,710	20,442,670	30,865,701	2,379,057	314,808	89,971	(1,671,592)	89,486,116
Financial assets held for trading		1,033,870	26,010	126,987	25,574	16,103	4,544	81,159		1,314,247
Financial assets designated at fair value				6,000	298,799	3,457,881	700	8		3,763,388
Financial assets available for sale	9,431	3,398,971	1,035,568	6,609,315	16,893,929	1,039,277	545,452	2,171,312	(99,592)	31,603,663
Investments held to maturity										0
Derivatives							1,886,523	33,348,442		35,234,965
Fair value revaluation of portfolio hedge								4,144,582		4,144,582
Investments in associates						92,872				92,872
Tangible fixed assets						1,480,271				1,480,271
Intangible assets and goodwill						209,794				209,794
Tax assets						1,197,428				1,197,428
Other assets	144,342	44,192	25,483	14,277	3,748	921,272		6,441	(3,995)	1,155,760
Non-current assets held for sale						25,468			(5,851)	19,617
TOTAL	27,803,762	41,037,186	15,709,702	28,441,354	48,258,396	10,836,928	2,807,579	39,872,292	(1,820,150)	212,947,049

B. Liabilities

	31/12/12								
(In thousands of EUR)	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undeter-mined maturity	Accrued interest	Fair value adjust-ment	Total
Due to banks	9,511,417	2,615,539	418,578	26,966,099	714,413	3,322	207,843	3,089	40,440,300
Customer borrowings and deposits	48,987,834	12,807,246	2,425,481	1,321,004	608,055	44,656	454,816		66,649,092
Financial liabilities held for trading		7,008	267	63,221	23,527	85	513	1,772	96,393
Financial liabilities designated at fair value	0	402,236	477,012	4,545,198	1,199,886	3,459,266	136,031	146,929	10,366,558
Derivatives							2,737,615	39,027,920	41,765,535
Fair value revaluation of portfolio hedge								87,205	87,205
Debt securities	0	6,041,389	3,369,192	15,029,496	1,715,628		283,742	47	26,439,494
Subordinated debts	0	30,128	198,396	274,343	201,108	288,373	39,159	8,399	1,039,906
Technical provision of insurance companies						17,579,188			17,579,188
Provisions and other obligations						948,031			948,031
Tax liabilities						130,751			130,751
Other liabilities	1,266,298	199,695	50,904	12,913	337	514,752	237		2,045,136
Liabilities included in disposal groups held for sale									0
TOTAL	59,765,549	22,103,241	6,939,830	48,212,274	4,462,954	22,968,424	3,859,956	39,275,361	207,587,589

C. Net position

	31/12/12					
(In thousands of EUR)	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity
On-balance-sheet sensitivity gap	(31,961,787)	18,933,945	8,769,872	(19,770,920)	43,795,442	(12,131,496)

The balance-sheet sensitivity gap is hedged through derivatives.

12.5. Market risk and ALM

We refer to the chapter "Risk Management" of the Management Report for further information.

1. Treasury and Financial markets

- Risk on trading activities: general interest rate, foreign exchange, equity, credit spread and other risks (inflation, CO_2). These risks are managed within Value-at-Risk limits and other appropriate risk limits;
- Cash and Liquidity Management (CLM) – only banking – is followed by means of Value-at-Risk (VaR) and interest-rate sensitivity limits;
- the spread risk of the investment portfolio and trading activities are managed with spread limits.

The VaR limits were significantly reduced in order to bring them in line with the risk appetite of the bank.

VaR (99% 10 days)	2011				2012			
(In thousands of EUR)	IR(1) & FX(2) (Trading and Banking)(3)	EQT(4) Trading	Spread Trading	Other risks(5)	IR(1) & FX(2) (Trading and Banking)(3)	EQT(4) Trading	Spread Trading	Other risks(5)
By activity								
Average	12,173	1,907	10,869	2,292	8,308	1,305	11,982	2,087
EOY	8,671	830	8,008	2,178	6,351	1,593	14,002	1,592
Maximum	22,184	5,546	17,692	3,784	14,074	3,926	17,903	4,532
Minimum	7,941	691	7,649	854	4,957	606	7,825	1,503
Global								
Average	27,246				23,682			
EOY	19,659				23,538			
Maximum	37,647				30,359			
Minimum	19,659				17,893			

(1) IR: interest rate.
(2) FX: forex.
(3) without ALM.
(4) Eqt : equity.
(5) Inflation and CO_2.

2. ALM-interest rate and equity risk

ALM is managed under the direct decision and control authority of the ALCo Committee.

The sensitivity measures the change in the balance-sheet net economic value if interest rates rise by 1 % across the entire interest-rate curve.

For the calculation of the sensitivity, the residual maturity of the portfolio until next interest-rate refixing date is defined using assumptions on the observed behaviour of the customers and not on legal repayment date (see note 12.4.).

A. Banking and insurance companies

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.

