

# Annual report 2013



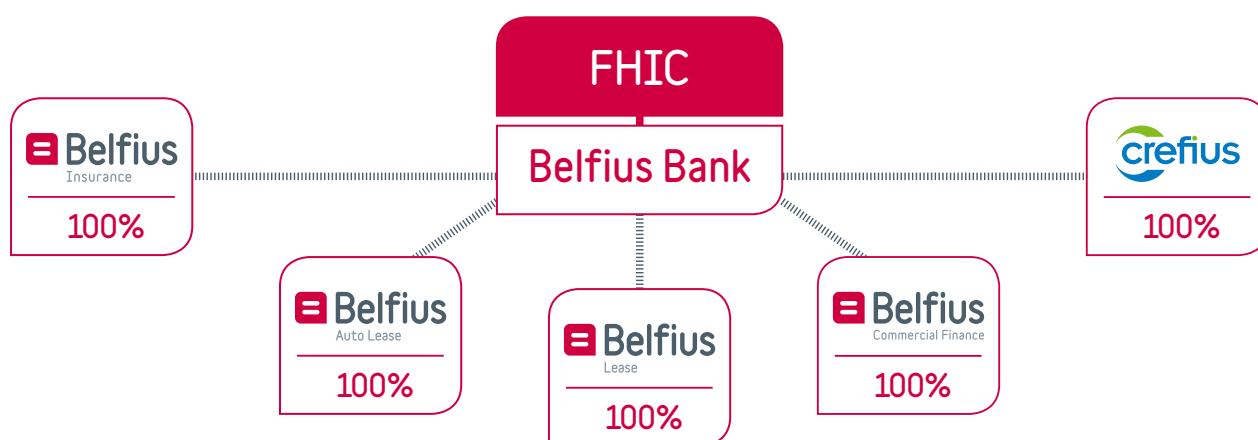
# Contents

Profile of Belfius Bank	2
Management report	5
Consolidated financial statements	91
Non-consolidated financial statements	207
Additional information	216

# 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<sup>(1)</sup>



## Our activities

Commercial activities are essentially organised around three business lines: Retail and Commercial Banking, Public and Wholesale Banking, and Insurance.

### 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 3.5 million customers through a network of 772 branches, internet and mobile banking applications, a contact center and a large number of automatic selfbanking machines, which makes the bank a 24-hour-a-day operation.

### 2. Public and Wholesale Banking

Belfius Bank has always been the preferred partner of public sector and social organisations (hospitals, schools, universities, retirement homes...) in Belgium. It provides its customers 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 medium-sized corporates operating in Belgium and also at corporates offering their services to the public sector.

### 3. Insurance

Belfius Insurance, a fully-owned subsidiary of Belfius Bank, is active on the Belgian insurance market with a comprehensive range in Life and Non-Life insurance 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, a direct insurer.

This multichannel approach is completed by the Elantis brand, which offers mortgage and consumer loans through independent brokers.

(1) For more details, see the list of subsidiaries of the consolidated financial statements in this annual report.

## Our mission and ambitions

As the only integrated, 100% Belgian bank and insurance company, Belfius focuses on establishing a strong, local relationship with customers and creating added value for the community, together with our customers and partners.

### Financially sound

Belfius aims to establish an ongoing healthy financial profile, as well as a strong position in terms of liquidity and solvency. For this reason, Belfius conducts a prudent policy on risk.

### Committed, proud staff

Belfius wants to become an attractive employer by giving people opportunities and responsibilities – and by putting their passion and expertise in finding solutions to work for the benefit of customers and society alike.



**100%**  
Belgian bank  
and insurer

### Partner of society

Belfius seeks to excel in its community involvement by investing in key areas such as housing, retirement homes and hospitals, public infrastructure, education, energy, mobility and the local economy.

### Operationally efficient

Belfius is making every effort to boost efficiency by simplifying its structures and processes and by enabling the business lines to work together to optimum effect.

### Focus on customer satisfaction

Belfius aims to develop in line with and based on the needs of its customers so that it can provide them with the appropriate, innovative tailor-made solutions, at the right time and through the right channels.



## Our staff members

Belfius's operations give employment to 7,323 people, and there are another 3,492 working in the bank's and insurer's independent networks.

**7,323** employees  
**3,492** people in independent networks

## Our ratings

As at 31 March 2014	Long-term rating	Outlook	Short-term rating
Fitch	A-	Negative	F1
Moody's	Baa1	Stable	Prime-2
Standard & Poor's	A-	Negative	A-2



# Management report

Message from the Chairmen	7
Report to the Community	10
Financial Results	37
Retail and Commercial Banking	41
Public and Wholesale Banking	46
Insurance	50
Risk Management	53
Capital Management	73
Corporate Governance	77
General Information	87





# Message from the Chairmen

2013, the first full year under the Belfius banner, was undoubtedly the year of consolidation for Belfius, and in many areas.

Consolidation of our ability to generate **sound recurrent profits**. We posted a positive net result of 445 million euros at the end of 2013, up 5.7% on the end of 2012, reflecting dynamic commercial activity throughout the year. Belfius Insurance made a broad contribution to this fine performance, by posting a net result of 215 million euros. The bank's savings plan, announced in 2012 and implemented at the beginning of 2013, started to bear fruit with a cost reduction of 10% by the end of 2013. These fine results are in all aspects fully in line with our undertakings and our 2012-2016 Strategic Plan, validated by the European Commission at the end of 2012.

Consolidation of our track record in **tactical de-risking**. We managed to reduce our balance sheet by 30 billion euros in 2013 without any impact on the development of our commercial activities. We also reduced our Legacy bond portfolio by 3.6 billion euros over the year. This portfolio stood at 12.4 billion euros at the end of 2013 and is of good quality. Finally, the



Jos Clijsters

Marc Raisière

Dexia Group no longer represents a danger to Belfius. At the end of 2013 and after two years of intensive effort, residual exposure to Dexia amounted to 13.5 billion euros, consisting of 13.4 billion euros of bonds guaranteed by the Belgian, French and Luxembourg States.

Consolidation of our **solvency**, under the combined effect of the profit made in 2013 and the improvement of our risk profile. We will post a considerable rise in our Core Tier 1 ratio under Basel II, at 15.4% at the end of 2013 against 13.3% at the end of 2012. Our fully fledged pro forma common equity ratio under Basel III (CRR) was estimated at 11.7%<sup>(1)</sup> at the end of 2013. Our insurer posted then a Solvency II ratio estimated at 223%.

And consolidation, even confirmation, of the momentum of our **commercial franchise** and our role as **financier and insurer of the Belgian economic fabric**. This year once again, we invested some 10 billion euros in the local Belgian economy via the grant of loans to individuals, enterprises and public and social sectors. We intend to continue on this path, aiming to forge ahead creating value and sharing it with society by granting 30 billion euros of new loans by 2016, at a rate of 10 billion euros a year.

Our three commercial businesses participated in this positive commercial dynamic and stood out all year for their constant endeavours to satisfy our customers.

Indeed the smartphone and tablet applications developed by **Retail and Commercial Banking** are acknowledged to be the best on the market, achieving a satisfaction rate of almost 100% among more than 200,000 active users.

As for **Public and Wholesale Banking**, we confirmed our historical partnership with local authorities, holding a market share of 70% for loan outstanding. Furthermore, as a financial partner par excellence, Belfius successfully assisted local and regional authorities seeking to diversify their funding sources, in their dealings with the capital markets.

Finally, we continued to aim for greater **convergence between banking and insurance activities**, widening our range of products for both life and non-life insurance. By way of example, we can be proud of the success of our campaign for Branch 44 insurance products, which enabled us to collect 580 million euros in investments in the banking network. We are convinced that over coming years we can further exploit internal growth potential by continuing an in-depth collaboration between bank and insurer.

2013 was also a year when the group management baton was passed on. On 5 June last and for personal reasons, Mr Alfred Bouckaert resigned from his post as chairman of the Board of Directors. We would like to thank him for all he did for our bank-insurance group. We are also grateful to Mr Guy Quaden who took over chairmanship of the bank's Board of Directors for a short period, in order to enable us to organise the transition and to guarantee the necessary continuity before we could take on our new functions at the start of 2014.

(1) On a temporary basis until the implementation of IFRS 9, the National Bank of Belgium (NBB) grants a national option by which the negative AFS reserve on the sovereign portfolio is not taken into account up to 5% of that portfolio. Furthermore, the NBB accepts the rules on financial conglomerates (Danish compromise).

After this fine performance in 2013, we can view the future with confidence, looking to fulfil three ambitions.

**We want to be a healthy and sustainable bank-insurer, giving expression to the most ambitious social commitment.**

Belfius wants to be the benchmark of a new banking culture. We are not seeking short-term profit but intend to extend our commitment to society, by reinvesting the savings of Belgian people in the local economic fabric, whilst striving for a healthy and stable financial profile.

**We want to be the most customer-oriented bank-insurer.** The customer is at the very heart of our concerns and we have set ourselves the target of a 95% satisfaction rate in 2016, for all customer segments. For every single customer we want to be a robust partner on which they can rely in all circumstances.

**We intend to guarantee a high level of expertise in financial and risk management.** This is an absolute necessity if we wish to assist our customers even better on a daily basis whilst continuing with the management and optimum reduction of the Legacy activities inherited from the past.

Precisely the bank to which you are entitled.

We are aware, however, that we cannot fully realise such ambitions without the ceaseless support of our 3.5 million customers, the never-failing commitment of our 7,323 staff members and our distribution networks as well as the full confidence of our shareholder. We would like to thank them most sincerely for that support and, in 2014, we will overcome the challenges we face and together build a fine future for Belfius.

**Marc Raisière**

Chairman of the Management Board

**Jos Clijsters**

Chairman of the Board of Directors

# Report to the Community

Management  
report

**1** A bank and insurance company  
close to the community

p. 12

Consolidated  
financial statements

**2** A bank and insurance company  
that puts the customer first

p. 25

Non-consolidated  
financial statements

**3** A tightly-run, well- organised  
bank and insurance company

p. 27

**4** A sustainable bank and insurance  
company

p. 33

# Introduction

The financial world, and not least the world of Belfius, has changed dramatically. But in the midst of all these changes, we are busy building the new Belfius that we are aiming for, step by step. Belfius seeks to become a “warm” bank and insurance company that operates close to the community. And, of course, we are also making every effort to be an autonomous, sustainable and profitable financial player. In 2012 and 2013 we worked on bringing these objectives one step closer.

## Commitment to the community

The story of Belfius in 2013 is one of a bank and insurance company with a strong commitment to the community. This is true both financially and socially. In this section of the report, you will read about how we opened ourselves up further to all stakeholders in 2013 – and to the community in general – and how we continued to enhance and improve our internal organisation.

## Creating social value is not an empty slogan

In the pages that follow, you will find out how we aim to help the community through our products and services. We confirm how we in 2013, as in previous years, continued to invest in worthy social projects and sustainability. We also focus on our evolution into a “service-centric” bank, one that places the customer experience at the centre of its operations.

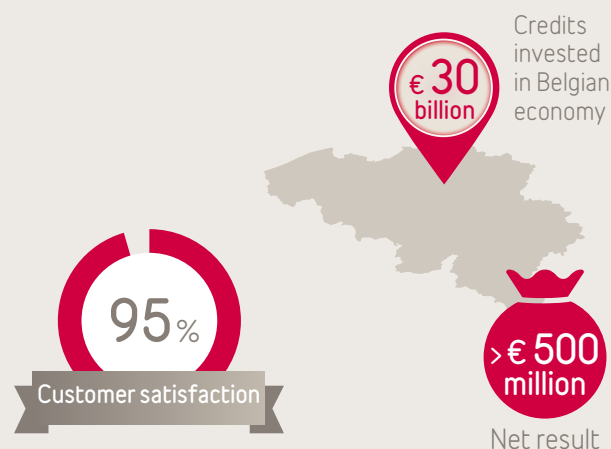
## A critical look

Building a better bank means taking a very close, critical look at existing processes and procedures and the policies we implement. Belfius has the courage to be critical about itself and to call things into question. In this “Report to the Community” you will read about how we have held our internal organisation up to the light. And you will also see that, here and there, we were not afraid to take some less pleasant decisions.

## Net profit of EUR 445 million

Our overall efforts are now bearing fruit, which is something we are proud of. Our results are set out in detail in the financial section of this report. Despite the difficult macroeconomic background, Belfius reported a consolidated net result Group share of EUR 445 million in 2013. Income was EUR 1,834 million, while costs fell by 10% to EUR 1,424 million. The effects of our cost reduction programme have become more and more visible in recent months, which will only help support our sustainable capacity for profit better going forward.

## Our ambition 2016



## Steadily improving risk profile and solvency

The good news is that last year, our total balance sheet was reduced by EUR 30 billion to EUR 183 billion. The historic bond portfolio (the “Legacy” portfolio) was cut back by EUR 3.6 billion in 2013. Our total shareholders’ equity rose further to EUR 6.6 billion and we also succeeded in making steady improvements to our solvency. As a result of the reduction in weighted risks (-15% to EUR 43 billion), our Basel II Core Tier I ratio rose to 15.4%.

The Solvency I ratio of Belfius Insurance improved to 186%, partly due to its good results.

## Belfius Insurance: a real turnaround

Belfius Insurance has definitely experienced a real turnaround. As the result of a material reduction of risks, effective cost management, focus on operating results and strong concentration on customers, our insurance arm has been rapidly restored to a healthy, sound business, with fine financial and operating results.

## Creating added value

Belfius is proud of its achievements in 2013 and is doing everything it can to maintain the momentum. Belfius is convinced that banking is something done by people for people. This is why the company seeks to become closer to the public it serves with each passing year. Belfius wants to use its input and expertise to create greater added value through commercial and patronage activities and by paying its fair share of taxes to give back to society what it is entitled to.

# 1 A bank and insurance company close to the community

Belfius needs to be a financially healthy company. But our task goes far beyond just that. Much more than in the past, we also want to be a “warm” bank and insurer for our customers. A company that is close to the community and supports people and organisations in everything they do – becoming a source of acknowledged added value for society.

We very much believe that we can fulfil our social role to some extent through our products and services. Belfius is able to offer every customer wanting to invest money – whether private individual or business – a long-term investment solution to suit them. Then, the money we raise from this of course flows back into the community.

For example, we help businesses – from start-ups to multinationals – to realise their plans and aspirations. In doing so, we examine their needs and aim for short decision-making lines. Decisions on loans, taken locally by drawing on our expertise and in-depth knowledge of the customer, make all the difference. We encourage start-ups by providing loans in partnership with the European Investment Bank.

We are an important driving force for our local economy, helping to put Belgium on the map as a competitive country.

We provide assistance for public authorities, hospitals and care centres, giving them professional advice and holding a mirror up to them through our surveys. By investing in the construction of schools, roads, homes and hospitals, we help the community to move forward – also making an active contribution to building the towns and cities of the future.

Our financial and insurance products respond proactively to social issues and trends, such as the environment, the ageing population, the need for affordable energy and a modern infrastructure that works on behalf of our economy. And thanks to products such as eco-loans or mileage-related insurance, we are helping our customers to become more sustainable.

A “warm” bank and insurance company demonstrates genuine support and solidarity for the community. Belfius has led the way in this area for many years. For example, we work closely with all Public Centres for Social Welfare to develop solutions for people in financial difficulty. This undertaking has resulted, for example, in a wide range of social products, creating a product offering that cannot be found in any other European bank.

Our support is also expressed in the Belfius Foundation, in welfare programmes and in our unflagging efforts to provide people with disabilities, such as wheelchair users or people with poor eyesight, with easy access to Belfius products and services. The Community Services Centre, which gives assistance to the public sector, illustrates our commitment to the people around us. And by making sport, culture and art accessible to everyone, we bring Belfius closer to people.

**To sum up: we are making huge efforts every day to offer genuine added value to all of the parties involved in our community.**

# Supportive, sustainable and for everyone

## Bank services for everyone

### Preventing financial exclusion

In today's world, financial products and services are essential for anyone who is part of the social and economic fabric. However, in reality, not all Belgians have access to products that suit their needs. Society is also wrestling with a growing debt problem: in 2012, at least 66,000 Belgian families sought help from an accredited debt mediation service.

### Social products: unique in Europe

"We work closely with all Public Centres for Social Welfare to develop solutions for people in financial difficulties. This commitment has resulted in a wide range of exclusive social products - an offering that really is unique in Europe."

Belfius has been a credit-provider for many years, as well as a partner of Belgium's Public Centres for Social Welfare. Because these centres are best placed to be aware of the needs and challenges of people with debt problems, we regularly sit round the table with them to work out social solutions. For example, Belfius offers a range of social account packages, some of which are managed by those centres. This range of products is unique in Europe. In 2013, the number of these social accounts rose to 208,490.

Number of social accounts in 2013

208,490

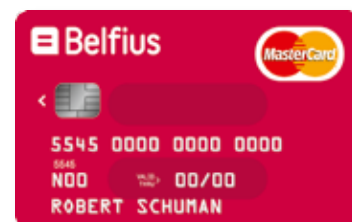
### Belfius E@sy Card

Our close collaboration with the Public Centres for Social Welfare recently resulted in a new product that will be launched in 2014. The Belfius E@sy Card is a bankcard to which everyone is entitled. Use of the card comes under the supervision of the Public Centres for Social Welfare, but holders still have the freedom of flexible access to their financial resources.

## Finger on the budget

### Prepaid Card

The MasterCard Prepaid, launched by Belfius in 2012 in conjunction with MasterCard, is a prepaid card that has all the benefits of a credit card, without actually being one. The principle behind the card is simple: holders decide themselves how much money they want to load on to the card, which enables them to be in control of their budget at all times. It's a formula that helps customers avoid excessive debt.



### Brand-new: the Budget Assistant

Budget Assistant is a totally new tool that underlines our concern about budget management. This easy-to-use online tool gives customers a clear overview of their income and outgoings. That way, they can reduce or postpone their spending and set themselves limits so that they can avoid unpleasant traps such as (too) easy credit or excessive indebtedness.



### A real need

Budget Assistant illustrates clearly that Belfius listens to the needs of its customers: when a survey showed that 72% of the people questioned were interested in it, Belfius decided to develop the product. This involved some 2,500 staff and agents working on the tests.

## The social dimension of Belfius Insurance

### Organised solidarity

Belfius Insurance sees insurance as a form of organised solidarity: insurers help people and businesses to take justified risks and support them if things go wrong. Belfius Insurance also views insurance as going much further than just paying out claims quickly and correctly. And adding to this, we offer assistance to victims and ensure the social reintegration of policyholders who suffer serious physical injury. Even customers who have actually caused an accident can receive psychological support.

### Drive for Life

Customers of DVV Insurance aged over 60 benefit from the "Drive for Life" mobility guarantee: DVV guarantees all older drivers that their mandatory Third-Party car insurance will not be withdrawn, except in extreme cases such as hit and run.



driveforlife

## Our investments: sustainability comes first

### A wide range of investor profiles, a wide range of investment options

Belfius is able to offer a sustainable investment package to every private individual or company wishing to invest money, taking account of their investor portrait. For example, our customers can invest sustainably in mutual funds and other funds managed by the asset management specialist, Candriam, a pioneer in the area of Socially Responsible Investing, or by taking out a life insurance policy. The money invested in a plain balance-sheet product, such

as a savings account or a savings certificate, flows back into the community in the form of loans to the local economy, councils, schools, retirement homes, hospitals and cultural centres. Finally, we always offer our customers the option of investing their savings or cash surpluses in companies (in bonds or treasury certificates) or in public authorities (state notes, commercial paper or treasury certificates issued by public organisations).



**"Belfius is able to offer a sustainable investment package to every customer wanting to invest money. The money that we raise is then put back into the community."**

How  
to invest



Or...  
in **Candriam funds**  
A pioneer in Socially Responsible Investing



Or...  
in **Portfolio 21**  
Life Insurance products



Or...  
in **investments in the Belgian economy**





## Sustainable insurance

### Portfolio 21: respect for human rights

When assembling its investment portfolios (Branch 21 and Branch 26), Belfius Insurance takes account not only of the financial criteria involved, but also the economic, social, ecological and cultural factors. Since 2004, we have managed the reserves of life insurance (Branch 21 and Branch 26) and damage insurance policies in line with the principles of Portfolio 21.



**EUR 13.5 billion** assets invested in Portfolio 21 for 2013



Portfolio 21 focuses mainly on the respect of human rights in the work environment: Belfius will not buy shares or bonds in companies or countries that breach these rights through forced labour, child labour or discrimination. The independent research bureau, Vigeo Belgium, investigates the issuers of equities and bonds. 532 companies and countries were screened by the organisation in 2013.

In addition to human rights, environment is also a criterion in our selection. Investors follow the recommendations of the Ethics Board of the Norwegian Pension Fund and the subsequent decisions of the Norwegian Finance Ministry regarding respect for the environment.

## Encouraging investments in sustainability

### Housing loans for Energy-Efficient Buildings

On 21 February 2013 Belfius and Triodos signed an energy agreement with the Flemish Minister for Energy, Housing, Cities and Social Economy. In this agreement, we committed ourselves to encouraging the construction of energy-efficient homes in Flanders by offering attractive loan packages. In line with this undertaking, Belfius launched the Housing Loan for Energy-Efficient Buildings. Using this finance package, customers building or buying a dwelling with a  $\leq 50$  E-rating receive a rate benefit in the form of a discount on the interest rate.

### "Vehicles" looked at in the wider context

Belfius continues to assess and refine its products. For example, we expanded the Car Eco-Credit in 2013 so that our customers can now also obtain an attractive loan to purchase electric bikes, mopeds and motorcycles.

### Green and E-Fleet

Belfius and Belfius Auto Lease also offer their customers solutions for making their fleets more sustainable. In addition to the existing Green Fleet package, which includes courses on eco-driving, we also introduced an integrated E-Fleet solution at the beginning of January 2014. E-Fleet is an all-in-one lease product: companies lease an electric car, are given recharging terminal at home and at work, have easy access to public transport and can use a replacement vehicle without any problem on certain occasions.

### Drive less, pay less

With the mileage-based insurance policy from Corona Direct, drivers pay less the fewer kilometres they drive. There was also a major campaign to promote this policy in 2013. The policyholder odometer now reads 45,708 – an increase of 13.2% compared with the previous year.



### Prevention and safety on the road

Belfius Insurance applies premium discounts for customers who attend defensive driving courses. Our insurance arm also emphasises its commitment to prevention and safety on the road through sponsorship. In 2013, we sponsored the Pro Move driving skills course.



"Through products such as eco-loans and mileage-related insurance, we also help guide our customers towards sustainability."



**Belfius GreenFleet**



**Belfius E-Fleet**

## Easy-to-access branches and services

### People with limited mobility

When we design and fit-out our branches, we always take ease of access into account. Since 2008, each new branch has complied with regional standards. They all have wheelchair access, appropriate furnishings, an adapted toilet and an ATM that can be reached easily – fully in line with ADA standards (Americans with Disabilities Act). This makes us something of a frontrunner in the banking world.

### Customers who are blind or poor-sighted



Belfius also offers customers with vision impairment access to all of its services. For example, they can use special card-readers and request their account statements in Braille. All of our automatic cash dispensers are also equipped with a voice guidance system. As at 31 December 2013, Belfius had 2,083 ATMs fitted with voice guidance.

“Our solidarity also extends to our efforts to provide people with disabilities easy access to Belfius products and services.”



### Microcredits

Through the Belfius Foundation, Belfius supports Belgian nationals in difficulty. In 2013, we made EUR 660,000 of support available to the community. Part of that money went towards subsidies for microcredits, enabling us to breathe life into the ambitions of people who find it hard to obtain loans through conventional channels.

“Belfius Foundation and our welfare programmes are a good example of how Belfius aims to be supportive of the community.”



## Fight against child poverty

### 6,500 items of children's clothing

Child poverty was a topic that came to the fore with surprising frequency in 2013. For the fourth year running, Belfius staff organised a campaign to support the very poorest in our community. 6,500 items of children's clothing were collected from staff at Belfius offices and branches, plus another 700 for needy mothers, as well as around 100 blankets and almost 300 kg of non-perishable food. All of this food and clothing went to various non-profit organisations, including Mothers for Mothers in Borgerhout and NASCI Child Services Centre in Brussels.

## Sports, art and culture

### Belfius localteamspirit

Belfius takes sports and culture very seriously. Thanks to the Belfius Local Team Spirit programme, some 42,000 young people turned out for their sports teams during the 2013-2014 season wearing a shirt displaying the Belfius logo.

### 500 Belfius volunteers for the Special Olympics Games

Between 9 and 20 September 2014, more than 2,000 athletes with intellectual disabilities, a thousand trainers, hundreds of stewards and more than 2,500 parents are expected in Belgium for the Special Olympics European Summer Games 2014, the largest sporting event organized in this country in 2014.

Belfius is involved in this major social project in more than one way. In particular, and for more than two years, it has provided a person to act as CFO for the non-profit-making association organizing the Games. It has mobilized its network to assist in collecting funds to finance the Games. And it has launched a challenge to all of its staff members to provide 500 volunteers during the Games, thus becoming the first Corporate partner in terms of volunteering.

### Sharing art

To enable as many Belgians as possible to sample our carefully compiled art collection, we enjoy putting our artworks on display regularly. From March to June 2013 at the Ghent Museum of Fine Arts, the "Modernism, Belgian Abstract Art and Europe" exhibition included 20 works belonging to Belfius. Our head office also hosted many art-lovers from 19 October 2013 to 15 March 2014 for the "Masters of Expressionism" exhibition.

### New talent flourishing

For almost half a century now, Belfius has supported up-and-coming talent from our academies for music and the spoken word (Belfius Classics) and from part-time art education (Belfius Art). In 2013, there were 161 entrants in the Belfius Classics competition. 336 artists submitted their work for Belfius Art. After the competitions are over we continue to help passionate artists on the way to a fine career. For example, last year we sponsored 262 concerts by former Belfius winners and also granted 83 bursaries.

Management report

Consolidated financial statements

Non-consolidated financial statements

Je suis un des  
500 volontaires Belfius  
aux Special Olympics.

Toi aussi ?



"By making sports, art and culture  
accessible to everyone, we bring  
Belfius closer to people."

culture  
pour tous

Belfius  
*Classics*



2,896  
winners since 1965

in 2002

The Caius Prize by  
the Prométhéa  
Foundation for the  
best patronage action

50<sup>th</sup>  
edition  
in 2014

2013  
161  
Number of entrants

38  
1<sup>st</sup> prizes

59  
2<sup>nd</sup> prizes



262 supported projects  
(concerts, recitals, festivals, etc.)  
with more than  
600 Belfius Classics prize winners

24 prize winners' CDs  
supported  
by Belfius Classics

83  
Belfius Classics  
winners  
supported  
by bursaries

# Oxygen for large and small businesses

## Start-ups given a head start

### Stage set in 2012

Because the early years of a business are crucial for its continued existence, Belfius invests willingly in start-ups. In 2012, we signed a guarantee agreement with the European Investment Fund (EIF) to make it easier for start-ups to access funding. Through the Boost Belgium competition, we rewarded one promising start-up business with EUR 15,000, while another 11 companies received a lump sum of EUR 5,000 for their marketing campaigns.

### Stimulating the entrepreneurial spirit

In 2013, we shone the spotlight on our commitment to start-up companies. One of the things we did was to join forces with Solvay Entrepreneurs, an entity of the Solvay Brussels School of Economics and Management (ULB), which trains and guides entrepreneurs and SME managers. As part of this collaboration, we ran a series of seminars about the funding of SMEs. We were also the main sponsors of the Solvay Start Academy for Young Entrepreneurs, a competition that encourages students to develop a business plan. This partnership enables Belfius to help arouse the entrepreneurial spirit in university and college of higher education students.

“The money that we raise flows back in part to the community. For example, we help businesses – from start-ups to multinationals – to make their plans wonderful realities. In doing so we pay attention to their needs and go for short decision-making lines. Decisions on loans, taken locally based on expertise and in-depth knowledge of the customer, make all the difference.”



Belgium needs initiatives for encouraging entrepreneurship. According to the latest survey from Global Entrepreneurship Monitor<sup>(1)</sup>, the overall enterprise index<sup>(2)</sup> in Belgium is 5.2%, which is considerably less than the average for Europe (8%) and the Netherlands (10.3%).



(1) London Business School and Babson College, United States.

(2) Percentage of working population actively involved in setting up a business or who have recently set up their own business.

## EUR 400 million for SME's

### European Investment Bank

Belfius is a traditional partner of SMEs. We grant them loans and guide them on a daily basis through the various stages of their development. From 2014 onwards, we will be able to take this support up a notch. This is because at the end of December 2013, we signed a historic credit agreement with the European Investment Bank (EIB): together we are making EUR 400 million available to Belgian SMEs and midcaps<sup>(1)</sup>. By granting them loans on favourable terms – such as longer repayment periods, flexible repayment systems and lower interest rates – we are encouraging their economic development. When you realise that SMEs in Belgium employ 66%<sup>(2)</sup> of the workforce, we dare to hope that this initiative will create a lot more jobs.