	2011		2012	
(In thousands of EUR)	Interest rate(2)	Equity(3)	Interest rate(2)	Equity(3)
Banking companies ALM(1)				
Sensitivity	82,500		129,000	
VaR 10d 99%		300		300
Insurance				
Sensitivity	110,000		95,000	
VaR 10d 99%		85,000		51,000

(1) Cash and Liquidity Management excluded.
(2) Sensitivities to 1% shift.
(3) Equity risks are more detailed below.

B. ALM equity - Listed shares sensitivity

Earnings at Risk (EaR) measures the impact in the accounting result if VaR materialises.

(In thousands of EUR)	31/12/11	31/12/12
Bank		
Acquisition cost	4,000	13,000
Market value	2,000	2,000
Earnings at risk	0	0
Insurance		
Acquisition cost	965,000	850,000
Market value	819,000	870,000
Earnings at risk	(66,000)	(18,000)

3. Bond portfolio

A. Outstanding nominal amounts

(In thousands of EUR)	31/12/11	31/12/12
Bank	25,044,000	22,834,000
Insurance	16,199,000	13,343,000

B. Interest-rate sensitivity

The interest-rate risk of the bond portfolio of the bank is systematically hedged for the interest-rate risk, as its purpose is the management of credit spread; therefore it has a very limited sensitivity to changes of interest rates.

The sensitivity to 1% interest-rate increase of the bond portfolio of the insurance companies amounted to EUR -0.81 million at the end of 2012.

C. Credit-spread sensitivity

This calculation estimates the sensitivity of the AFS reserve of the bond portfolio after a basis-point spread increase, in millions of EUR. The table below shows the credit-spread sensitivity of this bond portfolio.

(In thousands of EUR)	31/12/11	31/12/12
Bank	(20,000)	(20,452)
Insurance	(11,100)	(11,286)

12.6. Liquidity risk

Belfius Bank's approach to liquidity risk management has been reviewed in the light of the financial and liquidity crisis.

Overall policy is that its future funding needs should never exceed its secured funding capacity.

Since 2009, Belfius Bank is subject to reporting liquidity to the Belgian regulator (NBB).

Breakdown residual maturity

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 periodes, even if the maturity date is less than 7 days.

A. 2011

Assets

	31/12/11									
	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjustment	Impairment	Total
(In thousands of EUR)	At sight and on demand[1]	Up to 3 months[1]	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity				
Cash and balances with central banks	713,120	0	0	0	0	0	466	0	0	713,586
Loans and advances due from banks	21,154,396	7,352,037	2,752,350	14,323,308	484,320	18,438	84,714	44,665	(39,325)	46,174,903
Loans and advances to customers	6,381,539	10,912,060	5,929,325	20,880,254	46,449,670	2,402,869	348,736	64,089	(1,435,352)	91,933,190
Financial assets held for trading	0	22,736	108,697	453,383	1,508,628	27,396	11,572	(64,115)	0	2,068,297
Financial assets designated at fair value	0	0	3,589	6,000	291,460	3,131,750	721	(1,183)	0	3,432,337
Financial assets available for sale	0	14,351,172	1,098,802	7,357,943	22,890,055	1,136,684	651,077	(799,023)	(1,774,788)	44,911,922
Investments held to maturity							0	0	0	0
Derivatives							2,135,242	32,798,039		34,933,281
Fair value revaluation of portfolio hedge								3,198,807		3,198,807
Investments in associates						93,154				93,154
Tangible fixed assets						1,401,028				1,401,028
Intangible assets and goodwill						218,533				218,533
Tax assets						2,062,324				2,062,324
Other assets	129,715	80,853	45,916	26,208	6,427	1,082,630		6,158	(33,191)	1,344,716
Non-current assets held for sale						29,151		0	(6,186)	22,965
TOTAL	28,378,770	32,718,858	9,938,679	43,047,096	71,630,560	11,603,957	3,232,528	35,247,437	(3,288,842)	232,509,043

(1) Figures as at 31 December 2011 have been restated in order to clarify the breakdown "At sight and on demand" and "Up to 3 months".

Liabilities

(In thousands of EUR)	31/12/11								
	Breakdown of gross amount and premium/discount					Undetermined maturity	Accrued interest	Fair value adjustment	Total
	At sight and on demand(1)	Up to 3 months (1)	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years				
Due to banks	39,205,761	7,466,848	433,865	11,487,438	789,155	1,934	27,203	3,209	59,415,413
Customer borrowings and deposits	46,243,315	17,618,969	3,950,355	1,222,720	609,713	69,307	550,345	0	70,264,724
Financial liabilities held for trading	0	4,968	168	168,689	80,529	0	1,603	(56,297)	199,660
Financial liabilities designated at fair value	0	3,108	34,989	6,878,439	566,913	3,132,393	157,387	109,123	10,882,352
Derivatives							3,152,621	38,220,016	41,372,637
Fair value revaluation of portfolio hedge							0	30,204	30,204
Debt securities	0	1,897,078	3,512,910	13,230,973	5,408,867	0	311,180	719	24,361,727
Subordinated debts	0	1,455	3,830	50,203	987,511	1,514,977	52,644	74,847	2,685,467
Technical provision of insurance companies	459	468,410	1,387,507	6,973,764	7,458,128	497,965			16,786,233
Provisions and other obligations						977,211			977,211
Tax liabilities						38,449			38,449
Other liabilities	1,326,943	280,912	65,779	16,174	1,261	528,405	266		2,219,740
Liabilities included in disposal groups held for sale									0
TOTAL	86,776,478	27,741,748	9,389,403	40,028,400	15,902,077	6,760,641	4,253,249	38,381,821	229,233,817

(1) Figures as at 31 December 2011 have been restated in order to clarify the breakdown "At sight and on demand" and "Up to 3 months".

Net liquidity gap

(In thousands of EUR)	31/12/11					
	At sight and on demand(1)	Up to 3 months (1)	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity
Net liquidity gap	(58,397,708)	4,977,110	549,276	3,018,696	55,728,483	4,843,316

(1) Figures as at 31 December 2011 have been restated in order to clarify the breakdown "At sight and on demand" and "Up to 3 months".

The liquidity position of a bank results from the difference between contractual maturities of assets and liabilities. This allows a presentation of the liquidity gap.

The market value of the derivatives is reported in the column "Fair value adjustment".

B. 2012

Assets

(In thousands of EUR)	31/12/12									
	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjust-ment	Impair-ment	Total
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undeter-mined maturity				
Cash and balances with central banks	1,964,112						448			1,964,560
Loans and advances due from banks	20,275,812	2,831,251	3,377,122	14,407,401	324,334	17,505	55,104	30,377	(39,120)	41,279,786
Loans and advances to customers	5,011,625	8,289,256	5,503,382	20,770,227	48,795,221	2,383,218	314,808	89,971	(1,671,592)	89,486,116
Financial assets held for trading	0	10,962	19,154	343,390	838,935	16,103	4,544	81,159		1,314,247
Financial assets designated at fair value	0			6,000	298,799	3,457,881	700	8		3,763,388
Financial assets available for sale	9,430	1,360,021	631,350	8,614,480	17,334,728	1,036,482	545,452	2,171,312	(99,592)	31,603,663
Investments held to maturity										0
Derivatives							1,886,523	33,348,442		35,234,965
Fair value revaluation of portfolio hedge								4,144,582		4,144,582
Investments in associates						92,872				92,872
Tangible fixed assets						1,480,271				1,480,271
Intangible assets and goodwill						209,794				209,794
Tax assets						1,197,428				1,197,428
Other assets	144,256	44,278	25,483	14,277	3,748	921,272		6,441	(3,995)	1,155,760
Non-current assets held for sale						25,468			(5,851)	19,617
TOTAL	27,405,235	12,535,768	9,556,491	44,155,775	67,595,765	10,838,294	2,807,579	39,872,292	(1,820,150)	212,947,049

Liabilities

(In thousands of EUR)	31/12/12								
	Breakdown of gross amount and premium/discount					Undeter-mined maturity	Accrued interest	Fair value adjust-ment	Total
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years				
Due to banks	9,511,417	2,615,539	418,578	26,965,047	715,465	3,322	207,843	3,089	40,440,300
Customer borrowings and deposits	48,987,347	12,807,733	2,425,481	1,321,004	608,055	44,656	454,816		66,649,092
Financial liabilities held for trading		6,999	200	63,269	23,556	84	513	1,772	96,393
Financial liabilities designated at fair value		143,756	455,112	4,803,628	1,221,836	3,459,266	136,031	146,929	10,366,558
Derivatives							2,737,615	39,027,920	41,765,535
Fair value revaluation of portfolio hedge								87,205	87,205
Debt securities	0	1,031,455	3,369,193	15,049,496	6,705,561		283,742	47	26,439,494
Subordinated debts	0	30	113,644	234,343	355,958	288,373	39,159	8,399	1,039,906
Technical provision of insurance companies	5,299	696,715	2,106,780	8,395,357	5,941,538	433,499			17,579,188
Provisions and other obligations						948,031			948,031
Tax liabilities						130,751			130,751
Other liabilities	1,265,696	198,425	50,941	12,913	1,223	515,701	237		2,045,136
Liabilities included in disposal groups held for sale									0
TOTAL	59,769,759	17,500,652	8,939,929	56,845,057	15,573,192	5,823,683	3,859,956	39,275,361	207,587,589

Net liquidity gap

(In thousands of EUR)	31/12/12					
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity
Net liquidity gap	(32,364,524)	(4,964,884)	616,562	(12,689,282)	52,022,573	5,014,611

More detailed information regarding liquidity is available in the Management Report on Risk Management.

The liquidity position of a bank results from the difference between contractual maturities of assets and liabilities. This allows a presentation of the liquidity gap.