By way of their number and the many people they employ (66% of the workforce), SMEs play a particularly important role in the Belgian economy. An investment of EUR 1 million in one SME creates an average of 6 new jobs.

## Actively supporting large corporations

### Credit and knowledge

The difficult and uncertain economic situation and the stricter rules imposed on banks (Basel III) threaten to make bank loans more expensive and less accessible. Nevertheless in 2013, Belfius doubled its loans to corporates in 2013 compared to the previous year, from EUR 736 million to EUR 1,635 million.

To arm our businesses against today's challenging economic climate, we also provide them with a great deal of advice. For example, in 2013 we published a series of whitepapers, organised workshops and created simulation tools focusing on the sound management of working capital. We also provided information and explanations about the new Basel III regulations via numerous initiatives.

### Public procurement: great potential

We also took a close look at the potential of public procurement contracts. A section at our website, as well as an issue of our magazine Contact were devoted in full to the principles and opportunities of government contracts. Under the name of Belfius Accelerator, we put together a whole host of tools and services – from financial solutions to training and surveys – all designed to help companies conduct business successfully with governments.



(1) Companies with a maximum of 3,000 employees.  
(2) Source: European Commission.



### Xpenditure: a smart tool for companies

In addition to providing capital and giving advice, Belfius also thinks actively about how it can help customers to work more efficiently and in so doing save money. After our Belfius Direct Mobile apps were so enthusiastically received by both private individuals and companies, we launched Xpenditure by Belfius in March 2013. This is an app that enables the self-employed, professionals and companies to digitise their out-of-pocket expense claims with ease and process them automatically. The principle is simple: using their smartphone, tablet or scanner, claimants take a photo of sales slips and VAT receipts and upload them to Xpenditure, which extracts all of the relevant information and collates it all into an expense report.

Xpenditure was developed in conjunction with the Mechelen start-up company, CardWise, and is a European first.



# Bank and adviser to local authorities



Credit

## Credit with added value for the community

### EUR 2.4 billion in loans

Local councils, communities, the police, fire brigade, intermunicipal companies, etc.: 2013 again saw many public authorities turn to Belfius for project funding. In total, we issued over EUR 2.4 billion in loans to finance programmes that deliver direct added value to our community.

*"We assist local authorities, provide them with advice and hold a mirror up to them via our surveys."*

Belfius was the only bank which, despite the challenging economic situation, responded with a credit offer to 100% of the tender calls submitted by local authorities.

### Creating a framework for reflection

We are, however, much more than just a credit-provider. Belfius is also a long-term partner and adviser to public customers. To support them properly, we constantly keep our finger on the pulse of the rapidly changing economy and regulation. Belfius is the only Belgian bank to hold a mirror up to public institutions through the publication of many recurrent studies and surveys. As a result, authorities have a better insight and can adjust their policy and plan the right investments. Drawing on our many years of expertise and experience in the government sector, we develop solutions after close consultation with local authorities that resolve their new needs. This unique expertise and activity creates immediate value for all of the parties involved, as well as the whole community.

## Sparring partner for local councils

### Visits to 589 local authorities

After the local council elections of October 2012, all of the new colleges of aldermen took the oath on 2 January 2013. Many of the new teams found themselves facing major challenges immediately, such as the need to further optimise their finances and establish a sustainable balance in their budgets. Belfius specialists visited the 589 councils to explain how we can help them in their endeavours.

*"Based on our many years of expertise and experience in the public sector and after close consultation with the local authorities, we develop solutions to meet their evolving needs. This unique expertise and activity creates immediate value for all of the parties involved and for the community as a whole."*

### Financial Challenges sheets for the local government term 2013-2018

One of the tools that demonstrated its value in the information sessions was a series of 15 sheets that Belfius had developed specially for the new councils. These index cards, which were based on the financial survey that we conduct each year among local councils, set out in detail all of the financial challenges facing local authorities between 2013 and 2018. One of the clearest conclusions was that the combination of pensions, the ageing population and social charges present the biggest budget-related challenge for this term of office.

**589** visits to local authorities to explain how Belfius can help them in their endeavours

## Socio-demographic profile of municipalities

Also of interest for the new council teams was the socio-demographic profile produced for their specific borough. Belfius has for many years implemented a system for conducting demographic surveys of all municipalities in the form of a socio-demographic profile. For example, we are able to highlight data such as the number of young people and over-65s living in the borough, the ratio between the working and non-working population and so on. Based on this information, local councils are able to adjust their social and local policies accordingly and make the appropriate investments pro-actively: for example, boroughs with a predominantly older population know they need to set aside a lot of money for retirement homes. Each year, the bank's relationship managers explain the results of the profiles to the social welfare councillors who are customers.

## Analysis of Public Centres for Social Welfare and police zones

At the beginning of January 2014, Belfius published the results of a study on the finances of our Public Centres for Social Welfare and police zones. This analysis also provided important insights for the management teams. Despite clear differences in grants and expenditure, there was one common thread that ran through the study: as a result of the economic and financial crisis and the increasing vulnerability of the population, the work carried out by both the Public Centres for Social Welfare and the police is placing an increasingly heavy burden on local government budgets. Local finances will probably remain under pressure in the years ahead as

the result of new reforms (such as the ones relating to the pensions of civil servants, the progressive reduction in unemployment benefits, etc.), combined with the ageing population.

## Support in a rapidly changing landscape

In 2013, Belfius gave its government customers advice about the "BBC-besluit" (the decree on the changing legislation relating to the Policy and Management Cycle of Flemish municipalities, the provinces and Public Centres for Social Welfare) that has been fully implemented since 1 January 2014. The new legislation governing public procurement contracts was also explained in detail to numerous customers.

## Long-term bond issues

How can cities and boroughs arm themselves better against the financial challenges of the future? As a banking specialist, Belfius helps its customers to look for solutions to every challenge that crops up. In 2013, towns such as Ghent, Hasselt, Mechelen and Zaventem all sat down with Belfius to examine their funding packages, deciding to diversify their sources of funding. Ghent became the first Belgian local government to issue medium-term notes. While the more usual commercial paper is used for short-term financing, the medium-term notes are used to fund projects in the longer term. The differences in duration provide an overall reducing repayment schedule, meaning that capital repayments can be spread better.

<p><b>STAD HASSELT</b></p>  <p>Hoofdstad van de Smaak</p> <p><b>EUR 70,000,000</b></p> <p>Multiple Private Placements</p> <p><i>From 6 to 15 years</i> <i>Sole Bookrunner</i></p>	<p><b>RÉGION DE BRUXELLES CAPITALE</b></p>  <p><b>EUR 5,000,000</b></p> <p>MTN Private Placement</p> <p><i>Sole Dealer</i></p>	<p><b>VILLE DE LIÈGE</b></p>  <p><b>EUR 175,000,000</b></p> <p>MTN Programme</p> <p><i>Arranger - Agent</i> <i>Sole Dealer</i></p>
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## Partner for education and social institutions



*"By investing in the construction of schools, roads, housing and hospitals, we are helping the community to move forward."*

## MAHA: hospitals under the microscope

The MAHA surveys that Belfius produces each year, sketch an overall picture of the current and future trends in the hospital sector. For the ninth consecutive year in 2013 Belfius conducted its analysis of the hospital sector. 100% of general hospitals took part voluntarily in the survey, which provided a realistic picture of the current situation. One important conclusion from the study is that the financial results of our hospitals are lagging behind structurally. Of course hospitals remain an important economic player in terms of employment and investments.

## EUR 600 million for the French-speaking schools

Because education is an important pillar in every community, Belfius was delighted with the unique funding agreement signed in 2013 with the European Investment Bank (EIB) and the Wallonia-Brussels Federation. Together, the EIB and its partner banks will be making EUR 600 million of loans available – on favourable terms – to build new schools and both expand and modernise the existing infrastructure. Belfius is investing EUR 200 million in the project (EUR 100 million own funds and EUR 100 million from the EIB). Thanks among others to this funding, 23,000 additional places will be created in the country's French-speaking schools by 2017.

Pim van Ballekom, Vice Chairman of the EIB, praised the collaboration: "This operation sets an example. It demonstrates our joint commitment to supporting quality projects that provide an answer to the challenges of the education, training and hence also the employability of young people."



Pim van Ballekom, Vice Chairman of the EIB (left) and Dirk Gyselinck, Member of the Belfius Bank Management Board (right).



## Insurance partner for the public and social sector

### Keeping pension contributions under control

As an insurance partner for the public sector, in 2013 Belfius Insurance introduced two new products designed to provide an answer to the issue of an ageing population and increasing pensions: Belfius PubliPension Trustees and PubliPension Contribution Comfort. These PubliPension contracts help build government reserves in order to fund the rising pension obligations of trustees and civil servants respectively. By the end of 2013, 156 public sector bodies had signed a PubliPension contract.

In addition, Belfius Insurance also offers a Group Insurance policy for Provincial and Local Government Services through which local authorities build up a pension for all of their staff members under contract. 575 government departments are currently members of the scheme, representing a total of 82,000 contractors. Belfius Insurance also handles the financial management of the supplementary pensions for all contracted staff at the Limburg provincial government, as well as many other authorities in Limburg (around 60 in total).

### Belgian associations well insured

From sports clubs and youth associations to adult education and retirement homes: every association needs insurance against the risks incurred by their staff and volunteers. To avoid insurance simply becoming an imbroglia of policy terms, the Belfius Associations and Non-Profit Organisations Cover policy covers all of these risks in a single policy. At the end of 2013, Belfius Insurance covered 1,224 associations and non-profit organisations via this policy. This makes us the preferred partner of non-profit organisations.

Provincial government bodies are also able to offer free insurance to their volunteer workers through Belfius Insurance. Organisations can insure 100 volunteer-days per year. In 2013, over 235,000 volunteer-days were insured in this way, requested by around 9,800 volunteer organisations.

**235,000 volunteer-days  
insured in 2013 thanks to  
Belfius Insurance**



## Partner of environmentally-friendly projects

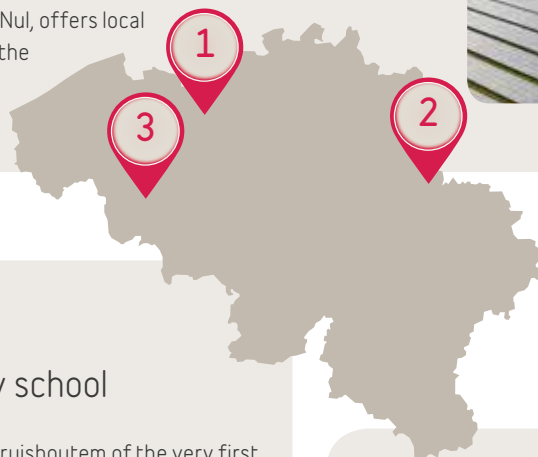
"Belgian savers enable us to convert this unique funding agreement, using their money, into bricks, roofs, sports classes, etc." stated Dirk Gyselinck, member of the Belfius Bank Management Board, on signing the project to support schools in Wallonia and Brussels. This assumption applies to every loan granted by Belfius: customers

entrust their reserves to Belfius and we invest in sustainable projects and help other customers to fund worthy projects. By way of illustration, in 2013 Belfius was the partner for three environmentally-friendly projects:

1

### Terranova Solar

Terranova Solar opened on 8 November 2013. This is the largest solar park in the Benelux, located on the decontaminated "plaster mountain" of the former chemicals company, Rhône-Poulenc (Zelzate - Evergem). With a capacity of 15 MW, Terranova Solar is able to generate enough power to cover the annual requirements of 4,000 families. Terranova Solar, which also involves the dredging companies Deme and Jan De Nul, offers local residents the opportunity to invest in the project.



3

### Belgium's first passive-energy school

September 2013 saw the opening in Kruishoutem of the very first passive-energy school in Belgium. With its excellent insulation, extreme airtightness, solar heat gain via well-oriented windows and good ventilation, energy usage at De Marolle primary school will be approximately 75% lower than a traditional school building. The project is an initiative by Flanders Education, Kruishoutem council and AGIO, the Agency for Infrastructure in Education. Belfius Real Estate handled the funding and all of the project management: we helped supervise the council in the design and contracting process and monitored the works through to handover.



2

### Ecological district Saint-Jean (Liège)

On 7 June 2013, the mayor of Liège laid the first stone of the future ecological district of Fontaine Saint-Jean. A group complex of 153 dwellings will be built on an area of 5 hectares.



## Community Services

### Free support

When Belfius was sold to the Belgian government in 2012, we decided to emphasise our commitment to the community by introducing a new service for the public sector: Community Services. Specialists from Belfius work through Community Services to make their skills available on an ad hoc basis to local initiatives.

### Pleasant surprise

Five projects were completed in 2013, with positive results. The work carried out, for example, with the Public Centre for Social Welfare in Boom on debt mediation and prevention of excessive indebtedness delivered a number of interesting insights and working tools, such as manuals for people who are not familiar with banking products and services, best practices for collaboration between banks and Public Centres for Social Welfare, etc.

"Through our Community Services Centre for the public sector, we are underlining our commitment to the community."

### Current projects

A Belfius team is currently working with the Public Centre for Social Welfare in Charleroi to examine the options for retraining and employing the long-term jobless, as well as the development of social retirement homes in the region. Working on behalf of Inforum, the legal database of the VVSG (Association of Flemish Towns and Municipalities) and its sister associations, we are looking at the HRM frame of reference. And we are working on financial dashboards for the Public Centre for Social Welfare in Namur that will enable reporting to be more straightforward. In Ghent, Belfius is working with Community Land Trust, an organisation that builds affordable housing for people on low income. Finally, Max Havelaar, the non-profit organisation of which Belfius is a shareholder, is receiving our support for the Fairtrade@work project.



## Belfius Foundation

### Colour Your Hospital

Each year, the Belfius Foundation sets aside a healthy budget to make the lives of hospital patients – and their families – a little more pleasant. In 2013, 93 hospitals submitted 179 proposals (+10%). 21 projects were given financial support, totalling EUR 150,000 or almost a quarter of the total amount (EUR 660,000) that the Foundation committed to the community in 2013.



"Every year the Belfius Foundation sets money aside to support community projects."

## 2 A bank and insurance company that puts the customer first

Belfius works hard to show all of its stakeholders that it is a financially profitable, sustainable and supportive bank and insurance company worthy of its trust and confidence. We underline our commitment to all parties in the community. Our customers deserve special acknowledgment. Which is why at Belfius respectful, long-term customer relations are just as important as improving our operating performance.

Belfius aims to be a “service-centric” bank and insurance company. This does not mean that we simply go along with every request from our customers. But what it does mean is that we always put customers first and look at things from their point of view: with every contact, on every project, every initiative and when we develop every new product.

Our focus on customers runs through every fibre of our organisation. Belfius uses training, coaching, communication and incentives to actively build a service-oriented corporate culture. The new Servicing department is an important example of the steps that Belfius is taking along the road to an organisation that is genuinely focused on customers.



## Servicing: the customer experience as the starting point

### The new, service-centric Belfius

To embed our customer-focused strategy and philosophy firmly in the organisation, we created a central Servicing department in 2013 that acts on behalf of all divisions. In contrast with the more operational departments that concentrate on cost-effectiveness and efficiency, Servicing focuses on customer-oriented processes. The aim is an ambitious one: to optimise all Belfius processes that have an impact on the customer experience.

In practical terms, that means that we ask ourselves three questions regarding every contact, every project, every initiative and every product: "Is this helping the customer to achieve his or her aims?"; "Does the customer have to make too much of an effort for this?"; and "Will he or she feel good as a result?". If we receive a definite "yes" to each question, then we can assume that the customer experience will be a positive one.

### The leverage effect

The Servicing department was officially baptised on 1 October 2013. Since then, the department's strategy and approach have been clearly communicated and the team is working on its first list of ten essential insights. Over the coming months, our aim is to develop a set of best practices, as well as effective tools for monitoring processes, such as a dashboard that enables the cost of a process to be weighed up against the required quality.

Expectations are high. "If we put all of our talents together and work towards the wellbeing of the department and the bank, we can create a genuine leverage effect," said Marleen Van Assche, Servicing Head, at the Servicing team's opening meeting.



Marleen Van Assche  
Servicing Head

"The new Servicing department is an important step on the road to an organisation that is genuinely focused on customers."

## Belfius Insurance: a long tradition of being customer-focused

### 95% customer satisfaction

Belfius Insurance currently has a satisfaction rating of 95% among its retail customers for the various brands (Belfius, Corona and DVV Insurance). We intend to maintain at least this level in the years ahead. And our aim is to make the group of "very satisfied" customers even bigger. Because we are only happy when our customers are very happy. Programmes such as Customer Week, workshops and training courses encourage staff to be customer-focused in their work, which in turn makes our customers even more satisfied.

### Satisfied customers? A reward!

To keep its finger on the pulse of customer satisfaction levels, Belfius Insurance frequently conducts satisfaction surveys. There was even an incentive linked to a recent satisfaction survey carried out by DVV: Belfius Insurance promised to donate EUR 1 to a good cause for each completed questionnaire. Staff could then suggest local good causes themselves in which they are involved in one way or another. This incentive proved to be a good stimulus for recommending the survey to customers.

## Customer satisfaction

**95%** is the customer satisfaction rating Belfius aims at for 2016



# 3 A tightly-run, well-organised bank and insurance company

To be the autonomous, financially healthy bank and insurance company that the community deserves, Belfius as an organisation needs to be run in a professional and responsible manner. On the way to the tightly-run organisation that we must become, we need to keep reviewing our processes, implement changes and, where necessary, grasp the nettle.

In 2012, we restructured the Board of Directors, optimised the way certain departments are organised and installed advisory committees to assist the Board in the sound governance of Belfius. All of the processes and regulations that have an effect on the way Belfius is managed and controlled internally, including the corporate governance rules, were reviewed. In 2013, we continued and further fine-tuned these efforts.

2013 was a pivotal year for our human resources team in particular. The efforts required as part of our Strategic Plan 2012-2016 placed social dialogue – to which Belfius attaches great importance – under pressure.

Through initiatives relating to flexible working practices, ongoing training and health – and by working together to build the Belfius of the future – we aim to encourage our employees further to put their shoulders to the wheel together to create a success story.

Management report

Consolidated financial statements

Non-consolidated financial statements

Strategic Plan 2012-2016

**social dialogue**  
good governance

flexible working practices

**build**

ongoing training

together

**the Belfius of the future**

# Sound governance



## NEW MISSION ON TAX

Belfius rewrote its policy on tax in 2013. This emphasises that we are doing everything we can to be a responsible taxpayer.

## Corporate governance

### The rollout continues

Last year, we continued our efforts on sound governance. We refined the internal rules for the Board of Directors and advisory committees, installed processes to strengthen group governance and in appointing new directors, took close account of the new Fit and Proper requirements imposed by the regulator.

**"In 2012 we optimised our organisation. All processes and regulations that have an effect on the way Belfius is managed and controlled internally were reviewed."**

As part of the decision-making process, the Board of Directors takes account of the various stakeholders, paying particular attention to the risk to reputation.

### New mission on tax

Sound governance also means that Belfius complies closely with fiscal legislation. It is entirely logical that the community should expect us to set the example in this regard. A bank that is properly supportive, that takes its social responsibilities seriously and seeks to provide sustainable added value for the community is obliged to do exactly that. Belfius does everything it can to comply with tax legislation and prevent fraud.

To highlight our commitment in relation to tax, we developed a series of Fraud Risk Management Guidelines in 2013 that set out principles, procedures, responsibilities and roles. The Product Approval Policy that we adapted in 2013 specifies that with the introduction of a new product, opinions always have to be sought from various departments to ensure that the product is in line with the bank's justified willingness to take risks.

## The common thread: compliance

### Monitoring integrity and reputation

Our commitment to sound governance is monitored by the Compliance Department. This department ensures that Belfius, all of its staff, suppliers and intermediaries abide by the law and internal rules and standards. The focus here is mainly on the rules protecting the interests of our customers, such as the MiFID rules of conduct for investment services, the protection of confidentiality, respecting privacy and avoiding conflicts of interest.

As stated in the Compliance Charter, the task of the Compliance Department has been expanded: the team tracks changes to the legislation, advises management and the business lines, provides training for all employees and generally makes people aware and monitors compliance with all regulations. The Department

**Monitoring integrity and reputation**

Head reports directly to the Chairman of the Management Board and to the Audit Committee and, where necessary, has a direct line to the Chairman of the Board of Directors.

### 2013: expanding powers

In 2013, the Compliance Department prepared an update of the Compliance Charter. The reviewed Charter, which has been in effect since the beginning of 2014, has significantly expanded the activities and rules over which Compliance has supervision. For example, Compliance now monitors the interests of customers in the sale of mortgages and consumer loans, as well as the advertising rules and compliance with the law on market practices. The methodology and organisation structure of the Compliance Department have also been optimised. For instance, there is now a separate team that monitors the effectiveness and compliance of internal policies and procedures, which substantially strengthens the control function of Compliance.

## The fight against money-laundering practices

Belfius does everything it can to avoid becoming involved in the laundering of money from illegal activities, the creation of tax fraud, the financing of terrorism or the circumvention of international embargos. To underline this commitment, the Compliance Department has developed far-reaching preventative and audit measures in line with regulations. This means the proper knowledge and identification of the customer, having an insight into the origin of funds flowing into accounts and the tracing of suspicious transactions are an essential part of preventing these practices.

In this context, the Compliance Department in 2013 played an active role in supervising the repatriation of funds by the customers in the wake of the fiscal regularisation measures issued by the government.

## Proactive control of abusive market practices

To further control the risk of insider trading and market manipulation by bank employees or customers, Belfius tightened its existing policy in 2013. The even more proactive screening of securities transactions should enable Belfius quickly to detect any unusual or suspicious transactions.

## MiFID: constant concern for customers in their investment transactions

Belfius prevents conflicts of interest that are detrimental to customers by way of committees and decision-making processes for mandates, as well as new products and services. Belfius makes sure that customers in branches are given advice about products that are suited to their investment profile. We have paid particular attention to our investment information sheets so that they clearly and transparently contain every item of information, including about any of the risks associated with an investment. The use of investor portraits has played an important role in clearly presenting the risks linked to investments.

Customers are able to choose the channel they want to conduct their investments through. If they opt for advice in the branch, the agent will provide investment advice that is purely in their interests. We make sure that our agents are not remunerated based on the sales results of specific products so that they are not prompted to sell customers inappropriate products.

### REPATRIATING FUNDS

The yield from settlements in 2013 is estimated at EUR 488 million. Our Compliance department processed around 1,000 cases in 2013.



## Cost-effective purchasing

### Acting responsibly

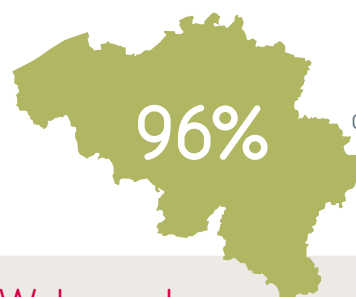
Belfius also expects the same customer-orientation it imposes on itself from its suppliers. Cost-effectiveness, neutrality and ethics also play an important role in the purchasing process. Once it is decided that we need a new solution, product or service, two basic principles apply: we always compare the quotes from different suppliers and then, after careful selection, we always decide based on the total cost and the quality of the service provided.

### Purchasing committees

To ensure that every purchase is really necessary and that the right choice is being made, purchasing committees were set up in 2013. These committees carefully examine each purchase request and price quote. Purchasers also sign a code of ethics in which they state that their own interests play no part in the purchasing decision.

## United Nations Global Compact<sup>(1)</sup>

When signing an agreement to work with us, the supplier also signs a statement in which it – and any subcontractors – undertakes to comply with the United Nations Global Compact that Belfius signed at the beginning of 2013.



96% of Belfius suppliers are located within a 300 km radius of Brussels

### Welcome bonus

Belfius enjoys supporting the local economy. 96% of our suppliers are located within a 300 km radius of Brussels. This proximity is also beneficial for the environment.

(1) [www.unglobalcompact.org](http://www.unglobalcompact.org).

# Human resources

## Plan 2016: in-depth dialogue

### The steps needed for an autonomous future

At the end of 2012, the European Commission approved our Strategic Plan 2012-2016: a memorandum in which Belfius Bank set out the financial and commercial measures that it intends to take to become a sustainable, autonomous institution. In order to achieve the proposed cost reduction of EUR 244 million by 2016, all overheads – including staffing costs – must fall. In the early months of 2013, intensive negotiations were conducted with the social partners about measures such as pay cuts, adjustments to group insurance, establishing a social plan and introducing flexible pay.

### 234 information sessions

During the – often difficult – negotiations, we have continued to maintain positive dialogue with all stakeholders. We have communicated transparently with unions and staff via the internal web

channel, paper documents and information sessions. For example, 234 meetings have been held at head office and in network branches to explain the arrangements and developments. Everyone has had the opportunity to ask questions or make comments. We have also developed a simulation tool enabling staff to calculate the financial impact of the measures.

### Adjustment after intense dialogue

Belfius Bank has taken the feedback into account, making adjustments to the initial plan after negotiations. On 7 March, the final draft was submitted to the union delegation for approval. Two unions signed the document, after which it was integrated into a collective agreement.

Plan 2016

## Flexible working

### Flexible Reward

To make up for the necessary reductions in pay, Belfius Bank introduced a new system of flexible rewards. 65% of employees signed up voluntarily to this package, which we consider a great success.

The flexible pay approach is not new in the banking world. It will allow us to improve our attractiveness as an employer and enable us to make competitive proposals to young talent.

### Increasing telework

In addition to flexible reward, Belfius has for many years offered its staff the freedom of flexible working hours. Belfius has also had a collective labour agreement in place since 2002 with regard to telework. The success of teleworking has increased in recent years: last year 28,902 days at Belfius Bank were worked away from the office.

### Telework



To improve their work-life balance, Belfius Bank employees opted for a total of 28,902 days of teleworking.

### Flexiwork

50%

of Belfius Insurance employees signed up enthusiastically to the first Flexiwork proposal. From 1 January 2014 they have been working a structured fixed number of days a week at home.

BeLinked



Belfius Insurance will very much be playing the teleworking card from 2014: in 2013, a plan was developed to integrate teleworking structurally into the human resources policy. The introduction of the Flexiwork proposal will be staggered. 50% of the employees who are already eligible responded with enthusiasm and have been working two days a week from home since 1 January. In return, they are prepared to take fewer compensatory leave days.

### Satisfied staff

As a result of flexible working hours and the option to work from home, Belfius employees are succeeding in optimising their work-life balance. They waste less time travelling to and from work, which gives them more room to concentrate on a project. The result is a happy, motivated team.

"I like working at home because it gives me all sorts of advantages. To start with, I escape from the daily grind in the traffic, which means I can get to work more quickly and the working day goes by faster. Being at home as soon as your working day is over is really nice. Another big benefit is that you can work in a quiet environment, so you can get more work done. Finally, I enjoy being able to work in my leisure clothes."

Annelore Debusscher

## Ongoing training

### Sharpening up your skills and motivation

Belfius makes substantial investments in training designed to hone the knowledge and skills of its employees. Having qualified staff also enables us to strengthen our competitive edge in the tough, globalised world of banking and insurance. Equally important is that training courses help boost the motivation and working enjoyment of our team.

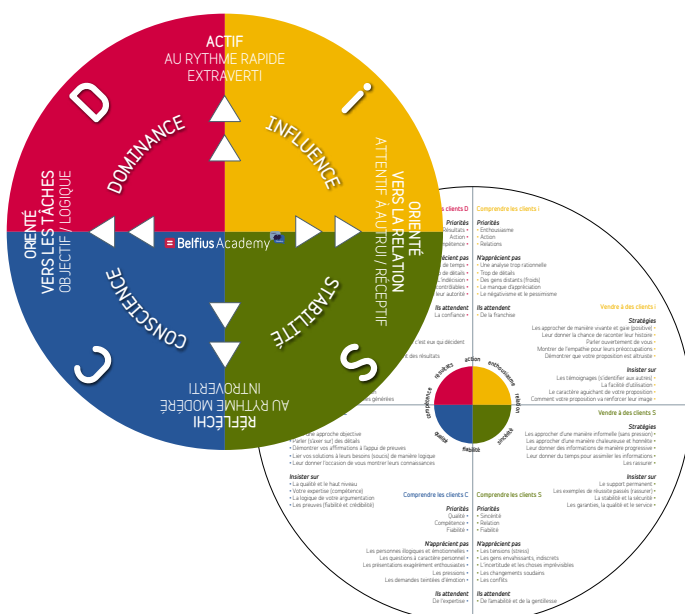
### Discover Your Colours

Belfius Academy has been providing a wide range of courses for many years. In 2013, we recorded a total of 18 hours of training per employee. One slightly more unusual and successful training initiative in 2013 was Discover Your Colours. During the sessions, staff became acquainted with the power of the language of colours so that they can communicate more effectively with customers and work colleagues.