The market value of the derivatives is reported in the column "Fair value adjustment".

We notice a general decrease of the assets, mainly due to the decreasing exposure on Dexia and the derisking.

Furthermore, the gross exposure up to 3 months decreases significantly, as a result of the exchange of short-term Government Guaranteed Bonds (GGB) issued by Dexia to GGB's with a maturity of 3 years.

In analogy with the decrease in assets, there is also a general decrease of liabilities following the reduced financing needs of Dexia with Belfius.

Belfius' improved liquidity position reduces the use of loans of the central banks.

12.7. Currency risk

(In thousands of EUR)	31/12/11 EUR	GBP	USD	Other	Total
Total assets	200,775,681	9,377,654	17,015,241	5,340,467	232,509,043
Total liabilities and equity	209,152,005	3,924,191	14,533,799	4,899,048	232,509,043
NET ON-BALANCE POSITION	**(8,376,324)**	**5,453,463**	**2,481,442**	**441,419**	**0**
Off-balance sheet – to receive	16,443,104	1,910,683	12,057,367	6,314,484	36,725,638
Off-balance sheet – to deliver	9,537,686	7,258,160	14,289,487	6,271,925	37,357,258
OFF-BALANCE SHEET – NET POSITION	**6,905,418**	**(5,347,477)**	**(2,232,120)**	**42,559**	**(631,620)**
NET POSITION	**(1,470,906)**	**105,986**	**249,322**	**483,978**	

(In thousands of EUR)	31/12/12 EUR	GBP	USD	Other	Total
Total assets	189,789,310	8,067,871	11,342,328	3,747,540	212,947,049
Total liabilities and equity	196,915,297	3,456,847	9,453,634	3,121,271	212,947,049
NET ON-BALANCE POSITION	**(7,125,987)**	**4,611,024**	**1,888,694**	**626,269**	**0**
Off-balance sheet – to receive	13,476,310	1,095,951	10,768,386	4,731,784	30,072,431
Off-balance sheet – to deliver	6,745,819	5,604,887	12,838,268	5,132,711	30,321,685
OFF-BALANCE SHEET – NET POSITION	**6,730,491**	**(4,508,936)**	**(2,069,882)**	**(400,927)**	**(249,254)**
NET POSITION	**(395,496)**	**102,088**	**(181,188)**	**225,342**	

12.8. Insurance risks

Insurance activities are performed by Belfius Insurance. We refer to the section "Risk Management" of the Management Report and to the annual report of Belfius Insurance.

The underwriting risk can be broken down into three categories depending on the type of contract: Life, Non-Life and Health. Each category is subsequently divided in subcategories that relate to the nature of the underlying activity.

The underwriting risk "Non-Life" is the risk that arises from insurance contracts Non-Life, which takes into account covered risks and procedures applied while exercising this activity.

1. Highest retention per risk and per event

2012 (In EUR)	Highest retention per risk	Highest retention per event
PRODUCT RANGE		
Third-party liability cars	2,173,000	2,173,000
Casco	nil	1,500,000
Fire	1,535,000	15,000,000
General third-party liability	1,086,000	1,086,000
Accidents at work	582,000	582,000
Life retail and disability	230,000	1,060,000 of the capital for bank insurance 2,080,000 of the capital for DVV insurance
Group insurance decease	270,000	750,000
Group insurance disability	100,000	750,000
Individual accident insurance	150,000	250,000

2. Sensitivities

Impact on the available financial resources (In millions of EUR)	31/12/12
UNDERWRITING RISK LIFE	
Scenario corresponding to a decrease of[1]	
5% in mortality	8.4
10% in costs	42.9
10% in redemption rate	-21.7

(1) Impact for Belfius Insurance.

Impact on pre-tax income (In millions of EUR)	31/12/12
UNDERWRITING RISK NON-LIFE[1]	
Scenario corresponding to	
A decrease of 10% in administrative costs	3.9
An increase of 5% in claims that have been made	-16.1

(1) Impact for Belfius Insurance and Corona Direct.

3. Claims development

The claims triangle is the usual method for expressing the settlement of claims stretched out over a number of years. Actuaries base their evaluation of the appropriateness of the technical provisions on the analysis of this triangle.

The table below shows how claims have evolved since 2002, both in terms of the expected total incurred claims' cost (payments plus provisions) shown in the triangle and in terms of cumulative payments. The difference between the incurred claims and the cumulative payments gives the current claims provisions.