### Discussions and forums

In line with the collective labour agreement on the Employability Plan for older employees, in 2013 Belfius invested in career guidance and training for the over-45s. For example, Belfius Insurance ran a series of workshops in which older members of staff were invited to express their needs. These forums resulted in targeted courses. Another success was the series of courses for managers, based along the main lines of "result-focused, challenger, team player and talent manager". These sessions are designed to prepare managers for changes within the organisation, such as the new teleworking arrangements.

**Belfius Academy** Learn Develop



## Mens sana in corpore sano

### Preventing stress

Belfius has long made efforts to detect and prevent stress situations, thereby increasing wellbeing in the workplace. The bank's psychosocial network supports employees struggling with stress. Belfius Insurance created the work pressure barometer, enabling the level of stress at work to be calculated using objective data. The prevention committee discusses the results each quarter with the department heads and comes up with recommendations for improvements. Because stress at work remains a challenge, Belfius went looking in 2013 for new initiatives and tools for tackling stress. This exercise was continued intensively in 2014.

### Want a healthy lifestyle and culture? Vitaliture Time!

Belfius Insurance has set itself the goal of becoming the most efficient Belgian insurer. It believes strongly that committed, happy employees are one of the keys to success. To promote employee satisfaction, a number of interesting programmes were launched in 2013. The bicycle payment encourages staff to crank up their fitness levels and also demonstrates our commitment to the environment. No fewer than 20% of employees took up the offer of a fitness check and said they would improve their fitness. Handing out fruit to staff also went down well: each month, Belfius

Insurance gives out 260 kg of fruit. Combined with a cultural offering, these campaigns were named "Vitaliture".



## Belfius Foundation: supportive, committed workers

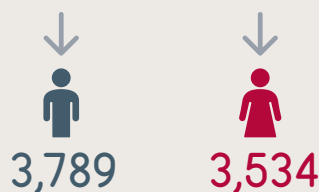
### Helping Hands

Belfius employees are closely involved with the Belfius Foundation. In 2013 for example, 23 volunteers offered to give up some of their spare time to help guide 59 micro-entrepreneurs. Altogether, they made 192 visits to the businesses. Through the Helping Hands initiative, the Belfius Foundation also makes resources available to associations in which Belfius employees are involved as volunteers.

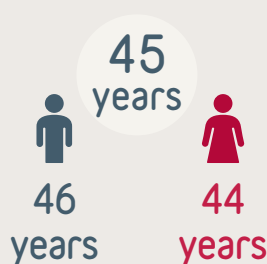
For the third year in a row, 10 associations were assisted in this way, receiving a combined total of EUR 50,000 of support. 1,400 members of staff voted for their "Project of the Year". The non-profit organisation Blijdorp vzw won this staff prize.

## Key figures Belfius Bank and Insurance workforce – 31/12/2013

### Members of staff



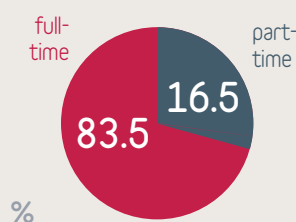
### Average age



### Nationalities



### Contracts



# 4 A sustainable bank and insurance company

“To be a frontrunner”: that is the ambitious target that the team has set itself to reduce Belfius’s carbon footprint. We have already made great progress in previous years.

Our consumption of gas and electricity has been more than halved in the space of five years. But of course, the fact that we are among the best in the sector does not mean that we can rest on our laurels. In 2013, we consolidated or even improved on our impressive results.

The criteria we set for sustainability do not only apply in our head offices. Whenever we build a new Belfius branch, we always take account of our experiences at our low-energy branch in Lommel and the passive-energy branch in the Hainaut town of Basècles.

We also lead the way in mobility. As the result of our mobility plan, the number of employees coming to our head office alone in their car fell from 55% in 2000 to just 21% in 2013. This achievement earned us the Business Mobility Award 2013 – a fitting accolade for 13 years of sustained effort.

Management report

Consolidated financial statements

Non-consolidated financial statements



## Energy usage continues to fall

### Consumption more than halved

Belfius has been conducting voluntary energy audits at its central buildings since 2007. To continue reducing emissions of greenhouse gases, energy efficiency has been a mainstay of our environmental efforts since 2011. With good results, too, because at the beginning of 2013, we achieved our target of halving our energy usage in five years (from 162,515 MWhp (primary) in 2007 to 75,135 MWhp at the end of 2012). By making constant efforts to use our spaces more rationally and keep our employees aware of the issues, usage in 2013 fell even further to 67,958 MWhp.

### Energy Management Information System (EMIS)

Since 2013, Belfius has been using a monitoring tool to keep a close eye on energy consumption at its main buildings and two test branches, which together represent 60% of our usage. The system highlights energy consumption in real-time and sends e-mail alerts to building managers as soon as any abnormally high usage is detected so that action can be taken quickly. The EMIS system is a leading innovation in the banking world.

“Our consumption of gas and electricity has more than halved in the space of five years. This of course does not mean that we can rest on our laurels.”

## Towards low-energy branches

### Low-energy and passive-energy branches

Detailed readings were taken in 2013 at our low-energy branch at Lommel (Limbourg) and the passive-energy branch that we built at Basècles (Hainaut) in 2012. Basècles has since been certificated as a passive-energy branch. The average usage there is 15 kWh per m<sup>2</sup>, which is 40% less than at a conventional branch.

We have learnt some valuable lessons from our experiences in Lommel and Basècles that we are able to apply to other branches. For example, all of the various low-energy parameters are contained in each set of specifications that Belfius draws up for a new office building. We also intend to move gradually towards lower energy usage at our existing bank branches. At the present time we are also making major efforts to reduce our secondary energy consumption – computers, monitors, ATMs, etc. This is by no means straightforward as a commercial establishment, but we are investigating all possible paths. As befits an environmental pioneer.

### Social and economic criteria

Belfius has been focusing strongly on achieving sustainability in its branches since 2007. In addition to the energy measures set out above, we are also working to create a pleasant and healthy working climate (i.e. ventilation, lighting, acoustics). Indeed, every new Belfius branch also has to take economic criteria into account. The buildings must be fitted out flexibly so that in the event of a sale, they can be converted easily to other purposes.

“Our sustainability criteria do not just apply at our head offices. Whenever we build a new branch, we take account of our experiences with our low-energy branch at Lommel (Limbourg) and the passive-energy branch at Basècles (Hainaut).”



Branch of Basècles

## Sustainable mobility plan

### Just 21% still driving into work alone

Free public transport, a kilometre payment for cyclists and pedestrians, teleworking, a four-day working week: since our first Sustainable Mobility Plan at the end of 2000, we have introduced many initiatives to encourage sustainable home-work-home traffic. Again in 2013 we continued to encourage our staff to cycle to work, to adopt carpooling or to use public transport.

The results make impressive reading. Whereas in 2000, 55% of all employees still drove into Brussels alone in their own car, by the end of 2013 that figure had dropped to 21%. In practical terms, that means that approximately 1,400 fewer cars are driving on the roads in Brussels. This has reduced CO<sub>2</sub> emissions by 30 tons.

The flexible rewards scheme introduced by Belfius in 2013 for its employees is only expected to have a limited impact on these results. Staff who sign up to the plan will be exchanging their own vehicle for a Belfius lease car. We are very much opting for a green fleet, with CO<sub>2</sub> emissions lower than 125 g per km. This means that in many cases the new cars will emit less than the cars that our employees are currently still driving.

### Cycling to work

To demonstrate that it is good to use bikes in our capital – and hence encourage the use of Villo! services – last year Belfius Insurance organised a series of city tours by bike. This programme went down particularly well.

And the fact that it is also possible to cycle in winter can be seen from our results in the Winter Trophy organised by Bike to Work, an initiative by the Fietzersbond organisation, among others. In November and December, 234 Belfius employees came to work by bike. That placed us in the top 3 large companies vying for the Trophy.

### Business Mobility Award 2013

During the Mobility Congress in Brussels, held in June, Belfius received the Business Mobility Award 2013 in the category for private sector companies (Brussels Capital Region). A great accolade for all our efforts!



## Paper goes digital

### Reducing the paper mountain

Paper is and remains a bank's biggest consumable. Which is why Belfius is trying to reduce its paper mountain. Print is being avoided as much as possible to be replaced by digital. A few examples:

Following in the footsteps of Belfius Insurance, the HR team at Belfius Bank launched the paperless initiative in 2012 whereby employees are encouraged to request their payslips, etc. digitally. For the time being, 50% of payslips have been digitised. We intend to drive that figure up further via our eco-coaches and targeted campaigns.

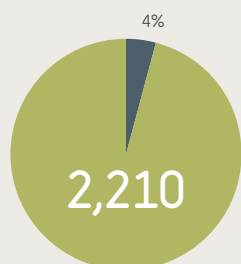
### Virtually real-time messages on LCD displays

Belfius Bank has had 1,771 LCD screens in 506 branches for some time. These are an environmentally-friendly way of getting our (advertising) messages across to customers. And a very effective way, too, as it seems: research has shown that advertising messages on digital screens are noticed and read by 80% of passers-by.

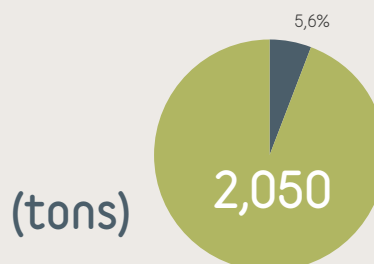
To make even better use of our digital communication system, last summer we modified control of the screens. With the new content management system, we are now able to monitor and manage all messages remotely with ease. A local campaign? A special event? The messaging can be segmented without any problem and is modified in no time at all. This means we can be sure of being seen without consuming any paper.



## Paper



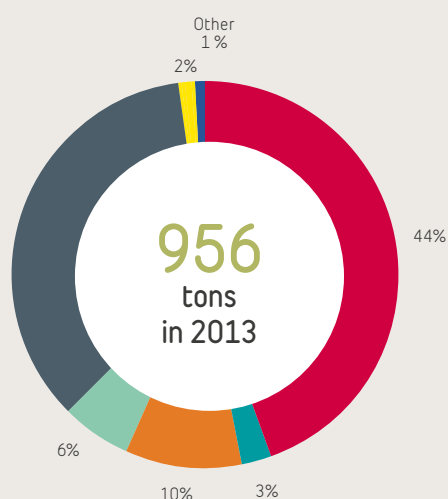
2012



2013

FSC  
Non-FSC

## Other waste



	(In kg)	2012	2013
Residual		507,200	425,200
PMT		29,250	24,350
Cardboard		102,167	94,191
Food grinder		63,790	56,160
Destrabox		339,529	337,207
Class II		3,351	2,322
Degreaser		3,480	546
Frying oil		3,080	2,410
Lightbulbs		200	0
Glass		7,560	5,670
Small hazardous waste		2,094	1,829
Varia		5,863	6,352
		1,067,564	956,237

## Emissions of CO<sub>2</sub>

Carbon footprint	Consumption		Emissions in tons of CO <sub>2</sub>	
	2012	2013	2012	2013
<b>Scope 1</b>				
Gas (heating buildings) <sup>(1)</sup>	15,865,984 kWh	15,956,539 kWh	3,651	3,672
Vehicles owned (fuel for service and Company vehicles)	32,182,626 km	25,954,263 km	6,115	4,942
<b>Scope 2</b>				
Electricity consumed (all green) <sup>(1)</sup>	30.1 GWh	26.3 GWh	0	0
<b>Scope 3</b>				
Consumables (paper)	2,210 ton	2,050 ton	4,421	4,101
Employee home-work travel	109,036,589 km driven	107,867,885 km driven	9,184	8,730
Business travel in private cars	3,159,014 km driven	3,135,462 km driven	470	408
<b>TOTAL</b>			<b>23,839</b>	<b>21,852</b>

(1) Excluding branches.

# Financial Results

## Preliminary notes to the consolidated financial statements

### 1. Changes to the scope of consolidation

In 2013 the holding in Belfius Insurance was increased to 100% and Belfius Insurance purchased the companies Coquelets, NorthLight (60%) and PoleStar (60%) in line with the policy for investing its insurance reserves.

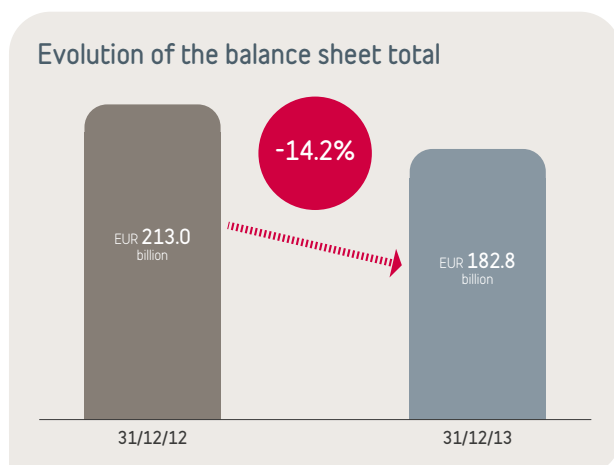
*A detailed overview of the changes that occurred to the scope of consolidation during 2013 is provided in the "Notes to the consolidated financial statements" of this annual report.*

### 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. The revised accounting norm IAS 19 has been applied since 2013. The figures for 2012 have consequently been adapted and are presented pro forma.

## Analysis of the consolidated balance sheet

As at 31 December 2013, the **balance sheet total** amounted to EUR 182.8 billion, a fall of EUR 30.2 billion or 14.2% compared to 31 December 2012. The fall of the balance sheet total principally reflects the reduction of funding granted to the Dexia Group, the reduction of derivatives and tactical de-risking in the Legacy bond portfolio.



### 1. Assets

**Loans and advances due from banks and central banks** fell 27%, or EUR 11.7 billion, to EUR 31.6 billion in 2013. This fall is principally due to the continuing reduction, in an amount of EUR 6.4 billion, of loans granted to Dexia. Cash collateral fell by EUR 4.5 billion as a consequence of the general increase of interest rates compared to the end of 2012.

At the end of the financial year, **loans and advances to customers** amounted to EUR 87.7 billion. This fall of EUR 1.8 billion, or 2%, compared to the previous year, is essentially explained by the reduction of cash collateral and by the sale of financial assets previously classified as loans in line with the tactical de-risking policy. Commercial loans remained constant in comparison to year-end 2012.

**Financial investments and financial assets measured at fair value through profit and loss** fell by EUR 3.1 billion to EUR 33.6 billion as at 31 December 2013. In 2013, Belfius continued to reduce its positions in bonds as part of the tactical de-risking of the Legacy bond portfolio.

The positive fair value of **derivatives** fell by EUR 12 billion to EUR 23.2 billion (-34.2% compared to the end of 2012) as a consequence of the general rise of interest rates.

### 2. Liabilities

In 2013, **liabilities due to banks** fell sharply by 277%, or EUR 11.2 billion, and amounted to EUR 29.2 billion at the end of the year. EUR 11.5 billion in Longer-Term Refinancing Operations (LTRO) was repaid in 2013 (of a total of EUR 25 billion), taking the outstanding on these operations to EUR 13.5 billion at the end of 2013.

At the end of 2013, **customer borrowings and deposits** amounted to EUR 61.6 billion, down EUR 5 billion on year-end 2012. This fall results from the sharp reduction of repo financing on the interbank market (EUR -6.2 billion), partially offset by a considerable increase of deposits from commercial customers (EUR +1.2 billion).

**Debt securities** rose by EUR 0.7 billion to EUR 27.2 billion as at 31 December 2013. The EUR 1.5 billion fall of savings certificates was more than offset by new issues, particularly issue, for an amount of EUR 1.7 billion, of Belgian covered bonds backed by mortgage loans (Belfius Belgian Mortgage Pandbrievien).

**Financial liabilities at fair value through profit or loss** fell by EUR 2.0 billion to EUR 8.5 billion as at 31 December 2013 as a consequence of final maturities and call data.

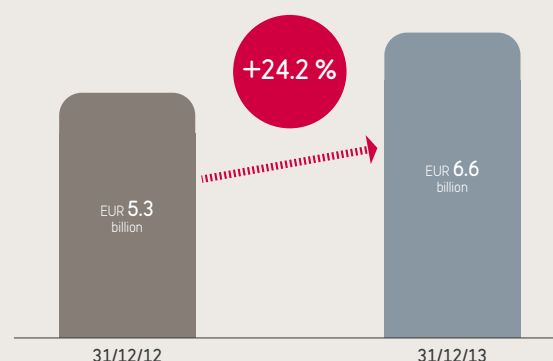
The negative fair value of **derivatives** fell by EUR 13.2 billion to EUR 28.6 billion (-31.5% compared to the end of 2012), by virtue of the general rise of interest rates.

### 3. Equity

As at 31 December 2013, **total equity** amounted to EUR 6.6 billion, against EUR 5.3 billion as at 31 December 2012. The EUR 1.3 billion increase is explained by the increase of core shareholders' equity and the considerable improvement of gains and losses not recognised in the statement of income.

**Core shareholders' equity** increased by EUR 443 million to EUR 7.3 billion as a result of the profit realised in 2013.

#### Evolution of the total equity



#### Consolidated balance sheet

(In millions of EUR)

	31/12/2012 pro forma	31/12/2013
<b>TOTAL ASSETS</b>	<b>212,957</b>	<b>182,777</b>
Cash and balances with central banks	1,965	1,446
Loans and advances due from banks	41,280	30,124
Loans and advances to customers	89,486	87,722
Financial assets measured at fair value through profit or loss	5,078	5,512
Financial investments	31,604	28,074
Derivatives	35,235	23,190
Fair value revaluation of portfolio hedge	4,145	3,045
Investments in associates	93	169
Tangible fixed assets	1,480	1,392
Intangible assets and goodwill	210	199
Tax assets	1,208	959
Other assets	1,156	923
Non current assets held for sale	20	23
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>212,957</b>	<b>182,777</b>
Due to banks	40,440	29,236
Customer borrowings and deposits	66,649	61,625
Financial liabilities at fair value through profit or loss	10,463	8,461
Derivatives	41,766	28,602
Fair value revaluation of portfolio hedge	87	43
Debt securities and convertible debts	26,439	27,184
Subordinated debts	1,040	893
Technical provisions of insurances companies	17,579	17,641
Provisions and other obligations	978	462
Tax liabilities	131	110
Other liabilities	2,045	1,900
<b>TOTAL LIABILITIES</b>	<b>207,618</b>	<b>176,156</b>
Subscribed capital	3,458	3,458
Additional paid-in capital	209	209
Reserves and retained earnings	2,812	3,231
Net income for the period	421	445
<b>Core shareholders' equity</b>	<b>6,901</b>	<b>7,343</b>
Gains and losses not recognized in the statement of income	(1,581)	(738)
<b>Total shareholders' equity</b>	<b>5,320</b>	<b>6,605</b>
Non-controlling interests	19	16
<b>TOTAL EQUITY</b>	<b>5,339</b>	<b>6,621</b>



**Gains and losses not recognised in the statement of income** improved by EUR 0.9 billion from EUR -1.6 billion at year-end 2012 to EUR -0.7 billion at the end of 2013, a reduction of one half. This positive evolution essentially results from the general improvement of the credit risk of the investment portfolio and is reflected by a strong improvement of the AFS reserve contained in this line. Tactical de-risking also had a positive impact. As a consequence of the application of the revised accounting norm IAS 19, the “remeasurement of defined-benefit pension plans” has been included in this line.

## Analysis of the consolidated statement of income

### 1. Net income group share

In 2013, Belfius posted a **net income group share** of EUR 445 million, against EUR 421 million in 2012. The bank's contribution to consolidated net income was EUR 230 million and that of the insurer EUR 215 million.

The income, which results in particular from good commercial activity and strict cost control, will be allocated to strengthening Belfius equity base.

### 2. Income

In 2013, **total income** amounted to EUR 1,834 million (or EUR 624 million less than in 2012). The net interest income fell to EUR 1,917 million as a result of tactical de-risking, the improvement (but at higher cost) of the liquidity profile of the bank's total balance sheet and the persistently low interest rates. The underlying net interest income from commercial activities – i.e. without taking Legacy portfolios into account – is nonetheless improving constantly.

In view of the low interest rates, customers are more drawn towards off-balance sheet products, and this resulted in an increase of net fee and commission income to EUR 375 million at the end of 2013.

Net income on investments is positive at EUR 155 million at the end of December 2013, particularly in view of the capital gain of EUR 61 million from the repurchase of profit shares at the beginning of 2013. In 2012, net income on investments had been strongly impacted by capital gains recorded on several subordinated debt repurchase transactions (cf. 2012 annual report).

Consolidated statement of income (In millions of EUR)	2012 Pro forma	2013
<b>INCOME</b>	<b>2,458</b>	<b>1,834</b>
Of which		
Net interest income	2,123	1,917
Net fee and commission income	314	375
Net income on investments	587	155
Technical margin on insurance activities	(575)	(404)
Other income	10	(208)
<b>COSTS</b>	<b>(1,584)</b>	<b>(1,424)</b>
<b>GROSS OPERATING INCOME</b>	<b>874</b>	<b>410</b>
Cost of risk	(268)	109
Impairments on (in)tangible assets	0	(1)
<b>PRE-TAX INCOME</b>	<b>606</b>	<b>518</b>
Tax expenses	(184)	(73)
<b>NET INCOME AFTER TAXES</b>	<b>422</b>	<b>445</b>
Non-controlling interests	1	0
<b>NET INCOME GROUP SHARE</b>	<b>421</b>	<b>445</b>

### 3. Expenses

In 2013, **total expenses** were EUR 1,424 million (or a fall of EUR 160 million compared with 2012).

The first effects of the Bank's cost reduction plan could be seen in 2013. Staff costs fell by EUR 154 million whilst in 2012 they were still adversely affected by the constitution of a provision under the restructuring plan.

### 4. Gross operating income

As a consequence, **gross operating income** was EUR 410 million at the end of 2013, down EUR 464 million on year-end 2012.

### 5. Cost of risk

The EUR 376 million fall in the **cost of risk** had a positive impact of EUR 109 million on pre-tax income in 2013. This positive contribution results from a low and controlled cost of risk on commercial activities and write-backs on both specific and collective historic impairments, in particular on Legacy activities following tactical de-risking policy. This positive contribution of cost of risk was however partially neutralised by the negative impact of tactical de-risking on net income on investments.

### 6. Pre-tax income

For the year 2013, **pre-tax income** was EUR 518 million, down EUR 88 million on 2012.

### 7. Tax expenses

**Tax expenses** (including deferred taxes) amounted to EUR 73 million in 2013.

### 8. Net income group share

Belfius **net income group share** amounted to EUR 445 million for 2013, compared to EUR 421 million in 2012.

### 9. Dividend

In accordance with the 2012-2016 strategic plan, approved by the European Commission, the Board of Directors will propose to the general meeting of shareholders that no dividend be distributed to shareholders.

### 10. Solvency

The Tier 1 ratio was 15.4% at the end of 2013 against 13.3% at the end of 2012, principally in view of the fall of weighted risks. The increase of Tier 1 capital due to the profit made in 2013 is grosso modo neutralised by the negative impact of the new treatment of holdings in insurance companies, which are now deducted 50% from core shareholders' equity.

The Core Tier 1 ratio is at the same level as the Tier 1 ratio, as Belfius Bank no longer has hybrid capital.

The capital adequacy ratio (CAD) was 16.5% at the end of 2013 against 13.8% at the end of 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

The Retail and Commercial Banking business line offers a comprehensive range of retail, commercial and private banking products, as well as insurance services to:

- 3.2 million individual customers;
- 0.3 million "Business" customers. This segment combines the self-employed and professionals, as well as small and medium-sized enterprises whose turnover or total balance sheet is less than EUR 10 million.

### Belfius introduces Belfius Pulse Start: the best of both worlds in an integrated package

Generation Mobile, welcome to Belfius!

Belfius Pulse Start combines the benefits of mobile banking with personalised advice – all in one completely integrated package.

Belfius Pulse Start brings everything you need within easy reach:

- a current account, ideal for managing your incoming funds and expenditure;
- a bankcard linked to your current account, enabling you to carry out most transactions quickly and easily, completed with a card-reader for connecting to Belfius Direct Net in total security;
- a Belfius online savings account that lets you manage your short-term savings and offering an attractive interest rate;
- a savings+ account, ideal for managing your longer-term savings by creating a monthly standing order.

Belfius Pulse Start also includes services that are super-mobile, super-local and totally secure:

- Belfius Direct Mobile, for carrying out transfers and other transactions from a smartphone, any time and in total security;
- Belfius Direct Tablet, providing the same features and benefits, but from a tablet.

Last but not least Belfius Pulse Start also gives you the opportunity to benefit from personalised quality advice in your Belfius branch!



## Available 24/7 thanks to well-established distribution networks, plus a choice of the latest, high-performance digital channels

At the end of 2013, Belfius bank's distribution network extended to **772 branches**. More than 500 of these operate using the open-branch concept, placing the emphasis on advising customers. These open branches are divided into three zones: self-service, information and services as well as advice. A key feature of this branch design is the absence of teller windows. Most transactions in cash are conducted in the automated self-service space within the branch. The design is all about providing maximum ease of access and personalised contacts with customers.



Belfius ATMs cater for 1.5 million active users a month, which translates into 8.4 million monthly interactions. The proportion of transactions carried out at ATMs is high: 93% of all deposits and 99% of all withdrawals are made at an automatic teller machine, which demonstrates the success of the concept.

Belfius is also totally accessible through digital channels and the popularity of these channels just continues to grow. **Belfius Direct Net**, the bank's online portal, services 0.9 million active users, which represents 6.3 million interactions each month. **Belfius Direct Mobile** is experiencing growing success, which has been boosted further since the introduction of a highly effective new version in December 2012 for smartphones and in May 2013 for tablets (165,000 active users at 31 December 2013).

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

## Particular focus on customer service, supported by a comprehensive range of products

This business line provides a full range of products to customers: payment products, loans, savings products, investments and insurance, etc.

### Payment products

Payment products come in the form of packages of current accounts linked to a debit card or credit card, plus additional insurance cover, depending on the level of service selected: *blue, red, gold, platinum* and *white*. The granting of a credit card is subject to acceptance through a standard risk management process. Customers can also opt for a MasterCard Prepaid, enabling them to make payments in total security within the limit set for their budget, anywhere in the world and also online. Business customers can also enjoy additional services that correspond to their needs (such as cashflow management).



### Credit products

With its range of credit products, Belfius mainly offers mortgage loans at fixed or variable interest rates, with terms usually ranging from 10 to 20 years. The bank also markets consumer loan products in the form of car loans, personal loans and green loans. The activity surrounding the granting of loans is carefully monitored by the code of conduct issued by the "Professional Credit Union". Tailored loans are provided for the Business segment. This includes tax funding, operating capital facilities (particularly Belfius Business Cash+) and investment loans.

### Savings and investment products

Savings and investment products fall into two categories: balance sheet products (financing the bank's assets) of 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 retail customers. Off-balance sheet products are made up of mutual funds, shares and (euro)bonds issued by third parties, as well as Belfius Insurance Branch 21, Branch 23 and, more recently, Branch 44 insurance products.

Belfius Bank also offers its customers all of the **classic and innovative life and non-life insurance products** provided by Belfius Insurance.

With a market share estimated at 13% for both savings accounts and mortgage loans, Belfius' market share remains stable overall.

## Major achievements in 2013

### Payment methods



App Bancontact/Mister Cash

In June 2013, in conjunction with Belfius and other partner banks, Bancontact/Mister Cash launched a pilot experiment for an innovative application (Bancontact/Mister Cash app) enabling payments to be made between two smartphones or tablets. This application is intended first and foremost for the payment of small amounts between individuals (maximum of transactions of EUR 125 per day). In the same way as for a classic transaction, the payment is made in real-time.



Budget Assistant

Belfius also developed Budget Assistant, a practical electronic tool that is easy to use, enabling all customers to have a constant, accurate overview by category (food, transport, telecommunications, clothes, energy, etc.) of their income and expenditure on their accounts, including transactions made with their credit card.

### Savings and investment products

2013 saw the gradual implementation of the statutory reforms to regulated savings accounts. These reforms relate in particular to:

- Quarterly payments of the loyalty premium. This premium, gained after 12 consecutive months, is now paid every quarter on 1 January, 1 April, 1 July and 1 October. The basic interest is paid annually on 1 January.
- Retention of the loyalty premium if the savings are transferred to another regulated savings account with the same bank. This retention of premium is limited to three transfers per year and a minimum of EUR 500 per transfer is required.
- The availability of a standardised product sheet for every regulated savings account, explaining the terms and conditions, features, etc.
- A rate guarantee of three months.
- The provision of a calculator, enabling customers to calculate the impact that any withdrawal or transfer from a regulated savings account will have on the loyalty premium.
- A restriction in the number of regulated savings accounts to six per bank.

In 2013, Belfius Bank offered five regulated savings accounts:

- For customers with an investment horizon of less than one year, the bank offers the classic savings account (via a branch) or the online savings account.
- Customers with an investment horizon of a year or more tend to head for the loyalty savings account (via a branch) or online loyalty savings account. These two accounts offer a loyalty

premium that is higher than the base rate, thereby representing an attractive alternative for customers investing their savings for a period greater than twelve months.

- Finally in June 2013, the range was supplemented by the launch of the Belfius Savings+ Account, a new savings account aimed at encouraging customers to save on a regular basis. The Belfius Savings+ Account is aimed specifically at customers looking to build up capital gradually by making monthly deposits through a standing order. The amount of these payments is capped at EUR 500 per month and the number of accounts is limited to one per customer.

The Belfius Savings+ Account is step 1 in the bank's "Save & Invest+" programme aimed at customers wanting to put money aside regularly so that they can gradually and at their own pace build up a financial reserve and/or lump sum for the future.

Once a sufficient financial reserve has been established, Belfius encourages building regular pension savings via a standing order into a pension savings fund or pension insurance (step 2). Finally, when the optimum tax-efficient investment potential has been reached, an investment portfolio can be set up via the "Flex Invest Plan" periodic investment plan. This enables customers to invest in a diversified fashion, based on their own investment portrait, in a wide range of funds, starting at EUR 25 per month (step 3).

For customers wanting to invest their longer-term savings in socio-economic and social projects in Belgium (building hospitals, retirement homes and schools, or for financing SMEs), Belfius Bank successfully launched its Citizens' Lending via Belfius in January 2014. This Citizens' Lending is marketed in the form of savings bonds with terms of 5 to 10 years. Customers can subscribe amounts beginning at EUR 200 and benefit from reduced withholding tax at 15%.

In addition to conventional savings products, Belfius is also developing and offering more and more "open architecture" products - i.e. products involving funds from external asset managers.

In June 2013, Belfius Bank launched the Branch 44 investment insurance product, Belfius Invest Top Funds Selection. This investment policy combines the features and benefits of a Branch 21 investment policy, with 100% capital protection and a fixed yield, with a Branch 23 investment policy, with no capital protection, but with a potentially higher yield. The Branch 23 investment policy invests part of the capital in an "internal" insurance fund, Belfius Invest Top Funds Selection, which in turn invests in the funds/sub-funds of reputable fund management companies. Customers themselves determine the way in which the capital is divided between the funds selected. This allocation may be adjusted during the period of the investment. Customers also determine the weighting they wish to give to capital protection and to the potentially higher yield (three levels of capital protection: 100%, 50% or 5%). The entry threshold is low: investments start from EUR 25, both for the first payment and for those following.

Multi Management Mandate via Belfius offers a balanced portfolio invested in funds, with an allocation between equities, bonds and categories of alternative assets (commodities, foreign currencies, alternative funds, etc.) based on the customer's risk appetite. The concept is based along two lines: dynamic management and access to an "open architecture" via funds managed by Candriam. Multi Management Mandate via Belfius is available to customers in the Private segment for any investment of at least EUR 750,000 and who have a medium to long-term investment horizon.

For Business customers, Belfius introduced Belfius Managed Portfolio Business in October 2013. This is available to company Business customers for an investment equal to or in excess of EUR 250,000. This product is therefore aimed at cash-rich companies wanting to invest their reserves over a lengthy period. It is also aimed at property companies and fully mature management companies.

### Granting loans

To mark the Batibouw 2013 building show and to support and encourage the building of energy-efficient and/or passive-energy dwellings in Belgium, Belfius launched the Housing Loan for Energy-Efficient Construction, intended exclusively for customers building or purchasing a new dwelling that complies with level E ≤ 50 standards. This new finance package offers a benefit in the form of an interest rate reduction granted on the total amount of the loan for the construction and throughout the full term of the loan. The advantages of the Housing Loan for Energy-Efficient Construction apply to all types of credit (with the exception of bridging loans), regardless of the type of interest rate (fixed or variable), term or method of repayment chosen.

In addition to its Housing Loan for Energy-Efficient Construction and classic housing loan, Belfius Bank does of course continue to offer the Housing Eco-Credit for owners or tenants who wish to finance expenditure intended to achieve energy-savings. This instalment loan offers a rate advantage on the whole of the amount of the loan for the full term. It is aimed at customers wanting to invest, for example, in replacing an old boiler or in installing double-glazing.

Belfius also continues to fund SMEs, which play an essential role in the Belgian economy. Indeed, the European Investment Bank (EIB) and Belfius Bank have signed an agreement on a loan of EUR 200 million from the EIB. Belfius Bank will contribute the same amount, meaning that in total there is no less than EUR 400 million to be made available to small and medium-sized enterprises (companies with up to 3,000 employees) in Belgium. This loan is part of the European Investment Bank's policy to support the economic development of small and mid-sized businesses by granting them loans on preferential terms. These include longer periods to repay the loan, flexible repayment plans and lower interest rates and are designed to stimulate the creation of jobs.

Belfius Bank has also signed an agreement to work with Solvay Entrepreneurs, the entity of the ULB's Solvay Brussels School of Economics and Management specialised in the training and guidance of entrepreneurs and directors of SMEs. This makes Belfius Bank the principal partner in the Start Academy for Young Entrepreneurs competition.

## Continuing to innovate in distribution channels

Aware of the difficulties encountered by individuals with poor eyesight, Belfius Bank can justifiably claim to have equipped all of the cash dispensers at its branches with a voice guidance system developed in collaboration with the Braille League. This enables customers to make withdrawals and check their account balances in total security and without the need for any outside assistance. Using the voice guidance system, they can also keep track of the various stages of their transaction by way of headphones (brought along by the individual) and use the keypad when requested to do so. Depending on the language used in the area, the voice starts off in French, Dutch or German. Then, once the bankcard has been inserted and the customer has been identified, the subsequent part of the process takes place in the person's own language. In addition to current accounts, the system also gives access to all of the savings accounts linked to the customer's debit card. All of the 2,260 cash dispensers located inside Belfius branches were adapted in 2013.

Since it was first launched, the Belfius Direct Mobile application for smartphone has enjoyed growing success, attracting increasing numbers of users every day. The app won the Silver Award of the jury at the MIXX Awards. This competition, organised by IAB-Belgium, is the leading forum for the advertising and marketing industry in Belgium.



Belfius Direct Mobile

Buoyed by the success of Belfius Direct Mobile, Belfius Bank has now gone a step further with Belfius Direct Tablet, a free mobile application specially designed for making transfers, viewing account balances and many other banking transactions using a tablet. Belfius Direct Tablet offers the same features as its cousin for smartphone, but with a totally new interface, specific design and adjusted navigation. Available for devices operating in iOS and for Androids, Belfius Direct Tablet can be downloaded free of charge from the App Store or on Google Play.



That way, customers can genuinely choose the channel that suits them best and go from one to the other whenever they want.



## Good commercial performance in 2013

Despite a still challenging macroeconomic environment, the bank's commercial business was highly dynamic, with **total customer assets** recording a 2.1% rise in 2013 to EUR 93.7 billion. On the deposits side of the ledger, historically low interest rates prompted customers to adopt a wait-and-see attitude. The result was lower investment levels in long-term investments (savings bonds fell 14.3%, while bonds issued by Belfius were down 11.5%). But there was a good rise in assets in current accounts and savings accounts, which reached EUR 6.9 billion (+12.3%) and EUR 33.8 billion (+6.1%) respectively as at 31 December 2013. In total, deposits amounted to EUR 61.5 billion at the end of 2013, down slightly (-0.7%) compared with the end of December 2012.

However this slight decline in deposits was largely offset by the fine performance recorded by **off-balance-sheet assets**, which rose by 11.9% compared with the end of December 2012, reaching EUR 21 billion on account of increasing customer preference for products offering higher returns (mutual funds, mandates).

**Technical life insurance reserves** reached EUR 11.2 billion, which was a slight increase of 1.4% compared with the end of 2012. Investments in Branch 21 life insurance were under pressure due to low rates and the rise in taxes on premiums to 2%. But this fall was offset by the success of the new Branch 44 product, Belfius Invest Top Funds Selection, introduced in June 2013.

**Loans granted to customers** remained stable in 2013, at EUR 33.5 billion at the end of December 2013. This was for all types of loans. Mortgage loans, which represent almost two-thirds of the total loans granted, were EUR 21 billion at the end of December 2013, while consumer loans and Business loans were at EUR 1.6 billion and EUR 9.9 billion respectively.

Retail and Commercial Banking (In billions of EUR)	2012	2013	Evolution
<b>TOTAL LOANS TO CUSTOMERS</b>	<b>33.4</b>	<b>33.5</b>	<b>+0.3%</b>
Mortgage loans	21.2	21.0	-0.8%
Consumer loans	1.6	1.6	+2.6%
Business loans	9.7	9.9	+1.7%
Other loans	0.9	1.0	+6.4%

Retail and Commercial Banking (In billions of EUR)	2012	2013	Evolution
<b>TOTAL CUSTOMER ASSETS</b>	<b>91.7</b>	<b>93.7</b>	<b>+2.1%</b>
<b>DEPOSITS</b>	<b>61.9</b>	<b>61.5</b>	<b>-0.7%</b>
Savings accounts	31.9	33.8	+6.1%
Savings certificates	9.8	8.4	-14.3%
Bonds issued by Belfius	13.1	11.6	-11.5%
Current accounts	6.1	6.9	+12.3%
Term accounts	1.0	0.8	-20.3%
<b>OFF-BALANCE-SHEET ASSETS</b>	<b>18.8</b>	<b>21.0</b>	<b>+11.9%</b>
<b>TECHNICAL LIFE INSURANCE RESERVES</b>	<b>11.0</b>	<b>11.2</b>	<b>+1.4%</b>



# Public and Wholesale Banking

## The preferred partner of the public and social sectors and a challenger role in Corporate Banking

The Public and Wholesale Banking business line offers a comprehensive range of banking products and services essentially to two complementary groups of customers: public and social sector entities (Public and Social Banking), and medium and large companies (Corporate Banking).

The Public and Social Banking segment, which has a total of 12,000 customers, works on behalf of local public bodies (municipalities, provinces, police areas, Public Centres for Social Welfare and so on), supra-local public entities (communities of municipalities, and so on), dependent entities at a community, regional or federal level, as well as a wide range of other public sector organisations. This segment also includes entities associated with healthcare (hospitals, retirement homes), customers in the field of education (universities, schools), the housing sector and also customers like foundations, social secretariats and pension funds.

The second segment, the Corporate Banking division, serves some 6,000 medium and large corporates (representing approximately 2,700 separate commercial groups) with an annual turnover or balance sheet total in excess of EUR 10 million.

## A “hub and spoke” distribution network serving customers

The public and social banking network has some 40 relationship managers located in three regions. Smaller customers (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 spread across six regions.

Within the two segments, the relationship manager is the reference person, or “hub”, of the commercial relationship with the customer. He is the only contact person, enjoying a relationship of trust with the customer over time. The relationship manager may at any time call on experts, the so-called “spokes”, for the different product lines, whether that be for investments, loans, insurance, leasing, electronic banking or cash management. This “hub and spoke” model is at the heart of the business line’s commercial dynamic.

## Highly specialised products and services with high added value for customers

The product range consists firstly of classic banking products such as short and long-term loans, cash-flow management, investment management, electronic banking services, trading room products and various finance or operating lease solutions through the subsidiaries Belfius Lease or Belfius Auto Lease

Customers of the public and social banking segment also benefit from a range of very specific products and services, such as social accounts, advanced cash-flow solutions and active debt management or long-term financing solutions that are in phase with their own needs, whether in the form of long-term loans or bonds.

For corporate banking customers, there are specific solutions associated with the public authority debt funding (Business-to-Government - B2G), international cash management solutions, “asset finance” solutions (leasing, car leases and commercial finance) as well as expertise in terms of project finance and structured finance.

Eager to provide its customers with true added value, Belfius constantly adapts the range of products and services offered to them so as to meet their needs and any requirements specific to them in a way that is both effective and practical.

Belfius Bank remains the reference banker for public and social banking customers. In the corporate banking market, the bank aims primarily at medium-sized corporates operating in Belgium, as well as the many companies that offer their services to the public authorities (B2G offering).

## Financial partner to entities in the public and social sectors, as well as Belgian corporates

Throughout 2013, Belfius remained faithful to its primary mission of being the bank “of and for the Belgian society”, continuing more than ever to fulfil its role of financier for the Belgian economy. This commercial dynamic was demonstrated by Belfius Bank granting EUR 2.4 billion in new long-term funding to the public and social sectors and EUR 2.1 billion in new loans to corporates in 2013, as well as by the implementation of numerous local initiatives.

Despite the still challenging economic environment, Belfius continued to support local authorities and can rightfully claim to be the only bank that responds systematically to all tender calls. In doing so, the bank fully plays its role as a partner by reinvesting Belgian savings in numerous projects presenting significant added value for the community (public buildings, schools, crèches, hospitals, road networks, etc.).

## Innovation working on behalf of customers

Through its aim to adjust to developments in the marketplace and the changing needs of its customers, Belfius continues to develop new and/or additional solutions. This ongoing quest saw numerous new products and services introduced in 2013.

As part of an agreement between the EIB, the Minister for the School Buildings in the Wallonia-Brussels Federation and partner banks, including Belfius, the EIB has made available funding of EUR 300 million, to which a further EUR 300 million has been provided by the partner banks. This has created a fund of EUR 600 million that will be used for building new schools and the extension or modernisation of existing infrastructures. This exceptional funding will contribute towards the creation of over 23,000 places in the country's French-speaking schools (15,700 in Brussels and 7,800 in Wallonia) by 2017. Belfius was one of the first banks to commit EUR 200 million of investments, including EUR 100 million from the EIB.

The EIB and Belfius Bank have also signed an agreement for a loan of EUR 200 million from the EIB to companies (employing up to 3,000 staff) in Belgium. Belfius will provide the same amount, which means that in total no less than EUR 400 million will be made available in addition. This cooperation between the EIB and Belfius makes a substantial contribution towards supporting the investments of Belgian businesses, which play an essential role in the economy.

The financial environment is constantly changing and both local and regional authorities, in seeking ways of diversifying their sources of funding, are increasingly turning to the capital markets for finance. As their leading financial partner, Belfius has for the past 10 years or more provided guidance to local and regional authorities in instances where they have sought additional funding on the financial markets, whether in the short term or long term. Of all the (semi-)public bodies operating on these markets, more than 80% turn to Belfius. This alternative funding is provided by the issue of commercial paper and/or medium-term notes. As at 31 December 2013, 42 local authorities were involved in a programme of this kind, representing total outstanding funds issued of EUR 1.2 billion, of which 27 via Belfius, for a total outstanding of almost EUR 900 million. In February 2013, the City of Ghent became the first to call on this source of supplementary funding, rapidly followed by Mechelen, Zaventem and Hasselt. Liège joined this leading group at the beginning of January 2014. These long-term bonds have all been successfully placed by Belfius.

Belfius also makes these special skills and abilities available to businesses via its effective distribution networks, taking part regularly in the private issues made by large corporates. Belfius also provides guidance to its customers for more specific needs, such as IPOs or financial advice services (for example in the case of mergers and acquisitions).

## Financing the living environment

As part of its mission to support the local Belgian economy, Belfius also helps guide local authorities with their investments in property projects. A great many of these projects are currently underway, meeting the needs of the community in various ways: retirement homes, schools, town halls, police stations, fire brigade stations, multifunctional halls, etc. The savoir-faire provided by the bank in this area was again recognised in 2013, when Belfius was presented with the National PPP Award 2013 for the Malevé residential serviced complex in Orp-Jauche. This award recognises public-private partnerships (PPP) both for their innovative nature or for the contribution they represent for their local area.



Belfius also supports numerous infrastructure projects. Thanks to DG Infra, the joint-venture between Belfius and GIMV, more than EUR 400 million in additional funding will be invested in various infrastructure projects over the next five years.

## Increasingly effective payment methods

In terms of cash-flow management, Belfius has continued its aim of reinforcing its presence with customers. Thanks to its comprehensive and attractive range of payment methods and effective account management, plus its constantly renewed ability to innovate and commercial strength, the bank increased its customers facilities in 2013.

Examples of innovations from Belfius last year included the introduction of Xpenditure via Belfius and Twikey.

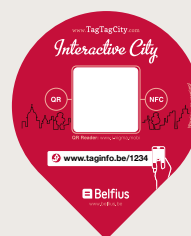


Belfius was the first bank in Belgium, in partnership with the Belgian IT start-up company, CardWise, to offer Xpenditure by Belfius, a mobile application and online platform that enables out-of-pocket expense claims to be digitised and processed automatically. This was a first on a European level and has become a “must have” for all large organisations. The town of Mechelen became the first in Belgium to process expense claims in the digital age via Xpenditure by Belfius.

In preparation for the arrival of European direct debits in February 2014, which require the recipient companies (payees) and not the banks to both manage and process direct debits and drawings, Belfius was the first Belgian bank to offer a solution for managing mandates totally electronically and without paper. The system, named Twikey by Belfius, consists of a fully electronic platform and was developed in collaboration with the start-up company, Twikey. Twikey by Belfius enables users to create, sign, manage and store mandates online in total security. The mandates can then be viewed at any time and from anywhere by accounting software, the banks and any third party that has been granted access.

## Interactive City: a long-term partnership with municipalities

Belfius supports the Interactive City concept offered in collaboration with Tag Tag City



The principle is very simple: when visitors or residents of a town or borough find a tag attached to a façade or monument, they can scan the QR code using a Smartphone or tablet. This takes them to a mobile webpage that gives them all the information they want about the

location or about life in the municipality. The possibilities offered by the system for promoting tourism and organising the public life in towns and municipalities are inexhaustible.

Through this project, Belfius aims to confirm its ongoing partnership with municipalities by offering them an innovative solution for promoting the heritage, history and services in a way that is both young and dynamic.

## Long-established partner of public authorities

Following on from the Walloon Region in 2012 and after consulting the market, the Brussels Capital Region again appointed Belfius to the position of official cashier for a new period from 1 January 2014 to 31 March 2018. This demonstrated the Region's continued confidence in Belfius and emphasised the bank's status as a specialist in financial services to regional and local authorities.

In the same way, after consulting the market in 2013, the inter-municipal company Aquafin reconfirmed Belfius in its role of agent for long-term lenders. Belfius has carried out this role for Aquafin since 1994.

## Acknowledged and appreciated expertise in the release of financial analysis tools

2013 was a year that marked a new term of office for local authorities in Belgium. For Belfius, this provided an opportunity to meet and provide guidance for the new local authority boards, in particular by providing them with a series of studies and tools enabling them to better understand the financial and economic issues facing them. This was done in particular through a presentation of an individual financial and socio-demographic profile for their municipality.

Belfius shares its specific knowledge and skills with its customers by publishing numerous financial analysis tools: annual studies into local finances and information sheets about the issues facing new councils, as well as annual studies into hospitals (MAHA) and retirement homes (MARA). These studies are eagerly awaited each year by customers.

Using its expertise in this area, the bank undertook for the first time in 2013 to share its knowledge with customers in the Corporate Banking segment by:

- publishing a series of *white papers* and organising various events relating to the issue of Working Capital;
- placing a full dossier online relative to the potential and specific features that public procurement contracts may represent for companies.

In addition to this reference information, the bank also embarked on a promotional campaign to provide guidance for its Corporate customers with an interest in the public sector.

## Customer satisfaction levels rise again

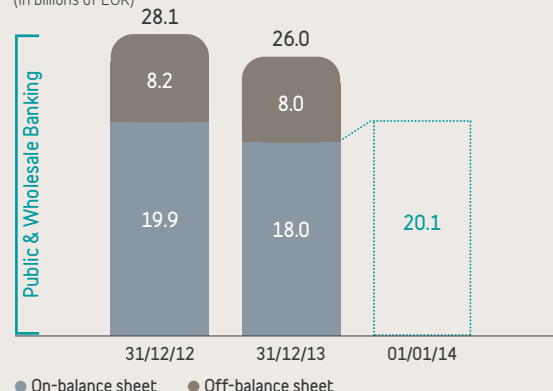
The energy exerted and efforts made by the bank throughout 2013 have been recognised by customers, thereby confirming the relevance of the commercial approach taken by Belfius: 93% of customers in the Public and Social Banking segment said that they were satisfied or very satisfied with the products and services offered by Belfius. In the Corporate Banking segment, Belfius had a satisfaction rating in excess of 80% for those companies for which it is the lead bank.

## Commercial performance in 2013

As at 31 December 2013, **total savings and investments** amounted to EUR 26 billion, down 7.3% compared with the end of 2012. The fall in deposits to EUR 18 billion at the end of December 2013 was due entirely to the seasonal effect, with the end of the year seeing significant temporary withdrawals by social security organisations. These outflows were entirely regained at the beginning of 2014.

### Outstanding savings & investments

(In billions of EUR)

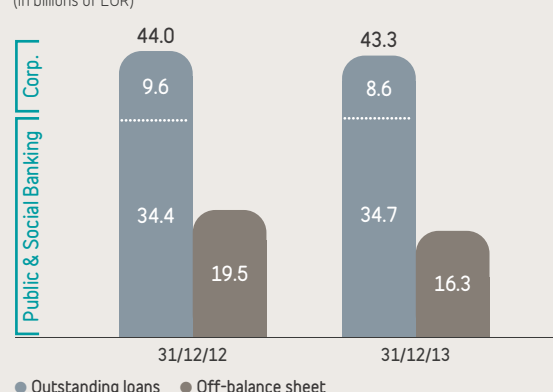


Total **outstanding loans** were down slightly (-1.4%) at EUR 43.3 billion. This fall was attributable entirely to generally low demand and increased competition on the Corporate Banking market. Outstanding loans in the Public and Social Banking segment were up slightly, reaching EUR 34.7 billion at the end of December 2013.

**Off-balance-sheet commitments** were down EUR 3.2 billion over the year to EUR 16.3 billion at the end of December 2013, reflecting the bank's active management, in partnership with the customer, of unused credit lines. In the context of the introduction of the new Basel III regulation, banks are subject to much more stringent regulatory ratios, both in terms of capital and liquidity. In the Public and Wholesale Banking business line, active collaboration with customers enabled credit lines to be optimised, particularly off-balance sheet, by making the customer's actual needs correspond better in terms of financing with the amount of lines needed for the customer's development.

### Outstanding loans & off-balance-sheet commitments

(In billions of EUR)



# Insurance

## Fifth position on the Belgian market

Belfius Insurance, a subsidiary of Belfius Bank, offers customers 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<sup>(1)</sup> on the Belgian insurance market.

## Distribution channels tailored for the customer

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

In Belgium, for Retail customers, 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"<sup>(2)</sup>.



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 333 points of sale, each with exclusive advisers, DVV insurance offers 357,598 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 174,000 customers 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 strong customer service and ability to innovate, for instance with its kilometre-linked vehicle insurance.



For Public and Wholesale Banking customers, Belfius Insurance collaborates with Belfius Bank and also with 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. 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 investment and insurance products through the subsidiary International Wealth Insurer (IWI).

## A varied range of insurance products, for the greatest customer satisfaction

The range of products for Retail customers includes classic non-life insurance: car insurance (third party and comprehensive), third party civil liability insurance, fire 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.

(1) Data 2012 – Assuralia. 2013 data are not yet available.

(2) Affinity partners are external parties with which Corona collaborates and which offer Corona insurance products. For instance, these are car dealers (for motor insurance) and undertakers (for funeral insurance).

Public and Wholesale Banking customers have a 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 7.4% on the Belgian market (8.7% in the life segment and 4.9% in the non-life segment)<sup>(1)</sup>. Belfius Insurance attaches great importance to customer satisfaction: the insurer endeavours to be close to its customers, offering them professional and personalised advice and aiming always for optimum efficiency in this regard.

Implementation of the Switch to Belfius 2015 strategy of Belfius Insurance, announced in February 2013, is progressing on schedule. Within this framework, priority is given to optimum customer service and the organisational structure has been adjusted accordingly. The flexible organisation of work meets customer needs and also increases staff satisfaction.

## Satisfactory commercial performance in 2013

In 2013, total gross written premiums were EUR 2,156 million, against EUR 2,484 million in 2012.

**Life insurance premiums** amounted to EUR 1,612 million, against EUR 1,953 million in 2012. This fall arose mainly in Belgium and is due to the persistence of low interest rates and the increase of insurance premium tax since January 2013.

The Luxembourg market is performing well, with written premiums almost doubling in 2013 to EUR 354 million. In 2012, sales via the banking channel of Banque Internationale à Luxembourg ceased as a consequence of the general economic climate and the Dexia image crisis. Since then, International Wealth Insurer (IWI) has developed a new business model and production has picked up. This is relatively diversified, both in terms of the number of distribution partners and types of market.

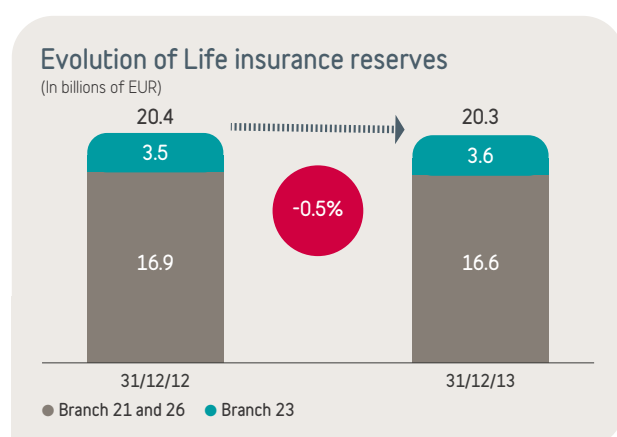
**Life insurance reserves** remained stable at EUR 20.3 billion at the end of 2013, against EUR 20.4 billion in 2012, despite a difficult context marked by low rates and unfavourable taxation. By product,

there was a slight fall in Branch 21 reserves, whilst those for Branch 23 increased following the launch of Belfius Invest Top Funds Selection, a new Branch 44 product, and as a consequence of the sharp increase in written premiums at IWI.

### Successful launch of Belfius Invest Top Funds Selection, the new Branch 44 investment insurance from Belfius

Launched in June 2013, Belfius Invest Top Funds Selection combines, on the one hand, the advantages and features of a Branch 21 investment insurance with total capital protection and fixed return and, on the other hand, a Branch 23 investment insurance without capital protection but with a higher potential return. Branch 23 investment insurance invests a portion of the capital in an "internal" insurance fund, "Belfius Invest Top Funds Selection", which in turn invests in underlying fund/subfunds of renowned fund management companies. The customer personally sets the capital distribution between selected funds, and that allocation may be adjusted during the term of the investment. The customer can also personally determine the balance between capital protection and higher potential return (the choice is between three levels of capital protection: 100%, 50% or 5%). The entry threshold is reduced: investments from EUR 25, both for the first and for following payments.

**Non-life insurance premiums** amounted to EUR 544 million, up 2.5% on the end of 2012. All channels contributed to that increase.



(1) Data 2012 - Assuralia. 2013 data are not yet available.



## Commercial performances by distribution channel

### 1. Retail channels

**Life insurance premiums** from Belgian Retail channels fell in 2013 to EUR 1,008 million, of which EUR 778 million for the bank-insurance channel, EUR 208 million for DVV insurance and EUR 21 million for Corona Direct. Branch 21 product production was low as a result of the current economic context of low interest rates and the increase of the tax on new premiums. However, this was partially offset by the success of the new Branch 44 product offered through the bank channel.

**Non-life insurance premiums** from Belgian Retail customers rose by 3% to EUR 450 million at the end of 2013, including EUR 116 million for the bank-insurance channel, EUR 289 million for DVV insurance and EUR 45 million for Corona Direct. The increase is marked in all channels. Several tariff increases were introduced in 2013, following the rise in the cost of living and general market trends. The quality improvement of the car portfolio also resulted in a certain decline. The Boost Insurance project of the bank-insurance channel, aimed at greater exploitation of the non-life potential in the network of Belfius Bank branches, has already had a positive impact on written premiums in 2013. For fire insurance, written

premiums also grew, particularly by virtue of an adjustment of the ABEX index and an increase in the number of new contracts with the successful implementation of a cross-selling strategy involving mortgage loans. The Direct channel recorded good results in the car segment, via "affinity partners" (+4.5%).