RESERVES (REINSURANCE AND INTERNAL COSTS EXCLUDED)

(In thousands of EUR)	Year of occurrence										
Year of settlement	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Estimation at the end of the year of occurence	209,380	201,627	220,006	236,074	236,347	264,980	283,747	331,940	377,586	368,410	366,403
1	201,614	189,989	201,226	220,780	220,842	252,578	285,478	315,687	380,915	365,547	
2	198,130	182,447	192,969	211,463	212,356	238,903	277,521	303,138	379,076		
3	195,838	177,821	190,228	208,809	203,851	230,875	266,177	302,495			
4	195,539	175,828	186,994	202,227	203,874	227,911	266,535				
5	193,279	169,727	182,405	197,559	201,336	230,685					
6	191,193	166,230	180,903	194,354	201,281						
7	189,313	165,174	181,611	199,111							
8	187,978	163,969	181,985								
9	186,359	164,932									
10	187,355										

(In thousands of EUR)											
Actual estimation	187,355	164,932	181,985	199,111	201,281	230,685	266,535	302,495	379,076	365,547	366,403
Cumulative payments	(172,870)	(146,846)	(160,221)	(171,526)	(164,581)	(189,611)	(210,761)	(243,270)	(265,412)	(246,586)	(164,585)
Actual provisions	14,485	18,086	21,764	27,586	36,700	41,074	55,773	59,225	113,664	118,961	201,818

(In thousands of EUR)	
Provisions (after 2002)	709,137
Provisions (before 2002)	73,572
Internal costs	28,772
Accepted deals	11,872
TOTAL[1]	**823,354**

(1) Claim reserves 31/12/2012 - note 9.3.

Belfius Bank SA
Statutory auditor's report to the Shareholders' Meeting on the consolidated financial statements for the year ended 31 December 2012

(the original text of this report is in Dutch and French)

To the shareholders

As required by law, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the consolidated financial statements as defined below together with our report on other legal and regulatory requirements.

Report on the consolidated financial statements – Unqualified opinion

We have audited the accompanying consolidated financial statements of Belfius Bank SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards 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 2012, the consolidated statement of income, the consolidated statement of changes in equity, the consolidated statement of comprehensive income and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 212,947,049 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 415,354 (000) EUR.

Responsibility of the Board of Directors for the preparation of the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards 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.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the company's officials and the Board of Directors 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.

Unqualified opinion

In our opinion, the consolidated financial statements of Belfius Bank SA give a true and fair view of the group's net equity and financial position as at 31 December 2012, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the framework of our mandate, our responsibility is to verify, for all significant aspects, the compliance with some legal and regulatory requirements. On this basis, we provide the following additional comment which does not modify the scope of our audit opinion on the consolidated financial statements:

→ The directors' report on the consolidated financial statements includes the information required by law, is, for all significant aspects, in agreement with the consolidated financial statements and is not in obvious contradiction with any information obtained in the performance of our mandate.
→ As disclosed in the financial statements, we note that Belfius Bank SA as per yearend does not meet the imposed requirement related to the concentration risk on a single counterparty. Related to this matter the bank established an action plan and submitted it to the National Bank of Belgium. Based on this plan, the bank received a prolongation of the temporary derogation of the National Bank of Belgium for not respecting this regulatory ratio.

Diegem, 2 April 2013

The statutory auditor

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

Frank Verhaegen

Bernard De Meulemeester

2012

Non-consolidated financial statements (BE GAAP)

as at 31 December 2012

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Balance sheet (after appropriation)

Assets

(In thousands of EUR)

		31/12/11	31/12/12
I.	Cash in hand, balances with central banks and Post Office banks	499,809	1,964,152
II.	Treasury bills eligible for refinancing with central banks	12,674	105,939
III.	Loans and advances to credit institutions	44,567,346	27,004,743
	A. Repayable on demand	21,089,942	19,916,285
	B. Other loans and advances (with agreed maturity dates)	23,477,404	7,088,458
IV.	Loans and advances to customers	68,747,904	64,255,204
V.	Debt securities and other fixed-income securities	51,473,863	50,478,405
	A. Issued by public bodies	7,566,946	7,073,077
	B. Issued by other borrowers	43,906,917	43,405,328
VI.	Shares and other variable-yield securities	53,381	56,798
VII.	Financial fixed assets	2,358,791	2,518,841
	A. Participating interests in affiliated enterprises	1,994,770	1,987,528
	B. Participating interests in other enterprises linked by participating interests	154,086	151,192
	C. Other shares held as financial fixed assets	28,935	29,121
	D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	181,000	351,000
VIII.	Formation expenses and intangible fixed assets	8,347	32,579
IX.	Tangible fixed assets	770,923	733,312
X.	Own shares	0	0
XI.	Other assets	2,594,393	3,155,168
XII.	Deferred charges and accrued income	26,304,548	27,332,822
TOTAL ASSETS		197,391,979	177,637,963