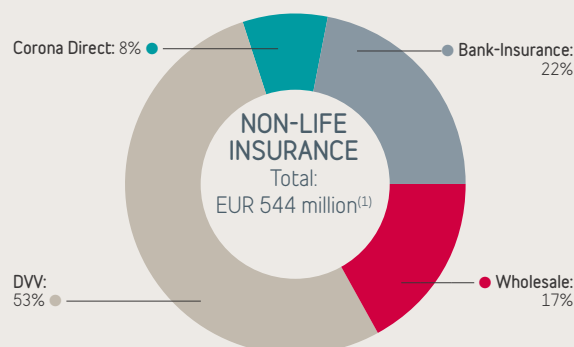
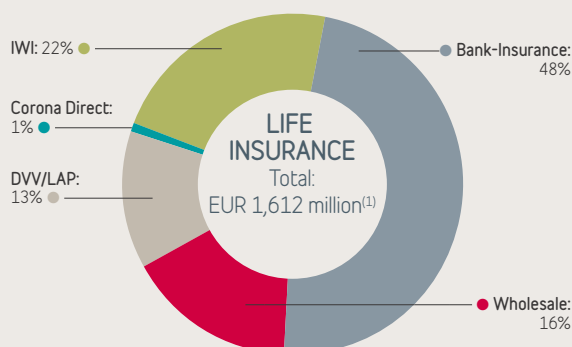
### 2. Public and Wholesale Banking channel

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

**Gross written premiums in life insurance** were EUR 250 million in 2013, down 18% on the end of 2012, principally explained by the transfer by Belfius Bank of an internal group insurance of Belfius Insurance to a separate pension scheme and, to a lesser extent, a slight fall in the production of pension plans (Belfius PubliPension).

**Gross written premiums in non-life insurance** rose by 1.5% to EUR 94 million, by virtue of good figures posted for insurance covering accidents at work and other risks. The growth of these two segments (+25%) results from a constant inflow of new business, principally via specialist brokers recording an annual increase of their new production, as well as successful deals on public tenders and direct sales. Car insurance also exceeded the previous year, with annual growth of 3.4%. Similarly, fire insurance posted a production increase of 3.5% between 2012 and 2013.

Premium breakdown by channel



(1) Gross written premiums 2013, without the distribution of third party insurance products.



# Risk Management

## Introduction

After the bases for the new risk management framework were put in place in 2012, the Risk Management function reached cruising speed in 2013.

The Risk Management Framework was completed, on the one hand, by the Risk Charter, which defined the core values and principles of risk management at Belfius and, on the other hand, by the limits book, which in an integrated document provides an overview of the limits of strategic and operational risks. Accompanied by the risk appetite framework, already approved, and various risk committees, this constituted the framework within which the Risk Management function was performed in 2013.

Almost five years after the fall of Lehman Brothers, the start of a deep global economic and financial crisis, the environment in which banks are working still poses many challenges.

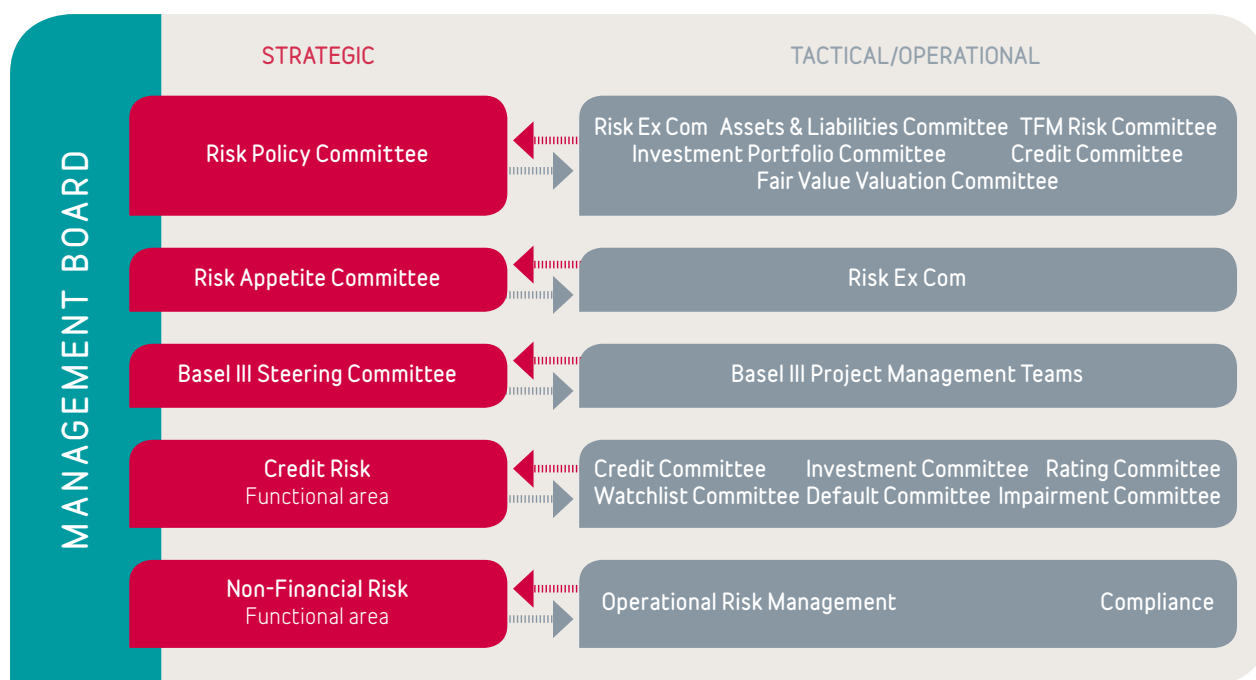
At a macroeconomic level, 2013 was a very contrasted year: whilst the United States, sustained by the policy of the Federal Reserve, showed significant signs of economic recovery, the emerging countries on the other hand faced limits to their growth. In addition, Europe continued to fight against the effects of the euro crisis, although this was less present in the news than in 2012. Economic development in Europe also evolved at different speeds: Germany was still the growth driver whilst, as in previous years, the economic situation in countries like Greece and Portugal was less sparkling.

Against this background of economic differences between countries in the euro zone, the situation in Belgium gave reason for optimism. Although the economic recovery is rather slow, there are signs of a return to positive GDP growth, essentially stimulated by foreign demand. In 2013, consumer confidence was once more on the up. Thanks to the competitiveness pact concluded at the end of the year, a first milestone was passed in the strengthening of the international competitiveness of Belgian enterprises. However, other indicators suggest a still fragile situation. In 2013, the number of bankruptcies in Belgium, for example, reached a record level, whilst the number of start-ups was down significantly. Unemployment also continued to increase, to nearly 9%.

In this dynamic but still fragile climate, it was not always easy to implement risk management. National and international information regularly suggests an over-valuation of the (residential) real estate market in Belgium, by analogy with European countries, and this imposes a need for caution. These observations should be somewhat offset in the light, for instance, of capital available to Belgian residents. This is why Belfius intends and may continue to support the supply of housing loans in a financially responsible manner (for the bank and for the customer) in the interests of society, which expects as much of Belfius. A comparable challenge for Belfius is the maintenance of a balance between, on the one hand, sustainably funding enterprises and institutions, encouraged by various legislative initiatives (inter alia the code of conduct under the law on funding small and medium-sized enterprises, the Citizens' Lending) and, on the other hand, avoidance of the excessive costs of credit risk. The increasing role of banks in assisting enterprises in the placement of corporate bonds may be viewed in this context. Moreover, like other banks, Belfius had to prepare during the year for the implementation of new capital and liquidity requirements (Basel III - CRR) which, when they come into force in 2014, will undoubtedly have other significant impacts on strategic choices vis-à-vis classic banking activities. Controlling these various balances required constant attention on the part of the Belfius Risk Management function in 2013.

In addition to this permanent and proactive support of commercial activities by risk management, the year 2013 was also dedicated to continuing the reduction and continuing control of the risks associated with the Legacy portfolio.

Over the year 2013, a significant proportion of the work was thus dedicated to the tactical de-risking of this portfolio. The recovery of bond markets throughout the world enabled a series of positions to be reduced. Measures were also taken with a view to limiting potential losses, restricting the volatility of the balance sheet and the statement of income, reducing the immobilisation of capital and improving the liquidity of the portfolio. In 2013, the concentration of Spanish covered bonds and RMBS and the Italian position in government bonds were monitored extremely closely.



## Governance

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

- Risk committee structure
- Strategic risk appetite

### 1. Risk Committees

The cornerstone of risk governance at Belfius Bank consists of a coherent series of risk committees, the role and competences of which are defined in accordance with the bank's commercial and financial objectives and respecting external environmental factors regarding regulation and control.

#### 1.1. Strategic level

Three committees have been set up within the Management Board, guided by 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 (after transposition to CRD/CRR). 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 Risk Management, the business lines and Finance:

- 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 participates along 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, customers and so on), in order to achieve its strategic and financial objectives. This risk appetite is above all defined by the Board of Directors, on proposals from the Management Board. The Risk Management department prepares the Management Board's proposals and the Board of Directors' decisions, setting the rules and the framework for implementation of those rules.

Based on a holistic approach, risk appetite is a central reference point:

- for guiding strategy and planning;
- for framing performance in terms of growth and value creation;
- for facilitating 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.

## Credit Risk

### 1. Methodology

For the management of credit risks, Belfius uses an Advanced Internal Rating Based approach. This means that Belfius makes use of internal models for defining the risk parameters for Probability of Default (PD), Loss Given Default (LGD) and the Credit Conversion Factor (CCF) for off-balance-sheet commitments.

In 2013, the Risk Management department reviewed the number of models to ensure a balance between the number of models, their nature, Belfius requirements regarding risk management, the control of costs and the regulator's requirements.

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 with regard to the target audience (financial data, economical, regulatory and institutional context, information about the number of defaults, etc).
- Defining, developing and extensively testing both the quantitative and qualitative criteria that will be used in the model and will lead to an internal rating.
- Validating, implementing and documenting the model, whether or not linked to an IT development. Validation of the model is carried out by the "Validation" department, which is an autonomous department within Risk Management.

### 1.2. The main control mechanisms

In accordance with the demands of the regulator, various control mechanisms are in place regarding the operational use of models and their intrinsic performance or the entire process for management of the model life-cycle.

- 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").
- Back-testing consists of seeing whether, based on historical data, the model is still sufficiently effective. For instance, following the conclusions of these exercises, the probabilities of default in relation to the corporate and mid-corporate segments were re-calibrated in 2013.
- Stress tests are performed to see how portfolios and models respond to unexpected and/or extreme circumstances. In 2014, the emphasis will be more on the implementation of this stress test methodology and certain exercises in relation to it.
- 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 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 mainly:
  - the results of the annual back-testing 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

The robustness of the credit acceptance process is one of the main pillars of risk management at Belfius. It relies on a large range of directives, delegation procedures and other instruments, aimed at strictly controlling credit risks.

Belfius has defined credit limits and delegations of competences for various types of credit risks. These are assessed in depth each year by the Risk & Capital committee.

Credit limits represent the maximum risk level acceptable on individual counterparties and/or economic groups and thus reflect the bank's risk appetite in its individual customer relations. Credit limits are set on the basis of the customer's risk profile, the focus being mainly (but not exclusively) on their internal rating. The credit decision process within Belfius Bank consists of three different levels:

- automated decisions where the bank compares the customer's credit application with a series of technical risk and commercial parameters;
- delegated decisions, i.e. decisions taken by staff to whom, intuitu personae, decision-taking powers have been delegated;
- the usual structure of the credit committee.

When granting credits to individuals (essentially mortgage loans), to self-employed and to small enterprises, standardised and automated processes are mainly used, in which the results from the scoring and/or rating models play an important role. Belfius Bank is convinced of the considerable added value provided by proximity to the customer. Application of this strategy was continued for these segments in 2013, opting resolutely for greater involvement of commercial staff in credit decisions, combined with increased control of the use of delegated competences.

When granting credits to medium and large enterprises as well as Public and Social Banking customers, the individualised approach is gaining in importance. Credit analysts examine the file autonomously, defining the customer's internal rating. Then a credit committee takes a decision on the basis of various factors such as solvency, the customer relationship and customer prospects, the credit application and the guarantees. In the analysis process, credit applications are carefully examined and only accepted if the prospect of continuity and the borrower's repayment ability are shown. To support the credit decision process, a RAROC (Risk Adjusted Return on Capital) is always calculated, to measure the expected profitability of the credit transaction or even the full credit relationship with the customer. Account is not only taken of the expected income in form of interest margins but also, inter alia, the operational costs and losses which might be statistically expected on credits.

The bank monitors the evolution of the solvency of its borrowers throughout the whole credit life-cycle. The different portfolios of the Retail and Commercial Banking business line, for which risk management relies on a portfolio approach, are reviewed periodically.

customer rating, by an individualised approach, is also updated periodically, in line with the bank's choice of AIRB (Advanced Internal Rating Based) models. In addition, the appearance of risk indicators is monitored. Credits to major customers or customers whose risk profile has changed are reviewed and discussed in a credit committee at least once per annum.

## 3. Fundamentals of credit risk in 2013

### 3.1. Retail and Commercial Banking

The rather unfavourable macroeconomic climate of 2012 continued in 2013.

Nevertheless, Belfius continued to support its activity of providing credits to Retail and Commercial Banking customers, in line with a credit policy which remained stable overall.

Demand for consumer credits increased slightly in 2013, after reaching a historically low level the previous year. Acceptance percentages remained stable compared to 2012 and are still based on a "Responsible Lending" charter concluded within the framework of the financial sector federation Febelfin.

Demand for mortgage loans fell in 2013, particularly by virtue of the uncertainty concerning the housing bonus (interest tax deduction). Belfius continues to monitor its mortgage loan portfolio very closely, taking account of a possible correction of the real estate market and a possible weakening of borrower solvency. The potential risk segments of the mortgage loan portfolio have been identified and are monitored closely. Their significance in the Belfius portfolio is very limited compared to the portfolio as a whole. Some points of the granting policy and the assessment of guarantees have been adjusted in a conservative way for the customer segments concerned. Despite these remarks at a market level, the cost of risk on mortgage loans remains very low at Belfius. From the perspective of increased vigilance, in 2013 Belfius established an additional collective impairment on this portfolio. On the regulator's request, Belfius, like all Belgian banks, also increased its regulatory capital for mortgage loans in 2013.

Securitisation operations and the issue of covered bonds also led to an extension and a refinement of the monitoring of risk on the mortgage loan portfolio.

The bank's strategy on business loans continued in 2013, delegating decision-taking powers to credit teams, involving commercial teams in the granting process and increasing the control by Risk Management of the exercise of those delegations. Ever more credit decisions were taken close to the customer by local teams, and this guarantees better knowledge of the customer and their situation. Back-test results show that the risk of this strategy is under control this far, and this explains why this project will be widened in 2014.

Belfius intends to continue to support the production of business loans, in particular to new enterprises and by stimulating short-term loans. These initiatives are intensively framed by Risk Management to monitor the risks in this market segment. The trend in 2013 (as

in 2012) of an increase in the number of bankruptcies was in fact also observed in the Belfius credit portfolio. There was particularly close monitoring of indicators and the process will be optimised in 2014. The cost of risk for business loans is still at a correct level and within set limits.

### 3.2. Public and Wholesale Banking

Through the Public and Wholesale Banking business line, Belfius continued to play its role in financing the Belgian economy and the country's enterprises throughout 2013.

As a locally-anchored relationship bank, Belfius tries as much as it can to meet the funding needs of its Public and Social Banking customers. Since July 2013, this has been against the background of new regulations on public markets.

Various institutions within the Public and Social Banking segment have been facing stagnation or even a fall of income as a result of the global economic climate. By way of illustration, municipalities, which began a new term, had to face a slowdown of the rate of receipts contrasting with an acceleration of expenditure. The difficulty here in meeting budgets is an indication of the challenge confronted by public administrations in continuing to offer quality services in the future, combined with a balanced budget.

Despite these negative environmental factors, the credit portfolio retains a very low risk profile.

Against a background of modest economic growth and an increasing number of bankruptcies, the risk profile of the Corporate Banking credit portfolio also remained stable, so that the cost of risk is kept at a very low level and broadly within set limits.

Belfius continued to monitor the sustainable energy sector very closely. The weakening already observed in 2012 of the financial position of installation companies, contractors and integrated companies in the renewable energy sector continued in 2013. This young and previous strong-growth market was severely affected by the fall in demand, particularly as a consequence of the evolution of grant policy (inter alia green certificates) and the reduction of tax incentives. This evolution resulted in an increase of problem files, which were given the appropriate attention under the watchlist process. On the other hand, ongoing project funding in relation to renewable energy continued to generate healthy and problem-free repayment capacity. For such funding, credits are granted by the bank to separate legal entities and repayments are made from income generated by the project being funded.

As for the shipping sector, the strategy already defined in 2012 was continued. The bank continues only to deal with companies directly or indirectly active in the shipping sector maintaining a global commercial relationship with the bank and a clear link to the Belgian economy. For companies in the shipping sector which have no global commercial relationship with the bank, the run-off strategy has been continued.

### 3.3. Insurance

Belfius Insurance controls the credit risk arising from investments of its reserves in collaboration with the Credit Risk Management teams at Belfius Bank. An operational system of risk management and limits has been defined within the Belfius Insurance Investment Framework. It is made up of the following elements:

- a strategic asset allocation setting limits for the credit asset portion in total assets;
- a list defining authorised asset classes with global and specific limits in terms of concentration by country, sector, rating, term and counterparty;
- regular counterparty risk monitoring by Credit Risk Management teams at Belfius Bank with internal rating;
- systematic establishment of collateral within the context of derivatives transactions, repo and other financial market activities;
- a process for subscription of mortgage loans satisfying specific granting rules, mortgage loan analysis teams and an acceptance committee.

A significant part of the Belfius Insurance investment portfolio is invested in Belgium. The risk reduction policy followed by Belfius Insurance was purposefully continued and had the effect of reducing exposure to certain counterparties such as the countries of Central and Eastern Europe, Italy, Spain, Portugal and Ireland.

Against that background, Belfius Insurance also maintained its level of mortgage loan activity on the Belgian market in 2013. Mortgage loan production by the DVV insurance agent network and the broker network via its credit subsidiary Elantis brought the amount of investments in mortgage loans to EUR 5,025 million at the end of 2013.

The credit portfolio was strictly monitored. No significant increase of payment arrears is to be noted in relation to the mortgage loan portfolio.

Similarly, real estate investments were made in 2013 in assets offering long-term visibility. They are reflected by an increase in the total value of real estate assets to EUR 506 million at the end of 2013.

These investments were made from the perspective both of diversification and of stable long-term yield.

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

The detection of changing credit risks by means of an efficient and performing process and the constitution or not of impairments is a major pillar of efficient risk management. Belfius frames this process in a coherent set of risk policies, risk committees and operational procedures.

The watchlist guideline defines those internal and external indicators which reveal an increased credit risk, and which might give rise to more intensive monitoring of the credit file concerned. Files placed under higher surveillance are submitted each quarter to the Watchlist Committee which, if necessary, decides on the appropriate risk measures.

In October 2013, the EBA formulated directives regarding Forbearance. Credits giving rise to application of this principle are those where the borrower, in serious financial difficulties, asks a concession from the bank regarding his credit liabilities and to which the bank agrees by adapting the contractual credit conditions. On the one hand, the concept of Forbearance is new in Belfius risk reporting and it has still not been adopted as such as an existing credit status; on the other hand, this is a generally accepted practice by which credits, in view of circumstances, are renegotiated in order to facilitate the continuity of the customer's business, in the common interest of the bank and the customer. When accepting a credit restructuring, the bank will always be guided by a certain number of criteria, essentially of an economic nature. The fact that such a credit rescheduling is granted is one of the watchlist indicators at Belfius.

In 2013, Belfius compared data available in the credit systems to forbearance criteria, as set by the EBA Forbearance directive. This was necessary with a view to establishing a future systematic reporting in relation to the forbearance concept. Both for mortgage and business loans, indicators have been reported in relation to contractual adjustments, made on the customer's request, which might be aligned to the forbearance concept (deferment of capital amortisation, extension of term and so on). On the basis of that detection, completed in some cases by an expert view, it has been determined indicatively that, of the bank's balance sheet total and regarding normal outstanding mortgage and business loans, an amount of EUR 550 million satisfied forbearance verification. This figure only constitutes a first approach. Collective impairments have been made for this volume of "forborne" credits via the usual risk management processes. The methodology in relation to the description and reporting of forbearance will further evolve.

To the extent that the counterparty's solvency is weakened, indicators may be activated which will take the counterparty concerned towards default status. Depending on the significance of the indicators, which show the degree of probability of the counterparty's default, one speaks of D1 or D2 status. These indicators are described in the Default guideline. The Risk Management Default Committee is competent to observe the default status of a counterparty.

Once a counterparty is classified as in default status, an assessment is made, as a fundamental element of the risk management process, of the need to make a specific depreciation in an individual credit file. This assessment first of all examines whether and to what extent the guarantees which the bank holds are sufficient to reimburse the exposure to credit risk, in the various scenarios possible (from business continuity to asset recovery). The Impairment committees make this assessment and, if necessary, decide to make a specific impairment.

For the credit portfolios of the Retail and Commercial Banking business line, on which risk management rather relies on a portfolio approach, the same principles are valid, but applied in a more automated manner.

Moreover, Belfius uses a methodology of collective impairments for the commercial activities of Retail and Commercial Banking and Public and Wholesale Banking, aligned to hedging credit risks which are latent in the credit portfolios concerned and which are essentially defined from a watchlist perspective. This methodology was adapted in 2013. In addition to this collective impairment, other collective impairments are constituted in the same spirit to hedge credit risks which might emerge in certain well-described partial portfolios, as a result of circumstances or developments specific to them. These partial portfolios and the impairments in relation to them, which may be induced by sector risks or by risks specific to a particular asset class, arise both in commercial activities and in the Legacy portfolio.

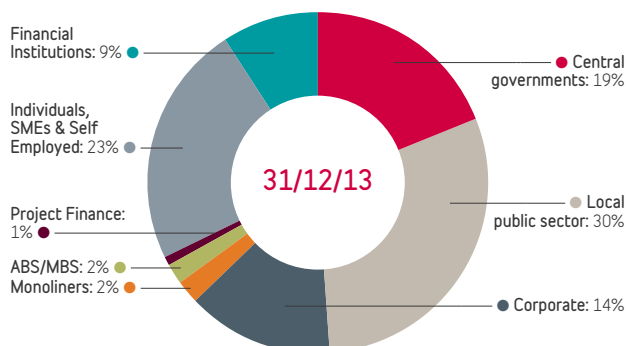
#### 4. Exposure to credit risk (MCRE)

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, 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.

Belfius credit risks are based on a consolidation scope that includes its fully consolidated subsidiaries.

#### Breakdown of credit risk by counterparty



After already falling EUR 36.6 billion in 2012, Belfius's maximum credit risk exposure (MCRE) fell by EUR 19.5 billion in 2013. As at 31 December 2013, the credit risk exposure reached EUR 164.4 billion, down by 10.6% at the end of 2012 and 25.4% at the end of 2011.



The vast majority (EUR 12.6 billion) of this reduction of total exposure to credit risk was situated at the level of financial institutions. As a result, credit risk exposure to this sector fell by 45%, meaning that its relative share fell from 15% in 2012 to 9% in 2013. The outstanding on ABS/MBS (-22%) was reduced significantly in 2013, and represented no more than 2% of total credit risk. Despite an absolute fall of credit risk exposure on sovereigns (-7%), the local public sector (-6%) and corporates (-5%), the relative proportion of these sectors increased slightly in 2013 to 19%, 30% and 14% respectively. The segment of individuals, self-employed and SME rose 1%, the relative proportion in total exposure to credit risk increasing to 23%.

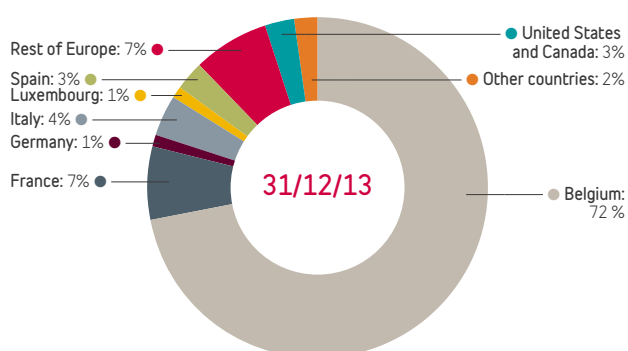
#### Note

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

As at 31 December 2013, Belfius positions were mainly concentrated in the European Union (94% or EUR 155.2 billion). 72% of total credit risk exposure was in Belgium (against 67% in 2012). The reduction of funding granted to the Dexia Group resulted in a fall of risk in France by 33%, thus reducing the relative proportion of that country to 7%. In view of the de-risking on US banks and asset-backed securities, credit risk fell sharply (EUR 3.3 billion or -41%) in the United States and Canada.

Belfius credit risks are based on a consolidation scope that includes its fully consolidated subsidiaries.

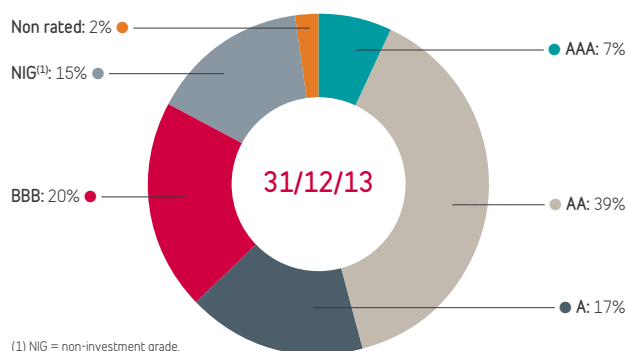
#### Breakdown of credit risk by geographical region



With the fall of EUR 2.3 billion (-17%), credit risk on counterparties in the GIIPS countries fell considerably in 2013. At the end of December 2013, credit risk exposure on those counterparties was EUR 11.6 billion, against EUR 14 billion at the end of 2012 and EUR 17.3 billion at the end of 2011. In two years, the risk on counterparties in the GIIPS countries was therefore reduced by EUR 5.6 billion or one third. The total risk on counterparties in Greece and

Ireland was taken almost to zero in 2013, whilst the risk on counterparties in Italy fell by EUR 1.5 billion, including EUR 1.1 billion as a result of de-risking on Italian banks. The remaining credit risk on counterparties in Italy (EUR 6 billion) is concentrated essentially on the government bond portfolio (79%), whilst the remaining risk on counterparties in Spain (EUR 5.2 billion) is mainly on financial institutions (77%), mainly covered bonds.

#### Breakdown of credit risk by rating



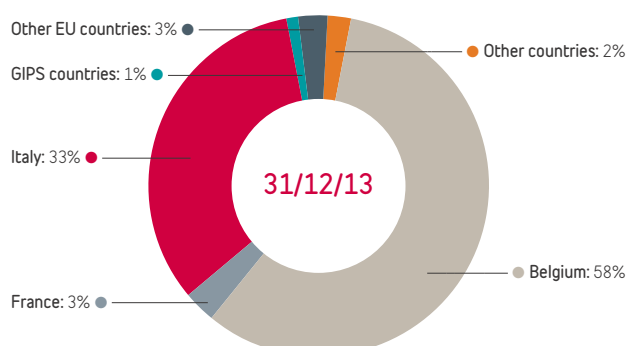
(1) NIG = non-investment grade.

At the end of 2013, total outstanding government bonds, expressed in MCRE, amounted to EUR 14 billion, against EUR 15 billion at the end of 2012. Despite a slight fall compared to last year (EUR -0.7 billion), 58% remains invested in Belgian government bonds. The relative proportion of Italian government bonds also remained stable at 33%. The relative proportion combined of Greece, Ireland, Spain and Portugal, which was 13% in 2011, was not more than 1% at the end of 2013.

#### Evolution of the composition of the government bond portfolio between 2011 and 2013

(In millions of EUR)	31/12/11	31/12/12	31/12/13
Belgium	5,085	8,705	8,095
France	1,193	484	410
Italy	4,355	4,760	4,698
GIIPS countries	2,128	97	100
Other EU countries	2,686	655	467
Other countries	342	328	296
<b>TOTAL</b>	<b>15,789</b>	<b>15,029</b>	<b>14,066</b>

#### Breakdown of the government bond portfolio by geographical region





## 5. The credit risk on the investment portfolio

### 5.1. Bond part of the investment portfolio

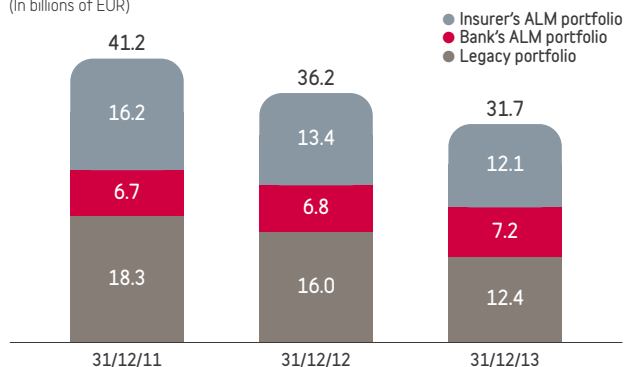
Belfius has a significant investment portfolio of bonds. This portfolio is made up of three components:

- the historical investment portfolio, known as the Legacy portfolio, a bond portfolio in run-off;
- 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.

At the end of December 2013, the **total investment portfolio** was EUR 31.7 billion<sup>(1)</sup>, of which EUR 12.4 billion for the Legacy portfolio, EUR 7.2 billion for the bank's ALM portfolio and EUR 12.1 billion for the insurer's ALM portfolio. Compared to the end of December 2012, the portfolio total fell by EUR 4.5 billion, or -12.5%. Since the end of 2011, the total investment portfolio fell by almost a quarter (23.2%), as a result of tactical de-risking and the natural amortization of the portfolio.

### Composition of the investment portfolio

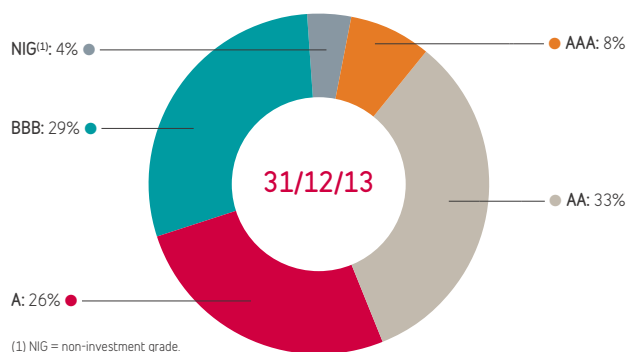
(In billions of EUR)



The bond portfolio has an average term of 11.3 years and is of good credit quality: 96% of the portfolio is investment grade.

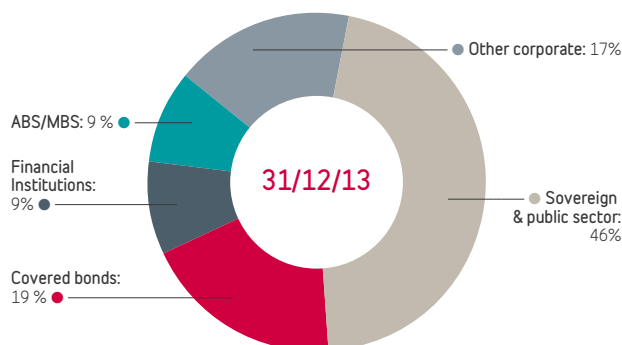
At the end of December 2013, the positions of the total investment portfolio were above all concentrated in the European Union. The relative proportion of Belgium was 26% at the end of December 2013. At the end of 2013, France and the United Kingdom represented 10% and 13% respectively. By virtue of the tactical de-risking, the relative proportion of the GIIPS countries fell from 35% at the end of 2012 to 33% at the end of 2013 and that of the United States from 10% to 7%. The proportion of the euro zone in the investment portfolio exceeds 80%.

### Breakdown of the investment portfolio by rating



As a consequence of de-risking, the relative composition of the asset classes had also changed at the end of 2013. The relative proportion of government and local public sector bonds rose from 42% at the end of 2012 to 46% at the end of 2013 and that of project and public utilities finance from 14% to 17%. Whilst the relative proportion of covered bonds stabilised (19%) that of financial institutions fell from 13% to 9%. The proportion of asset-backed securities also fell to 9% at the end of 2013, from 12% a year earlier. The majority of the remaining ABS portfolio consisted of MBS (86%), most of which are European RMBS concentrated in Spain, Italy, Portugal and the Netherlands and a series of US CMBS and RMBS. The balance of the ABS portfolio consists of European CDO (2%) and remaining ABS (12%), principally US Student Loans ABS.

### Breakdown of the investment portfolio by asset class



After a reduction in 2012 of EUR 2.3 billion (-12.6%), the **"Legacy" portfolio** was further reduced in 2013 by 22.6% to EUR 12.4 billion as at 31 December 2013. The EUR 3.6 billion reduction in 2013 was mainly the result of intensive de-risking (EUR 2.7 billion) and the natural amortization of the portfolio (EUR 0.7 billion). Tactical de-risking was above all practiced in the segments of financial institutions and covered bonds (51%), asset-backed securities (46%) and to a lesser extent government bonds (3%), given that government bonds from countries in Central and Southern Europe were for the most part already reduced in 2012. In 2013, de-risking

(1) Notional amounts.

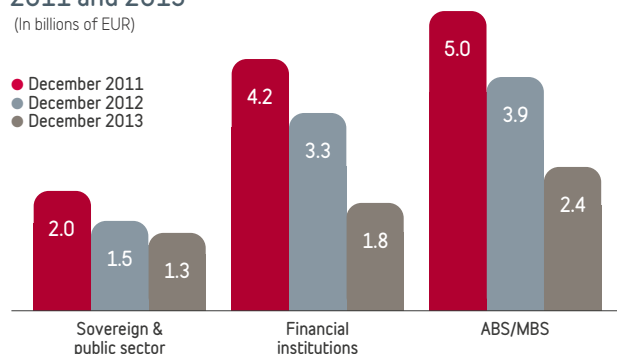
concentrated mainly on US and Italian banks, on Spanish, Greek and Italian RMBS, on US Student Loans ABS and Triple X ABS (securitisations of reserves of insurance companies in the United States). To continue to improve the bank's liquidity position, Belfius also essentially sold bonds which could not be used as collateral to the European Central Bank or for money market transactions.

This reduction was achieved without impact on net income, and also involved a fall of weighted risks by EUR 3.3 billion, with a positive impact on the negative AFS reserve.

The intensive tactical de-risking of the last two years gave rise to a reduction of the Legacy portfolio by almost one third (-32%), the strongest falls being recorded by the government local public sector bond segments (-42%), ABS/MBS (-50%) and financial institutions (-58%). Exposure to covered bonds and project and public utilities finance hardly changed.

### Tactical de-risking of the "Legacy" portfolio between 2011 and 2013

(In billions of EUR)



The **bank's ALM** bond portfolio only increased to a limited extent in 2013 (up EUR 0.4 billion) to EUR 7.2 billion as at 31 December 2013. Government bonds represent the major part of the portfolio (84%), covered bonds constituting some 10%.

The **insurer's ALM bond portfolio** fell in 2013 by EUR 1.3 billion (-9.7%) to EUR 12 billion as at 31 December 2013. Almost three quarters of that fall occurred in the financial institutions and covered bonds segment, whilst the balance was split almost equally between government bonds and asset-backed securities. At the end of 2013, the insurer's ALM portfolio for the most part consisted of government bonds (59%), covered bonds and financial institutions (25%), project and public utilities finance (13%) and asset-backed securities (3%).

### 5.2. Derivatives part of the historical investment portfolio

At the end of 2013, the derivatives part of Belfius' historical investment portfolio was EUR 8.1 billion, down almost a quarter (-24%) on the previous year. It related essentially to Credit Default Swaps - CDS (84%) issued on a corporate bond portfolio (65%), ABS (33%) and covered bonds (2%). The good quality of the underlying bond portfolio, the protection against credit risk provided by the various

hedges and the protections purchased by Belfius from various monolins (essentially Assured Guaranty) mean the portfolio is 96% investment grade. Since the end of 2011, the derivatives portfolio has been reduced by EUR 4.7 billion or 37%.

## 6. Sharp fall of risk on Dexia, within the limit of the regulations

### 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 reduction of funding 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.

On 31 December 2012, unsecured funding had been reduced practically to zero and the total (secured) funding to Dexia was EUR 21.9 billion, of which EUR 13.9 billion in bonds issued by Dexia Crédit Local with the guarantee from the Belgian, French and Luxembourg governments, EUR 1.0 billion of covered bonds issued by Dexia Municipal Agency, EUR 0.3 billion of covered bonds issued by Dexia LDG Banque and EUR 6.7 billion of multi-party repos.

At the end of January 2013, Dexia finalised the sale of Dexia Municipal Agency. That sale enabled Dexia to generate liquidities, which were used to repay the remaining debts to Belfius. The secured funding had continued to fall by the end of March 2013 to EUR 15.4 billion, of which EUR 13.8 billion in government-guaranteed bonds, EUR 0.3 billion in covered bonds issued by Dexia Municipal Agency and EUR 1.3 billion of multi-party repos.

Over the year, the multi-party repos were further reduced by the non-renewal of existing contracts, Belfius no longer acting as intermediary between external repo counterparty and the various Dexia entities. In addition, EUR 0.3 billion of covered bonds from Dexia LDG Banque were sold in December 2013.

As a result, Dexia funding amounted to EUR 13.5 billion as at 31 December 2013, including EUR 13.4 billion of state-guaranteed bonds reaching maturity at the end of 2014 and the beginning of 2015, as well as some more modest residual positions, such as bonds from Dexia Crédit Local reaching maturity during 2014.

### 6.2. Liquidity lines

In August 2008, Belfius granted FSA Asset Management, then a subsidiary of Financial Security Assurance but today still a part 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 over several years.

At the end of December 2013, this liquidity line at Belfius was fully transferred to Dexia Crédit Local.

### 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, previously "acceptable" according to the regulations, because it was within the same group, then became too high.

An action plan was established with the consultation committee to reduce this concentration of risks. Based on this plan, the NBB allowed for an exemption, firstly until 31 December 2012 and then until 30 June 2013, for non-compliance with this concentration risk limit.

The risk concentration ratio indicates the ratio between the weighted risks on a specific counterparty in cash (the Dexia Group) and the group's equity, and may not exceed 25%. Government-guaranteed bonds are included in this calculation with a risk weighting equal to zero.

Over the first half of 2013, Belfius did all it could to reduce this concentration on Dexia, mainly through the use of liquidity made available at Dexia following the sale of Dexia Municipal Agency, the reduction of the undrawn liquidity line granted to FSA Asset Management and the repayment of repos. As a consequence, the regulatory concentration ratio was again respected from the end of June 2013.

During the second half of 2013, the ratio continued to fall, inter alia following the transfer to Dexia Crédit Local of the liquidity line granted to FSA Asset Management.

## 7. Asset quality

(In millions of EUR, except where indicated <sup>(1)</sup> )	2012	2013
Gross outstanding loans and advances to customers	91,158	89,218
Impaired loans and advances to customers	2,533	2,107
Specific impairments on loans and advances to customers	1,185	1,130
Asset quality ratio <sup>(2)</sup>	2.78 %	2.36 %
Coverage ratio <sup>(3)</sup>	46.8 %	53.6 %
Collective impairments on loans and advances to customers	487	367

(1) Belfius Insurance included.

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

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

At the end of 2013, the amount of impaired loans and advances to customers was EUR 2.1 billion, down 17% on the previous year. In 2013, a net reduction of EUR 55 million of specific impairments was

recorded on loans and advances to customers. All these developments enabled the asset quality ratio to be improved to 2.36% and the coverage ratio to be strengthened to 53.6% at the end of 2013.

Collective impairments on loans and advances to customers also posted a net fall of EUR 120 million in 2013. This resulted inter alia from reversals of historical impairments as a part of tactical de-risking.

## Market risk

### 1. Overview

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.

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 and the associated credit risk/liquidity risk, the foreign-exchange risk, the equity risk (or price risk), the inflation risk and the commodity price risk.

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

- Interest rate and foreign-exchange rate risk: this category of risk is covered by an historical VaR based on an internal model approved by the National Bank of Belgium in June 2013 to replace the parametric VaR.

The historical simulation approach consists of managing the portfolio through a temporal series of historical asset yields. These revaluations generate a distribution of portfolio values (yield histogram) on the basis of which a VaR (%- percentile) may be calculated.

The main advantages of this type of VaR are its simple methodology and the fact that it does not assume a normal but a historical distribution of asset yields (distributions may be abnormal and the behaviour of the securities may be non-linear).

- Equity risk: general and specific equity risks are measured using a historical VaR 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.
- Inflation risk: inflation risk is measured by a historical approach applying 300 observed sensitivity variations.

Since the end of 2011, Belfius has computed 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 which generates the largest negative variations of Net Present Value in the bank's current portfolio of financial instruments.

### 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. This backtesting is calculated on a daily basis with only two exceptions to the fall observed in 2013.
- Real backtesting simply compares real results purged of possible provisions, corrections and other non-concerned risk factors, with VaR outcomes over a 1-day holding period. The real results take not only into account the daily evolution of the interest rates and the prices, but also the intraday evolution of the positions. Only two exceptions to real backtesting were observed in 2013.

## 6. Market risk exposure – VaR and VaR limits

To reflect the risk appetite adopted by Belfius, the global average VaR was reduced by EUR 23.7 million in 2012 to EUR 19.5 million on 2013.

### Value-at-Risk by activity

VaR 10 days, 99%	2012				2013			
	IR <sup>(1)</sup> & FX <sup>(1)</sup> (Trading and Banking) <sup>(2)</sup>	EQT <sup>(1)</sup> Trading	Spread Trading	Other risks <sup>(3)</sup>	IR <sup>(1)</sup> & FX <sup>(1)</sup> (Trading and Banking) <sup>(2)</sup>	EQT <sup>(1)</sup> Trading	Spread Trading	Other risks <sup>(3)</sup>
(In millions of EUR)								
By activity								
Average	8.3	1.3	12.0	2.1	6.0	1.2	10.7	1.6
End of period	6.4	1.6	14.0	1.6	4.8	0.8	10.5	1.6
Maximum	14.1	3.9	179	4.5	10.3	2.6	14.5	2.3
Minimum	5.0	0.6	7.8	1.5	3.4	0.6	9.1	1.1
Global								
Average	23.7				19.5			
End of period	23.5				17.7			
Maximum	30.4				24.2			
Minimum	17.9				15.2			
Limit	41.0				41.0			

(1) IR: interest-rate risk; FX: foreign exchange risk; EQT: equity risk.

(2) Without ALM risk.

(3) Inflation and CO<sub>2</sub>.

### Evolution of Global VaR in 2013



passed 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 (difference between the Eonia rate and the Euribor 3-month rate) 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 and on the credit spread are applicable simultaneously.

## 7. Stress tests – 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 encom-

# Balance sheet management/liquidity risk

## 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 interest rate movements, fluctuations in foreign-exchanges rates and changes in the financing conditions of Belfius Bank.

The Assets & Liabilities Committee (ALCo) manages interest rate risk, exchange risk, liquidity risk and the solvency risk of the bank's balance sheet within a framework of normative limits and reports to the Management Board. Important files at a strategic level are submitted for final decision to the Management Board.

The ALCo is responsible for guiding and monitoring balance sheet and off-balance-sheet commitments and, doing so, places an emphasis on:

- the creation of a stable income flow;
- the maintenance of economic value;
- the insurance of robust and sustainable funding;
- the control of solvency.

The ALCo meets regularly, chaired by the Chief Financial Officer (CFO), with meetings attended by the Chief Risk Officer (CRO) and members of the Management Board responsible for commercial business lines.

## 2. Liquidity risk

### 2.1. Liquidity management framework

Belfius manages its liquidity using internal and regulatory liquidity ratios. In addition, strict limits are applied to the balance sheet amount which can be funded over the short term and the balance sheet amount which can be raised on the interbank market. Available reserves play a pivotal role regarding liquidity: at any time, Belfius ensures it has sufficient quality assets to cover any temporary liquidity shortfalls, both in daily management and in stress scenarios.

Liquidity and Capital Management (LCM) is the front-line manager for the liquidity and capital requirements of Belfius Bank. 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, 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, the Treasury department and the Retail and Commercial Banking and Public and Wholesale Banking business lines. This committee implements the decisions taken by LCM in relation to obtaining short-term and long-term funding on the institutional market and in the commercial franchise.

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.

### 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 customers, small, medium-sized and large companies, public and similar customers and the way these funds are allocated to customers through commercial loans;
- the volatility of the collateral that is freezed 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 and institutional funding.

### 2.3. Consolidation of the liquidity profile

2013 was a year for consolidation of the liquidity profile of Belfius Bank. The regulatory liquidity ratio at one month of the National Bank of Belgium (NBB) is broadly respected and the bank continued to improve and diversify its liquidity profile by:

- stabilising its funding surplus within the commercial balance sheet;
- reducing the funding granted to the Dexia Group;
- obtaining long-term funding with the issue of covered bonds backed by quality mortgage loans, so-called Belfius Belgian Mortgage Pandbrieven;
- downsizing the Legacy bond portfolio;
- collecting medium-term deposits from institutional customers.

In addition, Belfius Bank reduced its dependency on the European Central Bank, with outstanding LTRO funding falling from EUR 25 billion at the end of 2012 to EUR 13.5 billion at the end of 2013.

The rules for calculating the Liquidity Coverage Ratio (LCR) introduced within the framework of the Basel III reforms will be finalised in the "Delegated Act" of the European Commission expected in June 2014. The National Bank of Belgium (NBB) has already made it known that it will require a LCR ratio of 100% from 1 January 2015.

In managing its liquidity, Belfius Bank makes an estimate of this ratio on the basis of available publications (EBA, CRR/CRD IV and Basel Committee). It takes account of this in its funding plan, which integrates the strategy for growth and diversification of wholesale funding sources.



## 2.4. Structure of the balance sheet at Belfius Bank

An analytical (non-accounting) view of the Belfius consolidated balance sheet, used to manage the balance sheet from an ALM and LCM point of view, is provided in the table below.

Assets (In billions of EUR)	31/12/13	Liabilities (In billions of EUR)	31/12/13
<b>COMMERCIAL ASSETS</b>	<b>74</b>	<b>COMMERCIAL LIABILITIES</b>	<b>80</b>
<b>BONDS</b>	<b>20</b>	<b>LONG-TERM WHOLESALE FUNDING</b>	<b>25</b>
ALM	7	Unsecured	3
Legacy	12	Secured	7
		Subordinated debt	1
		ECB (LTRO)	14
<b>CASH COLLATERAL</b>	<b>18</b>	<b>CASH COLLATERAL</b>	<b>7</b>
<b>MONEY MARKET &amp; OTHER SHORT TERM WHOLESALE ASSETS</b>	<b>4</b>	<b>MONEY MARKET &amp; OTHER SHORT-TERM WHOLESALE FUNDING</b>	<b>10</b>
Reverse Repo	2	Repo	8
Monetary Reserve	1	ECB	0
Unsecured	1	Unsecured	2
<b>DEXIA GROUP</b>	<b>13</b>	<b>DEXIA GROUP</b>	<b>2</b>
Government guaranteed bonds	13	Repo	0
Reverse Repo	0	Unsecured	2
<b>CENTRAL ASSETS<sup>(1)</sup></b>	<b>5</b>	<b>CENTRAL ASSETS<sup>(1)</sup></b>	<b>9</b>
<b>NON CASH<sup>(2)</sup></b>	<b>27</b>	<b>NON CASH<sup>(2)</sup></b>	<b>28</b>
<b>BANK PERIMETER</b>	<b>160</b>	<b>BANK PERIMETER</b>	<b>160</b>
<b>CORRECTION INTRAGROUP TRANSACTIONS</b>	<b>(3)</b>	<b>CORRECTION INTRAGROUP TRANSACTIONS</b>	<b>(1)</b>
<b>BELFIUS INSURANCE AND OTHER SUBSIDIARIES</b>	<b>26</b>	<b>BELFIUS INSURANCE AND OTHER SUBSIDIARIES</b>	<b>23</b>
<i>o/w ALM portfolio insurance</i>	<i>12</i>	<i>o/w technical reserves</i>	<i>18</i>
<i>o/w mortgage loans</i>	<i>5</i>		
<b>BELFIUS CONSOLIDATED</b>	<b>183</b>	<b>BELFIUS CONSOLIDATED</b>	<b>183</b>

(1) Central assets comprises capital and non-interest bearing liabilities at the liabilities side and participations and non-interest bearing assets on the assets side.

(2) Non cash comprises notably the mark-to-market valuation of derivatives.

### 2.4.1. 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 customers.

Belfius Bank also receives medium-to-long-term Wholesale Funding, including EUR 13.5 billion in LTRO from the ECB and EUR 3 billion from the Belfius Belgian Mortgage Pandbrieven (covered bonds) as at 31 December 2013.

The balance of the bank's funding requirements comes from institutional short-term deposits (Treasury) obtained from repos and unsecured funding.

### 2.4.2. Allocation of funding sources

Commercial deposits are used to issue commercial loans.

Belfius Bank also has a bond portfolio, including an ALM portfolio for liquidity management purposes, with high-value liquid assets and a historical bond portfolio (Legacy 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 collateral must be posted and received (cash & securities collateral). In view of its structure as a retail bank and against the background of low interest rates, in net terms Belfius Bank posts more collateral than it receives.

The loan-to-deposit ratio, which indicates the proportion between commercial assets and liabilities, was 93% at the end of 2013.

## 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 or 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: from an income and an economic value perspective.



The management of indefinite duration products and (in part) non-interest-bearing products (such as sight and savings accounts) use portfolio replication techniques. The underlying hypotheses concerning expected duration, rate-fixing period and tariff evolution are subject to constant monitoring and, if necessary, they are adjusted by the ALCo.

Derivatives in the ALM perimeter are all concluded within the framework of a portfolio hedge of the balance sheet'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 EaR approach keeps management up to date with the expected income shifts over time of a sudden change in value. The interest rate level affects external credit tariffs of commercial investment products and credits as well as the expected behaviour of early redemptions and therefore affects the bank's future interest rate result. 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.

## 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 103 million/% as at 31 December 2013 (against EUR 129 million/% as at 31 December 2012), excluding positions of insurance companies and pension funds.

## 4. Foreign exchange 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. These exposures were systematically hedged on an ongoing basis.

The risks associated with the volatility of the bank's solvency ratio are also monitored regularly.

## 5. Equity risk

### 5.1. Equity risk measures

The major part of the equity risk is in the insurance perimeter, given that the equity portfolio of the bank entity has been almost totally reduced.

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. 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 maximum 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). The risk indicators are calculated based on a harmonised risk method for Belfius, supplemented by factors specific to Belfius Insurance 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

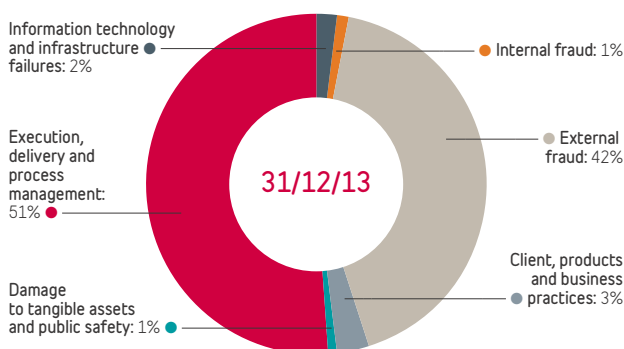
Each of the bank's line management organisations has the primary responsibility for monitoring the operational risk in its individual sphere of activity. It establishes the way its activities are organised, including the checks that need to be implemented to restrict operational risk. It also defines 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



The main areas of operational loss were due essentially to incidents associated with external fraud (cybercrime with more numerous but more restricted incidents) and 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 report submitted to the regulator regarding the assessment of internal control (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<sup>(1)</sup> of Belfius.

In the area of keeping information secure, a great deal of work was carried out in 2012 and 2013 on developing a major Identity & Access Management (IAM) project. The business roll-out was started at the end of 2013, and will be continued in 2014 and 2015.

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 control system

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

## 2.7. Fraud policy

In collaboration with Audit and Compliance, a global fraud policy was established last year. It is reflected by the validation of a Directive concerning Fraud Policy. This Directive specifies the governance and shapes the framework of internal controls aimed at preventing and detecting fraud as well as taking the necessary corrective measures.

Fraud management is the responsibility of the CRO, member of the Management Board. A fraud consultation body coordinating fraud policy, consists of participants from Audit, Compliance and ORM.

## 2.8. Unwinding of 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.

One final part of this unwinding still to be carried out relates to the new situation of the former Dexia Group IT infrastructure company. On 6 December 2013, Associated Dexia Technology Services (ADTS) became a totally autonomous company under the name of ISFF. A series of projects was launched at the beginning of 2014 to achieve segregation between the various customers of ISFF.

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

## 2.9. 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 interest 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.

## 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 a uniform methodology.

## 2. Managing the insurance risk

The Risk and Underwriting Committee (RUC) of Belfius Insurance 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.

At subsidiary level, this strategy is applied and monitored by those responsible locally.

Reinsurance is one of the methods enabling the insurance risk to be limited. In fact, the main objective of reinsurance is to reduce volatility in profits, and hence the uncertainty associated with the risk in the insurer's valuation.

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 weather) or significant financial losses arising from a single event.

- Funding: reinsurance may be an alternative to a capital increase.
- Expertise: reinsurers assist insurers in the area of expertise. The qualified staff of reinsurance companies offer their services in establishing a new activity for instance.

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

## 3. Sensitivities

Impact on available financial resources (In millions of EUR)	31/12/13
<b>UNDERWRITING RISK LIFE</b>	
Scenario that corresponds to a decrease of <sup>(1)</sup> :	
5% in mortality	9.3
10% in costs	43.1
10% in the redemption rate	(22.3)

(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)	31/12/13
<b>UNDERWRITING RISK NON-LIFE</b>	
Scenario that corresponds to <sup>(1)</sup> :	
A decrease of 10% in administrative costs	4.7
An increase of 5% in claims made	(16.0)

(1) Impact for Belfius Insurance and Corona Direct.

2013 (In EUR)	Highest retention per risk	Highest retention per event
<b>PRODUCT RANGE</b>		
Liability Cars Third Party	2,207,325	2,207,325
Casco	Nil	1,500,000
Fire	1,594,694	16,500,000
General Third Party Liability	1,103,663	1,103,663
Accidents at Work	591,292	591,292
Life Retail and Invalidity	230,000	750,000
Group Insurance Death	270,000	750,000
Group Insurance Disability	100,000	750,000
Individual Accident Insurance	250,000	250,000

#### 4. Development of claims

The claims triangle is the usual method for expressing the settlement of claims stretched out over a number of years. Inter alia it enables actuaries to base their evaluation of the appropriateness of the technical provisions on the analysis of this triangle. In non-life insurance, between the event and closing date of a claim, the insurer cannot in general determine the exact total cost of the claim. During this period, the insurer establishes a reserve equal to the estimated amount of future payments for the claim.

As the reserve is only an estimate, there is a risk that the amount really paid is higher. To assess that risk, it is necessary to study the variation over time of two amounts:

- the amount of payments made prior to that date;
- the reserve established on that date for future payments.

The sum of these two components is called the total incurred claims cost.

The table below shows how the sum has evolved since 2003, at the end of each year, of the total incurred claims cost per year of occurrence.

#### Claims development (excluding reinsurance and internal costs)

(In thousands of EUR)											
Year of settlement	Year of occurrence										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Estimation at the end of the year of occurrence	201,627	220,006	236,074	236,347	264,980	283,747	331,940	379,086	368,410	366,403	365,717
1 year later	189,989	201,226	220,780	220,842	252,578	285,478	315,687	380,915	365,547	350,316	
2 years later	182,447	192,969	211,463	212,356	238,903	276,021	303,138	379,076	355,180		
3 years later	177,821	190,228	208,809	203,851	230,875	266,177	302,495	373,584			
4 years later	175,828	186,994	202,227	203,874	227,911	266,535	300,257				
5 years later	169,727	182,405	197,559	201,336	230,685	266,017					
6 years later	166,230	180,903	194,354	201,281	228,322						
7 years later	165,174	181,611	199,111	199,194							
8 years later	163,969	181,985	196,897								
9 years later	164,932	180,934									
10 years later	163,939										

(In thousands of EUR)											
Actual estimation	163,939	180,934	196,897	199,194	228,322	266,017	300,257	373,584	355,180	350,316	365,717
Cumulative payments	(147,745)	(161,917)	(174,275)	(167,471)	(193,386)	(214,858)	(251,231)	(277,106)	(263,485)	(234,168)	(149,944)
Actual provisions	16,194	19,017	22,622	31,723	34,936	51,159	49,025	96,477	91,695	116,148	215,773

(In thousands of EUR)											
Provisions (after 2003)											744,768
Provisions (before 2003)											79,458
Internal costs											30,305
Accepted deals											12,165
<b>TOTAL</b>											<b>866,696<sup>(1)</sup></b>

(1) Claims reserves 31/12/2012 - note 6.6.3.

## Stress tests

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 2013, 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 particular, we will mention an in-depth stress in relation to assets directly or indirectly linked to the real estate market. Belfius also performed a detailed stress test analysis of the 2014-2016 financial plan, on the basis of several alternative scenarios including various levels of severity. These stress tests highlighted the strengths and weaknesses of the 2014-2016 financial plan prior to its approval by the management.