Liabilities

(In thousands of EUR)		31/12/11	31/12/12
I.	Amounts owed to credit institutions	59,134,468	39,998,983
	A. Repayable on demand	29,029,207	9,294,937
	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	30,105,261	30,704,046
II.	Amounts owed to customers	85,926,035	83,553,102
	A. Savings deposits	26,409,525	28,294,636
	B. Other debts	59,516,510	55,258,466
	1. Repayable on demand	17,592,360	17,895,522
	2. With agreed maturity dates or periods of notice	41,924,150	37,362,944
	3. As a result of the rediscounting of trade bills	0	0
III.	Debts evidenced by certificates	12,281,296	13,606,156
	A. Debt securities and other fixed-income securities in circulation	12,075,742	11,787,595
	B. Other	205,554	1,818,561
IV.	Other liabilities	2,826,918	3,259,846
V.	Accrued charges and deferred income	27,997,907	28,744,729
VI.	A. Provisions for liabilities and charges	268,411	283,664
	1. Pensions and similar obligations	75,788	956
	2. Taxation	7,765	8,703
	3. Other liabilities and charges	184,858	274,005
	B. Deferred taxes	6,132	0
VII.	Fund for general banking risks	988,737	988,737
VIII.	Subordinated liabilities	2,549,165	1,154,879
CAPITAL AND RESERVES		**5,412,910**	**6,047,867**
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	228	226
XII.	Reserves	1,745,384	2,380,343
	A. Legal reserve	295,264	327,607
	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	38,077	26,167
	D. Reserves available for distribution	1,409,699	2,024,225
XIII.	Profits (losses (-)) brought forward	0	0
TOTAL LIABILITIES		**197,391,979**	**177,637,963**

Off-balance sheet

(In thousands of EUR)		31/12/11	31/12/12
I.	Contingent liabilities	25,845,506	24,761,155
	A. Non-negotiated acceptances	565,004	279,375
	B. Guarantees serving as direct credit substitutes	23,257,359	22,662,626
	C. Other guarantees	1,912,118	1,710,384
	D. Documentary credits	101,754	108,674
	E. Assets charged as collateral security on behalf of third parties	9,271	96
II.	Commitments which could give rise to a risk	35,165,956	26,191,840
	A. Firm credit commitments	1,826,024	527,441
	B. Commitments as a result of spot purchases of transferable or other securities	475,212	1,274,495
	C. Undrawn margin on confirmed credit lines	32,464,720	23,989,904
	D. Underwriting and placing commitments	400,000	400,000
	E. Commitments as a result of open-ended sale and repurchase agreements	0	0
III.	Assets lodged with the credit institution	98,085,286	93,644,093
	A. Assets held by the credit institution for fiduciary purposes	0	0
	B. Safe custody and equivalent items	98,085,286	93,644,093
IV.	Uncalled amounts of share capital	37,317	31,323

Statement of income (presentation in list form)

(In thousands of EUR)		31/12/11	31/12/12
I.	Interest receivable and similar income	4,254,752	3,600,357
	Of which : from fixed-income securities	*958,263*	*1,315,321*
II.	Interest payable and similar charges (-)	(2,937,194)	(2,347,980)
III.	Income from variable-yield securities	132,711	37,026
	A. From shares and other variable-yield securities	1,690	1,361
	B. From participating interests in affiliated enterprises	120,890	28,825
	C. From participating interests in other enterprises linked by participating interests	8,077	5,223
	D. From other shares held as financial fixed assets	2,055	1,617
IV.	Commissions receivable	467,989	443,820
	A. Brokerage and commissions	0	0
	B. Allowances for services of administration, advice and custody	0	0
	C. Other commissions receivable	467,989	443,820
V.	Commissions payable (-)	(483,793)	(444,341)
VI.	Profit (loss (-)) on financial transactions	(454,960)	(581,559)
	A. On trading of securities and other financial instruments	(168,196)	120,960
	B. On disposal of investment securities	(286,765)	(702,519)
VII.	General administrative expenses (-)	(1,088,339)	(1,254,190)
	A. Remuneration, social security costs and pensions	(602,050)	(651,754)
	B. Other administrative expenses	(486,290)	(602,436)
VIII.	Depreciation/amortisation of and other write-downs on (-) formation expenses, intangible and tangible fixed assets	(83,081)	(74,437)
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"	(438,479)	(143,107)
X.	Decrease/Increase (-) in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	(252,269)	533,316
XI.	Utilisation 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"	63,270	201,643
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"	(90,096)	(240,342)
XIII.	Transfer from (Transfer to) the fund for general banking risks	0	0
XIV.	Other operating income	152,669	996,912
XV.	Other operating charges	(121,845)	(128,017)
XVI.	Profits (losses (-)) on ordinary activities before taxes	(878,665)	599,101
XVII.	Extraordinary income	110,099	69,594
	A. Adjustments to depreciation/amortisation of and to other write-downs on intangible and tangible fixed assets	3,902	26,479
	B. Adjustments to write-downs on financial fixed assets	19,544	1,954
	C. Adjustments to provisions for extraordinary liabilities and charges	0	0
	D. Gain on disposal of fixed assets	86,653	41,161
	E. Other extraordinary income	0	0
XVIII.	Extraordinary charges (-)	(654,831)	(39,870)
	A. Extraordinary depreciation/amortisation of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets	(25,067)	(39,063)
	B. Write-downs on financial fixed assets	(3,802)	0
	C. Provisions for extraordinary liabilities and charges	0	0
	D. Loss on disposal of fixed assets	(625,816)	(629)
	E. Other extraordinary charges	(146)	(178)
XIX.	Profits (Losses (-)) for the period before taxes	(1,423,397)	628,825
XIX*bis*.	A. Transfer to deferred taxes (-)	0	0
	B. Transfer from deferred taxes	75,082	6,132
XX.	Income taxes	22,590	0
	A. Income taxes (-)	(6,341)	(3,594)
	B. Adjustement of income taxes and write-back of tax provisions	28,930	3,594
XXI.	Profits (Losses (-)) for the period	(1,325,725)	634,957
XXII.	Transfer to untaxed reserves (-)	0	0
	Transfer from untaxed reserves	145,815	11,909
XXIII.	Profit (Losses (-)) for the period available for approbation	(1,179,910)	646,866