## Recovery Plan

In the fourth quarter of 2013, Belfius took part in a Recovery and Resolution Plan exercise organised by the National Bank of Belgium. Within that context, Belfius defined a series of stress scenarios with an adverse effect on Belfius financial balances. At the same time, a series of recovery measures was defined. The triggering of stress scenarios was followed by a simulation of the implementation of those measures in order to assess the bank's recovery capacity.

## Comprehensive Assessment – Asset Quality Review

In June 2012, European heads of government took the decision to create a European Banking Union. This should avoid banks having financial difficulties in the future and, as the case may be, having to be saved only with public means. In December 2013, the Ministers of Finance of the European Union reached a definitive agreement on (the realisation of) this banking union, which has three pillars: the organisation of European bank supervision, a European approach for banks in need, including a fund to assist banks in difficulty, and a European deposit guarantee system.

The European Central Bank (ECB) will play a central role in the first pillar of banking union, i.e. the common supervision of European banks. In principle, all banks will be under European surveillance, the role of the ECB being focussed on some 130 systemic banks. In practice, national supervisory bodies will remain responsible for the surveillance of smaller banks.

In real terms, the ECB will perform supervisory tasks through a Single Supervision Mechanism (SSM). Before surveillance by the ECB begins in November 2014, the ECB will make an in-depth analysis of the 130 systemic banks. This preparatory programme is called the "Comprehensive Assessment", the Asset Quality Review (AQR) and the Stress Test relating specifically to reaching an opinion on the quality of the assets of the banks concerned and on the adequacy of impairments, provisions and capital reserves they have established.

Belfius Bank is one of the 130 European banks subject to this analysis. In the fourth quarter 2013 preparatory work began in this regard and data were gathered under the leadership of the National Bank of Belgium. Within Belfius Bank, the AQR project is directed by a working group specifically created for this purpose, including staff members from the operational fields concerned in the bank and reporting directly to the Management Board.

# Capital Management

## Solvency

Belfius Bank reports on its solvency in accordance with the Banking, Finance and Insurance Commission Circular PPB-2007-1-CPB (CBFA circular 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, non-controlling interests and the remeasurement of defined-benefit pensions plans (as from 1 January 2013), 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 reserves 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.

Until 31 December 2012, Belfius Bank had the benefit of a transitional measure for holdings in insurance companies, so that these were deducted for the full 100% from total regulatory capital. As from 2013, the value accounted for under the equity method from the holdings in and the subordinated debts of financial companies and insurance companies are deducted 50% from Tier 1 capital and 50% from total regulatory capital.

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

	31/12/12 <sup>(1)</sup>		31/12/13	
	Financial statements	Regulatory purposes	Financial statements	Regulatory purposes
(In millions of EUR)				
Total shareholders' equity	5,340	5,340	6,605	6,605
Non-controlling interests	19	0	16	0
of which core shareholders' equity	18	0	16	0
of which gains or losses not recognised in the statement of income	1	0	0	0
<b>TOTAL EQUITY</b>	<b>5,359</b>	<b>5,340</b>	<b>6,621</b>	<b>6,605</b>

(1) To determine regulatory capital, the 2012 figures have been included as reported to the regulator. Consequently they have not been adapted following application of the revised accounting standard IAS 19.

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 consolidated annual report.



## Regulatory capital

(In millions of EUR)	31/12/12 <sup>(1)</sup>	31/12/13
<b>TOTAL REGULATORY CAPITAL (AFTER PROFIT APPROPRIATION)</b>	<b>6,941</b>	<b>7,052</b>
<b>TIER 1 CAPITAL</b>	<b>6,702</b>	<b>6,570</b>
Core shareholders' equity	7,006	7,343
Remeasurement of defined-benefit pension plans	0	130
Prudential filters	90	(15)
Dividend paid (non-controlling interests)	0	0
Items to be deducted	(394)	(889)
Intangible fixed assets and goodwill	(198)	(190)
Securities and shares in other credit institutions and financial institutions where the holding is more than 10% (50%)	(21)	(21)
Securities and shares in insurance companies where the holding is more than 10% (50%)	0	(503)
Subordinated claims and other instruments in insurance companies where the holding is more than 10% (50%)	(176)	(176)
Hybrid Tier 1 capital	0	0
<b>TIER 2 CAPITAL</b>	<b>239</b>	<b>482</b>
Subordinated debt with unspecified term	264	332
Subordinated debt with specified term	863	776
AFS reserve on equities (+)	48	48
Residual IRB provision excess (+) or shortfall (-) (50%)	41	25
Items to be deducted	(196)	(699)
Securities and shares in other credit institutions and financial institutions where the holding is more than 10% (50%)	(21)	(21)
Securities and shares in insurance companies where the holding is more than 10% (50%)	0	(503)
Subordinated claims and other instruments in insurance companies where the holding is more than 10% (50%)	(176)	(176)
Holdings in insurance companies	(781)	0

(1) To determine regulatory capital, the 2012 figures have been included as reported to the regulator. Consequently they have not been adapted following application of the revised accounting standard IAS 19.

At the end of 2013, core shareholders' equity was EUR 7,343 million, an increase of EUR 337 million on the figure published for 2012. This increase resulted on the one hand from profit carried forward in 2013 (EUR 445 million) but was partially offset on the other hand by the negative impact of application of the revised accounting standard IAS 19<sup>(1)</sup>.

Tier 1 capital amounted to EUR 6,570 million, against EUR 6,702 million at the end of 2012. Despite the profit made in 2013, Tier 1 capital is down EUR 132 million. This fall was essentially a direct consequence of the new regulations regarding holdings in insurance companies, by which 50% must be deducted from core shareholders' equity as from 2013. The impact in 2013 was slightly more than half a billion EUR. To this must be added the impact of the buyback of profit shares in an amount of EUR 94 million.

Core Tier 1 capital is the equivalent of Tier 1 capital as the bank no longer has hybrid Tier 1 capital.

Additional capital (Tier 2 capital) rose from EUR 239 million to EUR 482 million. This increase mainly resulted from the new rule relating to the deduction of holdings in insurance companies. In fact,

since 2013, the deduction of Tier 2 capital is not more than 50%, against 100% previously.

At the end of 2013, total regulatory capital was EUR 7,052 million, against EUR 6,941 million at the end of 2012, corresponding to an increase of 1.6%.

## 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.

At the end of 2013, total weighted risks amounted to EUR 42.8 billion, against EUR 50.3 billion at the end of 2012, down EUR 7.5 billion (-14.9%). The sharp fall of credit risks by EUR 5.4 billion (-12.2%) is essentially attributable to the repayment of funding granted to the Dexia Group, the tactical de-risking within the Legacy portfolio (in particular Italian banks and Spanish RMBS) and the use of an external rating for the weighting of some public sector entities. This fall was nonetheless attenuated by the rise of credit risks following the adoption of a new rating scale for medium-sized corporates, the

(1) More detailed information on the revised accounting standard IAS 19 is provided in the "Valuation Rules" chapter of this annual report.

increased weighting of mortgage loans (+5% on the request of the National Bank of Belgium) and an increase in the estimate of the loss given default (LGD) on Italy. Market risks were down EUR 1.9 billion (-59%), above all due to the disposal of bonds in the trading book.

(In millions of EUR)	31/12/12	31/12/13	Evolution
Weighted credit risks	44,364	38,953	-12.2%
Weighted market risks	3,185	1,313	-58.8%
Operational risks	2,712	2,502	-7.7%
<b>TOTAL</b>	<b>50,261</b>	<b>42,768</b>	<b>-14.9%</b>

### 3. Solvency ratios

The Tier 1 ratio rose by 203 basis points compared to the end of 2012, to 15.4%, principally as a result of the fall of weighted risks by EUR 7.5 billion. The increase of Tier 1 capital due to profit made in 2013 is grosso modo neutralised by the negative impact of the new treatment of holdings in insurance companies, which are now deducted 50% from core shareholders' equity.

The Core Tier 1 ratio is at the same level as the Tier 1 ratio, as Belfius Bank no longer has hybrid capital.

The capital adequacy ratio (CAD) was 16.5% at the end of 2013, up 268 basis points on the end of 2012, principally attributable to the fall of weighted risks.

	31/12/12	31/12/13
Core Tier 1 ratio	13.3%	15.4%
Tier 1 ratio	13.3%	15.4%
Capital adequacy ratio (CAD)	13.8%	16.5%

### 4. Basel III

The Capital Requirement Regulation (CRR) and the Directive (CRD IV package) transposing the Basel agreements into the European legislative framework, came into force on 17 July 2013.

According to the Basel agreements, the Regulation and the Directive encompass a far-reaching set of reforms aimed at strengthening regulation, as well as supervising and managing banking sector risk. The aim of these reforms 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.

Although the CRD IV provides a clear framework, there are still many other uncertain factors, inter alia in relation to differences in enforcement within the various national legislations, whether or not to apply some prudential filters and the definition of technical specifications. Adjusting the current reporting instruments is also a project that requires appropriate care, all the more so because the requirements with regard to data quality and the level of granularity have been considerably increased.

The Basel III reforms have important 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 and decisions. To keep proper control over the various topics, a specific Basel III project structure has been set up within Belfius Bank, with a steering committee within the Management Board.

As at 1 January 2014, the Basel III (CRR) pro forma Common Equity solvency ratio (phased-in) was estimated at 13.5%. As at 31 December 2013, the Basel III (CRR) pro forma Common Equity solvency ratio (fully-fledged) was estimated at 11.7%<sup>(1)</sup>.

	Phased-in (CRR) pro forma 01/01/2014	Fully-fledged (CRR) pro forma 31/12/2013
Common Equity ratio	13.5 %	11.7 %
Common Equity (in billions of EUR)	7.1	6.4
Weighted risks (in billions of EUR)	52	55

(1) The National Bank of Belgium (NBB) decided, on a temporary basis (until implementation of IFRS 9), to use the option provided by the CRR permitting non-consideration of the negative AFS reserve on the sovereign portfolio up to 5% of that portfolio. Furthermore, the NBB decided to apply the rule in Article 49A of the CRR (Danish compromise) to Belfius.

## Capital adequacy

In 2013, particularly to meet the requirements of Pillar 2 of Basel II, Belfius put a mechanism in place for the quarterly monitoring of the main ratios for risk appetite and internal capital adequacy. Belfius also continued the dialogue with its regulator on the Pillar 2 analysis (capital adequacy compared to risks taken, principally based on the economic capital approach – risk measurement – and available financial resources).

### 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 to the bank's required debt rating at a horizon of one year (A for 2013).

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.

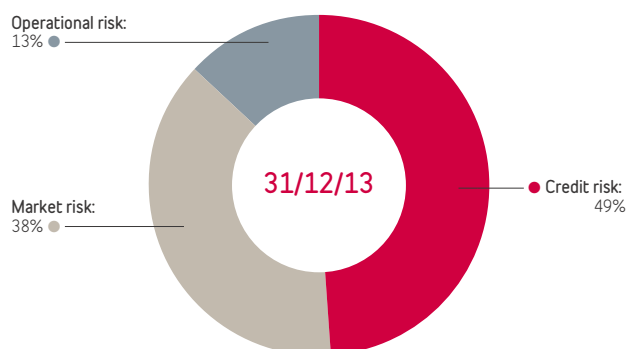
### 2. Economic capital adequacy

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

Belfius economic capital was EUR 5,360 million at the end of 2013.

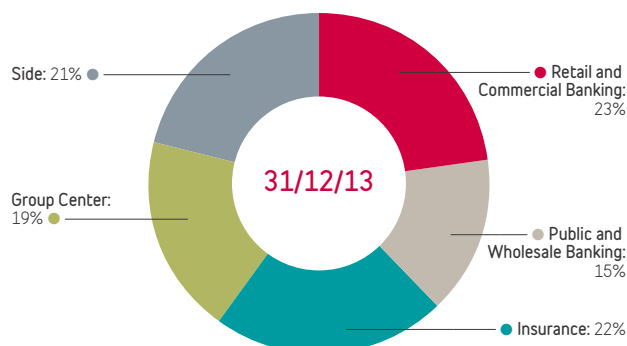
In 2013, the distribution between the main categories of risks remained stable: credit risk represented approximately 49% of the economic capital and was the main contributor; market risk (inter alia including interest rate risk, foreign-exchange rate risk, spread risk and equity risk) was 38% and operational risk 13%<sup>(1)</sup>.

### Distribution of economic capital by type of risk



By business line, the economic capital was allocated as follows: the side segment, including the investment portfolio of Legacy bonds and the portfolio of credit derivatives, accounted for 21% of economic capital at Belfius; the Public and Wholesale Banking and Retail and Commercial Banking business lines represented 15% and 23% respectively; the balance was made up of 19% allocated to the Group Center (mainly for the bank's balance sheet management) and 22% to the insurance business.

### Distribution of economic capital by business line



(1) It should be noted that, compared to 2012, the model risk previously included globally in the operational risk category is now considered individually for each type of risk.

# Corporate Governance

## Composition of the Management Board and the Board of Directors

### 1. Management Board

#### 1.1. Composition

As at 30 December 2013, the Management Board of Belfius Bank consisted of six members, namely:

Chairman	Jos Clijsters
Members	Dirk Gyselinck
	Eric Hermann
	Dirk Vanderschrick
	Johan Vankelecom
	Luc Van Thielen

At its meeting on 21 February 2013, the Board of Directors formally noted the resignation, on 31 March 2013, of Mr Marc Lauwers as director and vice-chairman and member of the Management Board of Belfius Bank.

On 18 December 2013, the Board of Directors formally noted the end of the mandate of Mr Jos Clijsters as chairman of the Management Board of Belfius Bank as from 31 December 2013, and decided to appoint Mr Marc Raisière as chairman of the Management Board as from 1 January 2014.

#### 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, risk appetite 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, among others, 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.

In principle, the Management Board meets once per week.

### 2. Board of Directors

#### 2.1. Composition

Over the course of 2013, Mr Alfred Bouckaert resigned as director and chairman of the Board of Directors with effect on 5 June 2013. He was replaced, on 4 September 2013, by Baron Guy Quaden, appointed chairman ad interim of the Board of Directors until 31 December 2013.

On 24 April 2013, the ordinary general meeting of shareholders appointed Mrs Carine Doutrelepon as an independent director.

Finally, the mandate of the chairman of the Management Board, Mr Jos Clijsters, ended on 31 December 2013. Mr Clijsters was appointed, with effect on 1 January 2014, in the interests of the continuity of the Belfius group, as chairman of the Board of Directors of Belfius Bank. He was replaced as chairman of the Management Board by Mr Marc Raisière, appointed director and chairman of the Management Board of Belfius Bank with effect from 1 January 2014.

As at 30 December 2013, the Board of Directors consisted of fifteen members, including six on the Management Board (cf. table on the following page).

	Main function	Non-executive director	Member of the Management Board	Independent director	Strategy Committee	Audit Committee	Appointments and Compensation Committee	Risk & Capital Committee
Guy Quaden	Chairman of the Board of Directors of Belfius Bank SA (from 4 September 2013 to 31 December 2013) Honorary Governor of the National Bank of Belgium	■		■	■ (1)	★ (2)	■ (3)	
Jos Clijsters	Chairman of the Management Board de Belfius Bank SA (until 30 December 2013)		■ (4)		■			
Dirk Gyselinck	Member of the Management Board of Belfius Bank SA Responsible for Public and Wholesale Banking and Treasury and Financial Markets		■					
Eric Hermann	Member of the Management Board of Belfius Bank SA Chief Risk Officer		■					
Dirk Vanderschrick	Member of the Management Board of Belfius Bank SA Responsible for Retail and Commercial Banking		■					
Johan Vankelecom	Member of the Management Board of Belfius Bank SA Chief Financial Officer, Responsible for Finance Reporting, Research, Liquidity & Capital Management, Financial Communication and Asset & Liability 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	Senior adviser to the Federation of European Risk Management Associations (FERMA)	■		■		■ (5)		
Wouter Devriendt	Independent adviser to the Federal Holding and Investment Company (FHIC)	■			■		■	
Carine Doutrelepon	Lawyer and Professor at the Université Libre de Bruxelles (ULB)	■		■			■ (6)	
Pierre Francotte	Past-CEO Eurocler and professor at the Solvay Brussels School of Economics and Management	■		■				■
Chris Sunt	Lawyer	■				■ (7)		
Lutgart Van den Berghe	Executive Director at Guberna and Professor Extraordinaire at the Vlerick Business School	■		■			★ (8)	
Rudi Vander Vennet	Professor Ordinaire in Financial Economics and Banking at the University of Ghent (UG)	■		■		■		★
Serge Wibaut	Independent adviser Professor in Finance at the Université Catholique de Louvain (UCL)	■		■	■			■
	★ Chairman  (1) Chairman of this committee from 4 September 2013 to 31 December 2013. (2) Unable to attend from 4 September 2013 to 31 December 2013. (3) Member of this committee from 4 September 2013 to 31 December 2013. (4) Until 30 December 2013. (5) As from 28 March 2013. (6) As from 28 March 2013. (7) Chaired this committee from 4 September 2013 to 31 December 2013. (8) Chairman since 13 June 2013.							

The Board of Directors, which is made up of professionals from a variety of industries, including 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.

In 2013, the Board of Directors met 13 times.

### Relationship between the Board of Directors and the Management Board

Management of the credit institution's activities, however, comes 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

The Board of Directors has established various advisory committees to assist it in its tasks.

### 1. Appointments and Compensation Committee

#### 1.1. Governance

##### 1.1.1. General aspects

The Appointments and Compensation Committee plays an advisory role and prepares decisions of the Board of Directors of Belfius Bank and Belfius Insurance on appointments and compensation.

This text only deals with the remit of the Appointments and Compensation Committee for Belfius Bank.

#### 1.1.2. Composition

As at 30 December 2013, the Appointments and Compensation Committee for Belfius Bank consisted of the following members:

Chairman	<b>Lutgart Van den Berghe</b> (from 13 June 2013)
Members	<b>Carine Doutrelepon</b> (from 28 March 2013)
	<b>Wouter Devriendt</b>
	<b>Guy Quaden</b> (from 4 September 2013 and until 31 December 2013; a temporary position in view of his chairmanship ad interim of the Board of Directors)

During the period from 1 January to 5 June 2013, Mr Alfred Bouckaert was chairman of the Appointments and Compensation Committee. He was an independent director of the bank and has experience as an executive director in credit and insurance establishments and in various appointments and compensation committees.

Baroness Lutgart Van den Berghe, Doctor of Economics, is an executive director at Guberna and professor extraordinaire at the Vlerick Business School.

Mrs Carine Doutrelepon, Doctor of Law, is a lawyer and professor at the Université Libre de Bruxelles.

Mr Wouter Devriendt, with a degree in Applied Economics, is independent adviser to the Federal Holding and Investment Company.

Baron Guy Quaden, Doctor of Economics, is Honorary Governor of the National Bank of Belgium.

#### 1.1.3. Independence and remit

The members of the Appointments and Compensation Committee are all non-executive directors.

Three of the four members are independent directors within the meaning of Article 526ter of the Company Code.

One of the members also sits on the Appointments and Compensation Committee of a listed company.

Two members have professional experience in the financial sector.

All the members have professional experience in a post of executive director and additional professional experience as non-executive directors in various sectors of activity.

Consequently, the members of the Appointments and Compensation Committee have the required skills, on the basis of their training and professional experience, to give a competent and independent opinion on remuneration policy.

## 1.2. Remit

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

### 1.2.1. Appointments policy

- assessing ("Fit and Proper" procedure) the aptitude of members of the Management Board, non-executive directors and heads of independent audit functions;
- formulating appointment and mandate renewal proposals for the chairman and members of the Management Board;
- formulating appointment and mandate renewal proposals for directors and proposals for co-opting directors;
- assessing and maintaining skills, knowledge and experience required within the Board of Directors;
- supervising the succession process for members of the Management Board and non-executive directors and monitoring any risks in this regard;
- assessing the basic criteria by which a director may be appointed as "independent" and formulating proposals to the meeting of shareholders on this subject.

### 1.2.2. Compensation policy

- setting the compensation of the chairman of the Management Board and, on his proposal, the compensation of members of the Management Board;
- elaborating compensation policy for the chairman and non-executive members of the Board of Directors;
- preparing the compensation report which is ratified by the Board of Directors and published in the annual report;
- periodically checking with management that the compensation schemes achieve their objective and are in accordance with applicable provisions;
- annually assessing performances and targets of members of the Management Board.

## 1.3. Compensation

### 1.3.1. Introduction

#### 1.3.1.1. 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 and the chairman of the Management Board.

In order to offer compensation in line with that on the market, the Appointments and Compensation Committee periodically asks for an external benchmarking study. 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.

On the basis of this benchmark study, the Appointments and Compensation Committee can propose to the Board of Directors an adjustment of the amounts for fixed compensation as well as, where appropriate, an adjustment within the pay bracket linked to performance and any other modifications justified by movements in the market.

The Management Board sets the compensation of senior executives likely to have a significant impact on the Belfius Bank risk profile, considering the nature and level of their functions and/or their compensation. The Appointments and Compensation Committee is informed.

#### 1.3.1.2. Regulatory context

Over the past 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 relevant compensation policy 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 executives likely to impact the risk profile of Belfius Bank by virtue of the nature or level of their functions and/or compensation.

#### 1.3.1.3. Strategy 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<sup>(1)</sup>, 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 employees, 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.

As from 2014, risk indicators will be included in the targets of members of the Management Board and senior executives likely to have a significant impact on the Belfius Bank risk profile. The aim is take proper account of the different types of (current and future) risk at each time in the assessment cycle.

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



The establishment, monitoring and assessment of these risk indicators will be coordinated by the Chief Risk Officer (CRO) and presented to the Appointments and Compensation Committee as well as the Risk & Capital Committee. To this effect, the CRO will if necessary agree with the Auditor General and the Compliance Officer and have regularly discussions with the Human Resources department.

The aim is to penalise poor performances at the level of performance-based compensation. If there are serious or recurrent problems, (a part of) the performance-based compensation may be lost.

### 1.3.2. Compensation of members of the Management Board

#### 1.3.2.1. Fixed and performance-based compensation

The compensation of members of the bank's Management Board consists of a fixed part and a performance-based part.

The fixed and performance-based 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 third-party company for which the member performs a mandate on behalf of Belfius Bank.

The compensation of the Management Board is approved by the Board of Directors. The chairman and members of the Management Board do not participate in the discussions, or make decisions in this regard.

#### 1.3.2.2. Compensation for 2013

##### 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).

##### Performance-based compensation for the year 2013 and deferred part of the performance-based compensation for 2010

The members of the Management Board of Belfius Bank received no performance-based compensation for the year 2013. The Board of Directors also decided, on a proposal from the Appointments and Compensation Committee, not to pay the deferred part of the performance-based compensation for 2010 payable in 2014.

##### Stock options plans

During 2013, no option was granted to members of the Management Board, or exercised by the latter.

##### Total compensation 2013

The total fixed compensation paid to the Management Board for 2013 amounts to:

The fixed compensation for 2013 indicates the basic compensation that Belfius Bank paid to members of the Management Board. The amount indicated for the Management Board also takes account of the basic compensation (three months) of the former vice-chairman of the Management Board who left the bank on 31 March 2013.

In addition to the fixed compensation, benefits of any sort associated with a company car, cost reimbursement, representation bonus and bonus within the framework of the pension plan granted to the entire Management Board (including the chairman of the Management Board), amounted in 2013 to EUR 825,298.

From 1 July 2013, the Board of Directors also decided, under the current savings plan and by analogy with all staff members, to reduce the fixed compensation of members of the Management Board by 5%. This reduction is in two stages: 2.5% in 2013 and a second 2.5% scheduled for July 2014.

### 1.3.3. Compensation of senior executives likely to impact the risk profile of Belfius Bank

On a proposal from the Appointments and Compensation Committee, the Board of Directors decided not to pay senior executives whose activities might have a significant impact on the bank's risk profile the deferred performance-based compensation for 2010 payable in 2014.

Total compensation paid in 2013 to the said senior executives (35 members of staff), broken down into fixed and performance-based compensation, was:

Number of members	35
Fixed compensation 2013	EUR 5,799,967
Performance-based compensation 2013	EUR 1,386,200
Deferred performance-based compensation 2010	EUR 0
One-off bonus paid on recruitment	EUR 0
Severance indemnity	EUR 0

#### Number of members

	Fixed compensation 2013	Performance-based compensation 2013	Deferred performance-based compensation 2010	One-off bonus paid on recruitment	Severance indemnity
Chairman of the Management Board	EUR 592,500	EUR 0	EUR 0	EUR 0	EUR 0
Members of the Management Board <sup>(1)</sup>	EUR 1,636,158	EUR 0	EUR 0	EUR 0	EUR 0

(1) Excluding the chairman. Until 1 April 2013: 6 members; from 1 April 2013: 5 members.

### 1.3.4. Compensation of members of the Board of Directors

The total compensation granted to members of the Board of Directors for 2013 was EUR 787,350 (against 843,580 in 2012). 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.

Under the current savings plan, the extraordinary general meeting of shareholders held on 25 June 2013 decided to reduce the emoluments and directors' fees of the Board of Directors and advisory committees by 10% as from 1 July 2013. Within this framework it also decided to limit the number of remunerated meetings of advisory committees to a maximum 6 per committee and per non-executive director.

## 2. Audit Committee

The Audit Committee is an advisory sub-committee within the Board of Directors and consists of four non-executive directors.

### 2.1. Composition

For 2013, the Audit Committee was chaired by Baron Guy Quaden (unable to attend from 4 September to 31 December in view of his appointment as chairman ad interim of the Board of Directors, the interim having been provided by Maître Chris Sunt). Mrs Marie-Gemma Dequae has been a member of the Audit Committee since 28 March 2013.

Chairman	<b>Guy Quaden</b> <i>(unable to attend from 4 September to 31 December 2013)</i>
	<b>Chris Sunt</b> <i>(ad interim from 4 September to 31 December 2013)</i>
Members	<b>Marie-Gemma Dequae</b> <i>(member since 28 March 2013)</i>
	<b>Chris Sunt</b>
	<b>Rudi Vander Vennet</b>

The chairman of the Management Board, secretary-general and CFO attend the meetings of the audit committee as permanent invitees. Mr Raf Vander Stichele also attends audit committee meetings in his capacity as an expert.

### 2.2. Independence and remit

In addition to having among its members at least one 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 of Belfius Bank is made up of three independent directors, Baron Guy Quaden, Rudi Vander Vennet (also chairman of the Risk & Capital Committee) and Mrs Marie-Gemma Dequae (also member of the Audit Committee of Belfius Insurance), 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 Extraordinary Professor 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.

Mr Rudi Vander Vennet, Doctor in Economics, is Professor of Finance and the Banking Sector at the University of Ghent. He has professional experience in accountancy and audit acquired in particular through the duties he carried out at Credib, the European Banking Authority, CGER Bank, ICCH and OBK Bank.

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

Mrs Marie-Gemma Dequae is a Doctor in Applied Economics and a Graduate in Insurance Law and Economics. She has professional experience in accountancy and audit acquired in particular in the functions she has performed and performs in the audit committees of Vinçotte and the Partena group respectively.

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.

During 2013, 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 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 2013, the Audit Committee examined and approved the annual report for 2012, the audit plan for 2013 and the half-year business report for 2013, as well as the half-yearly follow-up reports on recommendations, and approved them, likewise the Belfius group Audit Charter.

### 2.3.4. Statutory auditing of the annual and consolidated financial statements

In 2013, the Audit Committee reported to the Board of Directors on the consolidated financial statements of Belfius Bank at 31 December 2012, at 31 March 2013, at 30 June 2013 and 30 September 2013. 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.

In 2013 the Audit Committee delivered an opinion to the Board of Directors on the appointment of the auditor(s) (which will take place in 2014) 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.

At Belfius Bank Audit Committee meetings held before that of the Board of Directors, the Audit Committee in particular examined the quarterly, half-yearly and annual financial statements.

The Audit Committee met twice jointly with the Audit Committee of Belfius Insurance, when the insurance company's annual financial statements for 2012 and the half-yearly financial statements at 30 June 2013 were presented, likewise the activity report of the second said committee and the Belfius group Internal Audit Charter.

The Audit Committee held two meetings jointly with the Risk & Capital Committee to examine the effective management report on the assessment of internal audit – 2012 report, IT security strategy, fraud policy and the quarterly risk monitoring report.

## 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, and consists of at least the chairman of the Board of Directors of Belfius Bank, who chairs the Committee, and the chairman of the Management Board of Belfius Bank.

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

Until 5 June 2013, the Strategy Committee consisted of 4 non-executive members and the chairman of the Management Board and was constituted as follows:

Chairman	<b>Alfred Bouckaert</b> Chairman of the Board of Directors
Members	<b>Jos Clijsters</b> Chairman of the Management Board
	<b>Wouter Devriendt</b>
	<b>Guy Quaden</b>
	<b>Serge Wibaut</b>

Following the departure of Mr Alfred Bouckaert, the number of non-executive members was reduced to three.