Approbation account

(In thousands of EUR)		31/12/11	31/12/12
A.	Profits (Losses (-)) to be appropriated	(1,178,751)	646,866
	1. Profits (Losses (-)) for the period available for approbation	(1,179,910)	646,866
	2. Profit (Losses (-)) brought forward	1,159	0
B.	Transfers from capital and reserves	1,178,751	0
	1. From capital and share premium account	0	0
	2. From reserves	1,178,751	0
C.	Appropriations to capital and reserves	0	646,866
	1. To capital and share premium account	0	0
	2. To legal reserve	0	32,343
	3. To other reserves	0	614,523
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)	0	0
	2. Directors' entitlements(1)	0	0
	3. Other allocations(1)	0	0

(1) Only applicable to Belgian limited liability companies.

Belfius Bank SA
Statutory auditor's report to the Shareholders' Meeting on the financial statements for the year ended 31 December 2012

(the original text of this report is in Dutch and French)

To the shareholders

As required by law and the company's articles of association, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the financial statements as defined below together with our report on other legal and regulatory requirements.

Report on the financial statements – Unqualified opinion

We have audited the financial statements of Belfius Bank SA ("the company") for the year ended 31 December 2012 prepared in accordance with the financial reporting framework applicable in Belgium, which show total assets of 177,637,963 (000) EUR and a profit for the year of 634,957 (000) EUR.

Responsibility of the Board of Directors for the preparation of the financial statements

The Board of Directors is responsible for the preparation and fair presentation of financial statements in accordance with the financial reporting framework applicable in Belgium, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements. We have obtained from the company's officials and the Board of Directors 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.

Unqualified opinion

In our opinion, the financial statements of Belfius Bank SA give a true and fair view of the company's net equity and financial position as at 31 December 2012 and of its financial performance for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the directors' report on the financial statements, for maintaining the company's accounting records in compliance with the legal and regulatory requirements applicable in Belgium and for the company's compliance with the Companies Code and the company's articles of association.

In the framework of our mandate, our responsibility is to verify, for all significant aspects, the compliance with some legal and regulatory requirements. On this basis, we provide the following additional comments which do not modify the scope of our opinion on the financial statements:

- The directors' report includes the information required by law, is, for all significant aspects, in agreement with the financial statements and is not in obvious contradiction with any information obtained in the performance of our mandate.
- As disclosed in the financial statements, we note that Belfius Bank SA as per yearend does not meet the imposed requirements related to the concentration risk on a single counterparty. Related to this matter the bank established an action plan and submitted it to the National Bank of Belgium. Based on this plan, the bank received a prolongation of the temporary derogation of the National Bank of Belgium for not respecting this regulatory ratio.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of the results proposed to the Shareholders' Meeting is in accordance with the requirements of the law and the company's articles of association.
- No transactions have been undertaken or decisions taken in violation of the company's articles of association or the Companies Code such as we would be obliged to report to you.

Diegem, 2 April 2013

The statutory auditor

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

Frank Verhaegen   Bernard De Meulemeester

Additional information

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 Rogier 11
B-1210 Brussels
Tel.: + 32 2 285 37 77
Fax: + 32 2 285 35 35
www.belfius-autolease.be

Belfius Bank Dublin Branch
(Credit Spread Portfolio management)
6 George's Dock
IRL-IFSC Dublin 1
Tel.: + 353 16 45 50 31
Fax: + 353 18 29 15 77

Belfius Commercial Finance
(Financing commercial loans to debtors, debtor insolvency risk cover and debt recovery from debtors)
Place Rogier 11
B-1210 Brussels
Tel.: + 32 2 285 26 11
Fax: + 32 2 285 26 99
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).
Avenue Galilée 5
B-1210 Brussels
Tel.: + 32 2 286 76 11
Fax: + 32 2 286 76 99
www.dvvlap.be

Belfius Insurance Invest
(Investment management company for Belfius Insurance)
Avenue Galilée 5
B-1210 Brussels
Tel.: + 32 2 286 69 22
Fax: + 32 2 286 72 20

Belfius Ireland Unltd
(Managing a Public Sector bond portfolio)
6 George's Dock
IRL-IFSC Dublin 1
Tel.: + 353 1 645 50 00
Fax: + 353 1 829 15 77

Belfius Lease
(Financial leasing and renting of professional capital goods to the public sector)
Place Rogier 11
B-1210 Brussels
Tel.: + 32 2 222 37 08
Fax: + 32 2 222 26 23
www.belfius-lease.be

Belfius Lease Services
(Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions)
Place Rogier 11
B-1210 Brussels
Tel.: + 32 2 222 37 08
Fax: + 32 2 222 26 23
www.belfius-lease.be

Belfius Re
(Reinsurance company principally managing the internal risks of Belfius Insurance)
20, rue de l'Industrie 20
L - 8399 Windhof
Tel.: +352 26 92 57 1
Fax: +352 26 92 57 09

Corona
(Direct life and non-life insurance products for individuals)
Avenue de la Métrologie 2
B-1130 Brussels
Tel.: + 32 2 244 22 11
www.coronadirect.be

Crefius
(Granting and managing mortgage loans)

Registered office
Boulevard Pachéco 44
B-1000 Brussels
Tel.: + 32 2 222 11 11
Fax: + 32 2 222 40 32

Operating offices
Chaussée de Dinant 1033
B-5100 Wépion
Tel.: + 32 81 46 82 11
Fax: + 32 81 46 05 55

H. Consciencestraat 6
B-8800 Roeselare
Tel.: + 32 51 23 21 11
Fax: + 32 51 23 21 45

(1) Are included in this list: all subsidiaries and the branch which are operating in the banking and insurance sector (or whose operations are contributing to banking and insurance activities).

DELP Invest

(Investment management company for Belfius Insurance)
Namur Office Park
Avenue des Dessus de Lives 2
B-5101 Loyers
Tel.: +32 81 32 19 30

Elantis

(Granting and managing mortgage loans and consumer loans through a network of contributors)

Registered office

Rue des Clarisses 38
B-4000 Liège
Tel.: + 32 4 232 45 45
Fax: + 32 4 232 45 01

Operating office

Boulevard Saint-Michel 50
B-1040 Brussels
Tel.: + 32 2 732 12 12
Fax: + 32 2 737 29 27
www.elantis.be

Eurco Ltd

(Company managing reinsurance captives for third parties)
6 George's Dock
IRL-IFSC Dublin 1
Tel.: + 353 1 85 15 200
Fax: + 353 1 829 04 33

Eurco Re Ltd

(Reinsurance company principally managing the internal risks of Belfius Insurance)
6 George's Dock
IRL-IFSC Dublin 1
Tel.: + 353 1 85 15 200
Fax: + 353 1 829 04 33

International Wealth Insurer

(Individual and collective life insurance company distributing individual life insurance and retirement savings products in several countries of the European Union)
2, rue Nicolas Bové
L-1253 Luxembourg
Tel.: + 352 262 54 41
Fax: + 352 262 54 45 480
www.iwi.com

Sepia

(Insurer specialising in sector pension plans – Joint Venture with KBC Insurance)
Avenue Galilée 5
B-1210 Brussels
Tel.: + 32 2 286 63 27
Fax: + 32 2 284 74 76

General information about Belfius Bank

Company name and legal form
Dexia Benk Belgium SA until 10th June 2012
Belfius Bank SA from 11th June 2012

Contact
Tel.: + 32 2 222 11 11
Fax: + 32 2 222 11 22

Main postal address
Boulevard Pachéco 44
B-1000 Brussels

Company number
RPM Brussels VAT BE 403.201.185

FSMA number
19649 A

Website
http://www.belfius.be

Complaints

If you encounter a problem, you can take it initially to your branch, then to your relationship manager or to the Complaints department.

Belfius Bank
Complaints department – DT 15/14
Boulevard Pachéco 44
B-1000 Brussels
E-mail: *claim@belfius.be*

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

Belfius Bank
Mediation department – DT 15/14
Boulevard Pachéco 44
B-1000 Brussels
E-mail: *mediation@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
Rue Belliard 15/17, boîte 8
B-1040 Brussels
E-mail: *ombudsman@ombfin.be*

For insurance products, you can take your complaint to the Insurance Ombudsman.

Ombudsman des assurances
Square de Meeûs 35
B-1000 Brussels
E-mail: *info@ombudsman.as*

Contact

For further general info over Belfius Bank & Insurance, feel free to surf *www.belfius.be*.

Got a question about Belfius Bank's results or strategy? Then please e-mail *financialcommunication@belfius.be*.

Any other queries? Then call +32 2 222 12 01
(Mon-Fri: 8 am-10 pm/Sat: 9 am-5 pm).

And, of course, you can always follow us on the social networks:

- facebook.com/Belfius
- twitter.com/Belfius
- LinkedIn.com/company/Belfius
- YouTube.com/BelfiusBe

Belfius
Bank & Insurance