From 4 September 2013 to 31 December 2013, the Strategy Committee was chaired by Baron Guy Quaden. At 30 December 2013, the Strategy Committee was composed as follows:

Chairman	<b>Guy Quaden</b> Chairman of the Board of Directors
Members	<b>Jos Clijsters</b> Chairman of the Management Board
	<b>Wouter Devriendt</b>
	<b>Serge Wibaut</b>

### 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 of Belfius Bank has the authority to act on matters relating to Belfius Bank and its subsidiaries.

## 4. Risk & Capital Committee

The Risk & Capital Committee is one of the advisory committees operating within the Board of Directors. It meets at least once per quarter.

### 4.1. Composition

The Risk & Capital Committee has a minimum of three members. The Board of Directors appoints its chairman. The members of the Risk & Capital 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 Committee as permanent invitees.

The other members of the Management Board and non-executive directors attend meetings of the Risk & Capital Committee on its invitation.

From 1 January 2013 to 5 June 2013, the Risk & Capital Committee of Belfius Bank consisted of the following members:

Chairman	<b>Rudi Vander Vennet</b>
Members	<b>Alfred Bouckaert</b> Chairman of the Board of Directors until 5 June 2013
	<b>Pierre Francotte</b>
	<b>Serge Wibaut</b>

From 5 June 2013 to 30 December 2013, the Risk & Capital Committee of Belfius Bank consisted of the following members:

Chairman	<b>Rudi Vander Vennet</b>
Members	<b>Pierre Francotte</b>
	<b>Serge Wibaut</b>

### 4.2. Remit

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

- detecting risks inherent in the banking and insurance activities, and 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 equity and liquidity objectives and requirements, as well as transactions having an impact on bank's liquidity or 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 strategy activities that have a significant impact on the bank's risk appetite;
- obtaining information and analysing management reports as to the extent and nature of the risks facing the bank.

The Risk & Capital Committee meets at least once per quarter. It also meets on an ad-hoc basis in relation to specific matters.

The Risk & Capital Committee operates independently of the Risk & Underwriting Committee of Belfius Insurance. On the request of the chairman of the bank's committee, a joint Risk & Capital Committee of Belfius Bank and Belfius Insurance may be held.

The Risk & Capital Committee and the Audit Committee periodically exchange information in particular concerning the quarterly risk report, the specific report on operational risks, the effective management report in relating to assessment of internal audit and the risk analyses performed by the Legal, Compliance and Audit departments. The aim of this exchange of information is to enable the two committees to perform their tasks properly and to take the form of a joint meeting.

The Risk & Capital Committee consults with the Strategy Committee on the bank's risk strategy, considering the impact of that strategy on the bank's strategy initiatives.

## Belfius Governance

On 28 November 2013, the Board of Directors of Belfius Bank formalised the governance guidelines for the Belfius group.

Within that context, the Board of Directors decided to put a Mediation Committee in place within the Belfius group in 2014. This committee will inter alia be responsible for dealing with material transactions or operations between, on the one hand, Belfius Bank and its subsidiaries and, on the other hand, Belfius Insurance and its subsidiaries or between their respective subsidiaries.

The precise composition and remit of the Mediation Committee will be fixed during 2014.

## Internal audit and risk management systems regarding financial statements

Belfius Bank applies various internal audit and risk management systems to its financial statements. These audits are carried out at different levels.

The inventory is reconciled with the balances in ACEC/ACSE via the reconciliation tool ACNR on a daily basis. Unreconciled amounts are reported via the monitoring and matching tool INTELLIMATCH. At the end of each month, the balance sheet and off-balance sheet inventory in GEXL is reconciled with ACEC/ACSE. Unreconciled amounts are reported via an online tool in GEXL. The related Accounting Competence Center within the Operations Department is responsible for analyzing the nature of the differences and for initiating corrective actions.

The accounts (Belgian GAAP and IFRS) are closed on a monthly basis. A first level of control is performed by the Accounting Competence Centers that take full responsibility for the general ledger (balance, off balance and statement of income) and the inventory. In respect to Treasury and Financial Markets activities, Market Risk Management is responsible for the validation of the statement of income and the gains and losses not recognized in the statement of income. The procedures and control activities are documented by each department involved.

Financial Data & Cost Control performs a second level of control and ensures a functional steering of the closing process, the centralization and final validation of all relevant accounting data and disclosures for reporting purposes. A risk-based approach is adopted to determine the nature and extent of the control activities. The controls mainly relate to a variance analysis of balances and ratio's, sample based testing, review of supporting documentation and reasonability controls. The results of the analytical review are documented in a highlight report, which is subject to management review. The procedures and control activities are documented by each department.

The first and second level of control provide reasonable assurance on the completeness, accuracy and appropriate presentation of the accounting data, in accordance with the financial and prudential framework.

## 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 the Royal Decree of 19 July 2002 on the external activities of directors of credit institutions, Belfius Bank is required to disclose any external appointment held by its directors and senior executives. Belfius Bank has chosen to publish such appointments in its annual report lodged 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.

The Board of Directors proposes to the general meeting of shareholders that it renews the mandate of the Auditor, Deloitte Reviseurs d'entreprises, SC s.f.d. SCRL, represented by Messrs Philippe Maeyaert and Bart Dewael, for a term of 3 years.

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 2013 financial year.

Deloitte	Services provided in 2013 for			
	Belfius Bank	Belfius Insurance	Other subsidiaries	Total
(In thousands of EUR)				
Audits of the financial statements	1,215	637	279	2,131
Certification	87	153	-	240
Tax advice	2	78	-	80
Other assignments	-	-	-	-
<b>TOTAL</b>	<b>1,304</b>	<b>868</b>	<b>279</b>	<b>2,451</b>

## 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 strategy 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.

The Compliance department also has an anti-money laundering unit led by the Head of Anti-Money Laundering.

More information on Compliance can be found in the chapter "Sound Governance" of the Report to the Community.

# General Information

## Share capital and allocation of profit

### 1. Share capital and evolution of the capital during the financial year 2013

The share capital of Belfius Bank is three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty-seven euros and forty-one cents (EUR 3,458,066,227.41) and is represented by 359,412,616 registered shares. The shareholding of Belfius Bank is as follows: 359,407,616 registered shares are held by the public limited company of public interest Federal Holding and Investment Company (FHIC), in its own name, but on behalf of the Belgian State, and 5,000 registered shares are held by the public limited company Certi-Fed. Certi-Fed is a fully-owned subsidiary of FHIC.

In accordance with the provisions of the law, the extraordinary general meeting of shareholders authorised the Board of Directors on 2 December 2013 to increase the capital of the bank in one or more stages to a maximum of three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty-seven euros and forty-one cents (EUR 3,458,066,227.41). That authorisation is valid for five years from publication of the resolution of the general meeting of shareholders in the Appendices to the Belgian Official Gazette, namely 10 January 2014.

No change was made to the capital of the bank in 2013.

Historically, 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 resolution passed by the extraordinary general meeting of shareholders held on 31 January 2013. All of these profit shares were cancelled by the extraordinary general meeting of shareholders held on 2 December 2013.

### 2. Allocation of profit

The company results for the 2013 financial year recorded a profit of EUR 128,829,117.04.

After the deduction of the tax-free reserves for an amount of EUR 0.00 the profit to be allocated for the accounting year was EUR 128,829,117.04.

Taking account of the retained earnings from the previous year of EUR 0.00 total profit to be allocated amounted to EUR 128,829,117.04, which will be set aside in its entirety to the reserves.

### 3. Annual dividend

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 - Cancellation of profit shares

As profit shares no longer have a place in a modern banking group serving the whole of the Belgian economic fabric, Belfius Bank concluded an 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.

On 2 December 2013, the extraordinary general meeting of shareholders of Belfius Bank decided to cancel these 300,000 profit shares acquired by Belfius Bank. As a consequence, there is no longer any profit share issued by Belfius Bank.

## Amendments to the articles of association of Belfius Bank

The extraordinary general meeting of shareholders held on 2 December 2013 decided in particular:

- to cancel the profit shares issued by the bank;
- to grant the Board of Directors, for a period of five years to run from publication of the resolution of the extraordinary general meeting of shareholders in the Appendices to the Belgian Official Gazette (namely 10 January 2014), a new authorisation to increase the share capital to a maximum amount 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).



## Main amendments to the scope of Belfius Bank on a statutory basis

Following the dismantling of the Dexia Group, the IT subsidiary Associated Dexia Technology Services was transferred to IBM Holdings BV. Belfius Bank now retains a 10% holding in Innovative Solutions for Finance (the new name for Associated Dexia Technology Services) in the form of Class B shares. The rights attached to those class B shares differ from those attached to class A shares (shares held by IBM) with regard to the limited representation of the Board of Directors, representation in decision-taking in relation to certain specific matters and limited asset rights (dividend and liquidation).

As part of the process to simplify and to reorganize the scope of the bank, Belfius Bank transferred the shares it held in Auxipar, a holding company associated with the Arco Group, to Belfius Insurance.

Belfius Bank also restructured the capital of Belfius Financing Company in order to enable the company to implement a programme to issue short-term Euro Commercial Paper.

Various operations were carried out regarding property or financial holdings, including:

- disposal of the bank's holding in Coopérative Hennuyère de Financement (a holding company held by communities of municipalities in Hainaut) and in LCH Clearnet Group (a clearing company);
- liquidation of Bruxelles Midi (company involved in property promotion in the district around Brussels Midi railway station).

## Litigation

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 Grand Ducal Regulation of 3 July 2008 officially designating the mechanisms for the central storage of regulated information within the meaning of the law of 11 January 2008; and
- the CSSF Circular No. 08/337 from the Financial Sector Supervisory Commission.

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

Pursuant to article 3(2) of the Luxembourg law relative to transparency requirements incumbent upon the issuers of securities, the Management Board at Belfius Bank then stated that:

- Belfius Bank has chosen Luxembourg as its 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.





# Consolidated financial statements

as at 31 December 2013

<b>I. Key numbers</b>	<b>92</b>
Consolidated balance sheet	92
Consolidated statement of income	94
Consolidated statement of comprehensive income	95
Consolidated statement of change in equity	96
Consolidated cash flow statement	100
<b>Notes to the consolidated financial statements</b>	<b>101</b>
II. Post-balance-sheet events	101
III. Accounting principles on a consolidated basis	101
IV. Business reporting	116
V. Notes on the assets of the consolidated balance sheet	118
VI. Notes on the liabilities of the consolidated balance sheet	136
VII. Notes on the consolidated statement of income	157
<b>Other notes</b>	<b>165</b>
VIII. Notes on the consolidated off-balance-sheet items	165
IX. Notes on risk exposure	166
X. Significant changes in scope of consolidation and list of subsidiaries and affiliated enterprises of Belfius Bank	191
XI. Litigation	200
XII. Related parties transactions	200
XIII. Securitisation	202
Statutory auditor's report	204

# Consolidated balance sheet

<b>Assets</b>				
(In thousands of EUR)				
	Notes	01/01/12	31/12/12	31/12/13
I. Cash and balances with central banks	5.2.	713,586	1,964,560	1,445,716
II. Loans and advances due from banks	5.3.	46,174,903	41,279,786	30,123,709
III. Loans and advances to customers	5.4.	91,933,190	89,486,116	87,721,562
IV. Financial assets measured at fair value through profit and loss	5.5.	5,500,634	5,077,635	5,512,233
V. Financial investments	5.6.	44,911,922	31,603,663	28,074,151
VI. Derivatives	5.8.	34,933,281	35,234,965	23,190,180
VII. Fair value revaluation of portfolio hedge		3,198,807	4,144,582	3,044,509
VIII. Investments in associates	5.9.	93,154	92,872	169,487
IX. Tangible fixed assets	5.10.	1,401,028	1,480,271	1,391,707
X. Intangible assets and goodwill	5.11.	218,533	209,794	199,047
XI. Tax assets <sup>(1)</sup>	5.12.	2,062,324	1,207,713	958,827
XII. Other assets <sup>(1)</sup>	5.13.	1,344,716	1,155,549	923,135
XIII. Non-current assets held for sale	5.14.	22,965	19,617	23,159
<b>TOTAL ASSETS<sup>(1)</sup></b>		<b>232,509,043</b>	<b>212,957,124</b>	<b>182,777,422</b>

<b>Liabilities</b>				
(In thousands of EUR)				
	Notes	01/01/12	31/12/12	31/12/13
I. Due to banks	6.1.	59,415,413	40,440,300	29,235,568
II. Customer borrowings and deposits	6.2.	70,264,724	66,649,092	61,625,312
III. Financial liabilities measured at fair value through profit or loss	6.3.	11,082,012	10,462,951	8,460,808
IV. Derivatives	5.8.	41,372,637	41,765,535	28,602,043
V. Fair value revaluation of portfolio hedge		30,204	87,205	42,632
VI. Debt securities	6.4.	24,361,727	26,439,494	27,184,180
VII. Subordinated debts	6.5.	2,685,467	1,039,906	893,192
VIII. Technical provisions of insurance companies	6.6.	16,786,233	17,579,188	17,641,090
IX. Provisions and other obligations <sup>(1)</sup>	6.7.	977,211	978,104	462,146
X. Tax liabilities	6.8. & 5.12.	38,449	130,751	109,652
XI. Other liabilities	6.9.	2,219,740	2,045,136	1,899,853
XII. Liabilities included in disposal groups held for sale	6.10.	0	0	0
<b>TOTAL LIABILITIES<sup>(1)</sup></b>		<b>229,233,817</b>	<b>207,617,662</b>	<b>176,156,476</b>

(1) Due to the application of IAS 19 Revised, the figures as at 31 December 2012 have been adapted. We refer to the "Accounting principles on a consolidated balance sheet" and to note 6.7. "Provisions and other obligations" for a detailed description.

The notes on pages 101 to 203 are an integral part of these consolidated financial statements.

<b>Equity</b>				
(In thousands of EUR)				
	Notes	01/01/12	31/12/12	31/12/13
XIII. Subscribed capital	1.4.	3,458,066	3,458,066	3,458,066
XIV. Additional paid-in capital		209,232	209,232	209,232
XV. Treasury shares		0	0	0
XVI. Reserves and retained earnings <sup>(1)(2)</sup>		2,811,841	2,812,095	3,230,926
XVII. Net income for the period <sup>(1)</sup>		0	421,277	444,998
<b>CORE SHAREHOLDERS' EQUITY<sup>(1)(2)</sup></b>		<b>6,479,139</b>	<b>6,900,670</b>	<b>7,343,222</b>
XXIII. Remeasurement available for sale reserve on securities		(2,368,136)	(735,459)	(167,603)
XIX. Frozen fair value adjustment of financial assets reclassified to loans and advances		(952,603)	(893,478)	(701,877)
XX. Remeasurement defined benefit plan <sup>(1)(2)</sup>		111,618	85,707	129,851
XXI. Discretionary participation features of insurance contracts	6.6.	20	0	0
XXII. Other reserves		(10,677)	(37,321)	1,457
<b>GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME<sup>(1)(2)</sup></b>		<b>(3,219,778)</b>	<b>(1,580,551)</b>	<b>(738,172)</b>
<b>TOTAL SHAREHOLDERS' EQUITY<sup>(1)</sup></b>		<b>3,259,361</b>	<b>5,320,119</b>	<b>6,605,050</b>
XXIII. Non-controlling interests <sup>(1)</sup>		15,865	19,343	15,896
<b>TOTAL EQUITY<sup>(1)</sup></b>		<b>3,275,226</b>	<b>5,339,462</b>	<b>6,620,946</b>
<b>TOTAL LIABILITIES AND EQUITY<sup>(1)</sup></b>		<b>232,509,043</b>	<b>212,957,124</b>	<b>182,777,422</b>

(1) Due to the application of IAS 19 Revised, the figures as at 31 December 2012 have been adapted. We refer to the "Accounting principles on a consolidated balance sheet" and to note 6.7. "Provisions and other obligations" for a detailed description.

(2) Due to the application of IAS 19 Revised, the figures as at 1 January 2012 have been adapted. We refer to the "Accounting principles on a consolidated balance sheet" and to note 6.7. "Provisions and other obligations" for a detailed description.

The notes on pages 101 to 203 are an integral part of these consolidated financial statements.

# Consolidated statement of income

(In thousands of EUR)	Notes	31/12/12	31/12/13
I. Interest income	7.1.	7,641,037	6,270,012
II. Interest expense	7.1.	(5,518,518)	(4,353,139)
III. Dividend income	7.2.	53,357	50,753
IV. Net income from associates	7.3.	5,793	4,672
V. Net income from financial instruments at fair value through profit or loss	7.4.	(25,660)	(188,180)
VI. Net income on investments	7.5.	586,589	154,562
VII. Fee and commission income	7.6.	441,930	490,945
VIII. Fee and commission expense	7.6.	(127,631)	(116,396)
IX. Premiums and technical income from insurance activities	6.6.	2,143,184	1,910,832
X. Technical expense from insurance activities	6.6.	(2,717,831)	(2,314,952)
XI. Other net income	7.7.	(23,908)	(74,774)
<b>INCOME</b>		<b>2,458,342</b>	<b>1,834,335</b>
XII. Staff expense <sup>(1)</sup>	7.8.	(714,341)	(560,411)
XIII. General and administrative expense	7.9.	(477,982)	(478,712)
XIV. Network costs		(298,581)	(293,000)
XV. Depreciation & amortization	7.10.	(93,590)	(92,049)
<b>EXPENSES<sup>(1)</sup></b>		<b>(1,584,494)</b>	<b>(1,424,172)</b>
<b>GROSS OPERATING INCOME<sup>(1)</sup></b>		<b>873,848</b>	<b>410,163</b>
XVI. Impairment on loans and provisions for credit commitments	7.11.	(267,881)	108,558
XVII. Impairment on tangible and intangible assets	7.12.	231	(922)
XVIII. Impairment on goodwill	7.13.	0	0
XIX. Provisions for legal litigations	7.14.	0	0
<b>NET INCOME BEFORE TAX<sup>(1)</sup></b>		<b>606,198</b>	<b>517,799</b>
XX. Tax expense <sup>(1)</sup>	7.15.	(183,553)	(72,703)
<b>NET INCOME AFTER TAX<sup>(1)</sup></b>		<b>422,645</b>	<b>445,096</b>
XXI. Discontinued operations(net of tax)		0	0
<b>NET INCOME<sup>(1)</sup></b>		<b>422,645</b>	<b>445,096</b>
Attributable to non-controlling interests		1,368	98
Attributable to equity holders of the parent <sup>(1)</sup>		421,277	444,998

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated balance sheet" and to note 6.7. "Provisions and other obligations" for a detailed description.

The notes on pages 101 to 203 are an integral part of these consolidated financial statements.

## Analysis of the consolidated balance sheet and statement of income

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



# Consolidated statement of comprehensive income

(In thousands of EUR)	31/12/12		
	Before-tax amount	Tax	Net-of-tax amount
<b>RESULT RECOGNISED IN THE STATEMENT OF INCOME</b>	<b>606,198</b>	<b>(183,553)</b>	<b>422,645</b>
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b>			
Remeasurement defined benefit plan <sup>(1)</sup>	129,833	(44,119)	85,714
<b>TOTAL OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS<sup>(1)</sup></b>	<b>129,833</b>	<b>(44,119)</b>	<b>85,714</b>
<b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>			
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 adjustments (CTA)	35		35
Discretionary participation features of insurance contracts	(31)	11	(20)
<b>OTHER COMPREHENSIVE INCOME</b>	<b>2,461,781</b>	<b>(794,173)</b>	<b>1,667,619</b>
<b>TOTAL COMPREHENSIVE INCOME<sup>(1)</sup></b>	<b>3,067,979</b>	<b>(977,726)</b>	<b>2,175,978</b>
Attributable to equity holders of the parent <sup>(1)</sup>			2,172,121
Attributable to non-controlling interests			3,857

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated balance sheet" and to note 6.7. "Provisions and other obligations" for a detailed description.

(In thousands of EUR)	31/12/13		
	Before-tax amount	Tax	Net-of-tax amount
<b>RESULT RECOGNISED IN THE STATEMENT OF INCOME</b>	<b>517,799</b>	<b>(72,703)</b>	<b>445,096</b>
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b>			
Remeasurement defined benefit plan	66,881	(22,745)	44,136
<b>TOTAL OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS</b>	<b>66,881</b>	<b>(22,745)</b>	<b>44,136</b>
<b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>			
Unrealised gains (losses) on available for sale financial investments and "frozen" fair value adjustment of financial assets reclassified to Loans and Receivables	917,531	(159,462)	758,069
Gains (losses) on cash flow hedges	40,035	(1,471)	38,564
Cumulative translation adjustments (CTA)	214		214
<b>OTHER COMPREHENSIVE INCOME</b>	<b>957,780</b>	<b>(160,933)</b>	<b>796,847</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1,475,579</b>	<b>(233,636)</b>	<b>1,286,079</b>
Attributable to equity holders of the parent			1,287,378
Attributable to non-controlling interests			(1,299)

The notes on pages 101 to 203 are an integral part of these consolidated financial statements.

# Consolidated statement of change in equity

Core shareholders' equity	Subscribed capital	Additional paid-in capital	Reserves and retained earnings	Net income for the period	Core shareholders' equity
(In thousands of EUR)					
<b>AS AT 1 JANUARY 2012<sup>(1)</sup></b>	<b>3,458,066</b>	<b>209,232</b>	<b>2,811,841</b>		<b>6,479,139</b>
<b>Movements of the period</b>					
Variation of scope of consolidation	0	0	43	0	43
Other movements	0	0	211	0	211
Net income for the period <sup>(1)</sup>	0	0	0	421,277	421,277
<b>AS AT 31 DECEMBER 2012<sup>(1)</sup></b>	<b>3,458,066</b>	<b>209,232</b>	<b>2,812,095</b>	<b>421,277</b>	<b>6,900,670</b>

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated balance sheet" and to note 6.7. "Provisions and other obligations" for a detailed description.

Gains and losses not recognised in the statement of income	Unrealised result that may be reclassified subsequently to profit or loss					
	Remeasurement available for sale reserve on securities	Frozen fair value adjustment of financial assets reclassified to loans and advances	Derivatives - Cash Flow Hedge (CFH)	Share of other comprehensive income of investments in subsidiaries, joint ventures and associates	Cumulative translation adjustments (CTA)	Discretionary participation features of insurance contracts
(In thousands of EUR)						
<b>AS AT 1 JANUARY 2012</b>	<b>(2,368,136)</b>	<b>(952,603)</b>	<b>(10,430)</b>	<b>1</b>	<b>(248)</b>	<b>20</b>
<b>Movements of the period</b>						
Net change in fair value through equity - Available for sale investments	1,591,790	(68,485)	0	0	0	(20)
Transfers to income of available for sale reserve amounts due to impairments	32,349	14,819	0	0	0	0
Transfers to income of available for sale reserve amounts due to disposals	134,930	48,065	0	0	0	0
Amortization of net fair value on reclassified portfolio in application of IAS 39 amended	0	64,430	0	0	0	0
Net change in fair value through equity - Cash flow hedges	0	0	(30,918)	0	0	0
Net change in cash flow hedge reserve due to transfers to income	0	0	(97)	0	0	0
Foreign exchange adjustments	7,541	390	4,337	0	35	0
Variation of scope of consolidation	(29)	(23)	0	0	0	0
Transfers to technical provisions of insurance companies <sup>(1)</sup>	(133,904)	(71)	0	0	0	0
Transfert	0	0	0	(1)	0	0
<b>AS AT 31 DECEMBER 2012</b>	<b>(735,459)</b>	<b>(893,478)</b>	<b>(37,108)</b>	<b>0</b>	<b>(213)</b>	<b>0</b>

(1) Transfer of amounts after tax as a result of the application of the shadow accounting. We refer to the note 6.6. "Insurance contracts".

The notes on pages 101 to 203 are an integral part of these consolidated financial statements.

**Gains and losses not recognised in the statement of income**

Unrealised result that will not be reclassified to profit or loss

Remeasurement defined benefit plan

Total gains and losses not recognised in statement of income - Groupe share

(In thousands of EUR)

<b>AS AT 1 JANUARY 2012<sup>(1)</sup></b>	<b>111,618</b>	<b>(3,219,778)</b>
<b>Movements of the period</b>		
Net change in fair value through equity - Available for sale investments	0	1,523,285
Transfers to income of available for sale reserve amounts due to impairments	0	47,168
Transfers to income of available for sale reserve amounts due to disposals	0	182,995
Amortization of net fair value on reclassified portfolio in application of IAS 39 amended	0	64,430
Net change in fair value through equity - Cash flow hedges	0	(30,918)
Net change in cash flow hedge reserve due to transfers to income	0	(97)
Foreign exchange adjustments	0	12,303
Variation of scope of consolidation	0	(52)
Transfers to technical provisions of insurance companies <sup>(2)</sup>	0	(133,975)
Provisions booked from/to equity <sup>(1)</sup>	(25,911)	(25,911)
Transfert	0	(1)
<b>AS AT 31 DECEMBER 2012<sup>(1)</sup></b>	<b>85,707</b>	<b>(1,580,551)</b>

**Non-controlling interests**

Core shareholders' equity

Gains and losses not recognised in the statement of income

Non-controlling interests

(In thousands of EUR)

<b>AS AT 1 JANUARY 2012<sup>(1)</sup></b>	<b>16,738</b>	<b>(873)</b>	<b>15,865</b>
<b>Movements of the period</b>			
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
Transfers to income of available for sale reserve amounts due to disposals		(116)	(116)
Transfers to income of available for sale reserve amounts due to impairments		67	67
Variation of scope of consolidation	(1,167)	42	(1,125)
Amortization of net fair value on reclassified portfolio in application of IAS 39 amended		57	57
Other movements	553	(276)	277
<b>AS AT 31 DECEMBER 2012<sup>(1)</sup></b>	<b>17,745</b>	<b>1,598</b>	<b>19,343</b>

(In thousands of EUR)

Core shareholders' equity <sup>(1)</sup>	6,900,670
Gains and losses not recognised in the statement of income attributable to equity holders of the parent <sup>(1)</sup>	(1,580,551)
Non-controlling interests	19,343
<b>TOTAL EQUITY AS AT 31 DECEMBER 2012<sup>(1)</sup></b>	<b>5,339,462</b>

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated balance sheet" and to note 6.7. "Provisions and other obligations" for a detailed description.

(2) Transfer of amounts after tax as a result of the application of the shadow accounting. We refer to the note 6.6. "Insurance contracts".

The notes on pages 101 to 203 are an integral part of these consolidated financial statements.

Management report

Consolidated financial statements

Non-consolidated financial statements

Core shareholders' equity	Subscribed capital	Additional paid-in capital	Reserves and retained earnings	Net income for the period	Core shareholders' equity
(In thousands of EUR)					
<b>AS AT 31 DECEMBER 2012</b>	<b>3,458,066</b>	<b>209,232</b>	<b>2,812,095</b>	<b>421,277</b>	<b>6,900,670</b>
<b>Movements of the period</b>					
Transfers to reserves	0	0	421,277	(421,277)	0
Variation of scope of consolidation	0	0	(2,446)	0	(2,446)
Other movements	0	0	0	0	0
Net income for the period	0	0	0	444,998	444,998
<b>AS AT 31 DECEMBER 2013</b>	<b>3,458,066</b>	<b>209,232</b>	<b>3,230,926</b>	<b>444,998</b>	<b>7,343,222</b>

Gains and losses not recognised in the statement of income	Unrealised result that may be reclassified subsequently to profit or loss			
	Remeasurement available for sale reserve on securities	Frozen fair value adjustment of financial assets reclassified to loans and advances	Derivatives - Cash Flow Hedge (CFH)	Cumulative translation adjustments (CTA)
(In thousands of EUR)				
<b>AS AT 31 DECEMBER 2012</b>	<b>(735,459)</b>	<b>(893,478)</b>	<b>(37,108)</b>	<b>(213)</b>
<b>Movements of the period</b>				
Net change in fair value through equity - Available for sale investments	605,376	4,366	0	0
Transfers to income of available for sale reserve amounts due to impairments	1,782	1	0	0
Transfers to income of available for sale reserve amounts due to disposals	(101,806)	107,381	0	0
Amortization of net fair value on reclassified portfolio in application of IAS 39 amended	0	50,611	0	0
Net change in fair value through equity - Cash flow hedges	0	0	33,654	0
Net change in cash flow hedge reserve due to transfers to income	0	0	(29)	0
Foreign exchange adjustments	14,935	29,038	4,940	214
Variation of scope of consolidation	1,645	308	0	(1)
Transfers to technical provisions of insurance companies	45,924	(104)	0	0
<b>AS AT 31 DECEMBER 2013</b>	<b>(167,603)</b>	<b>(701,877)</b>	<b>1,457</b>	<b>0</b>

Gains and losses not recognised in the statement of income	Unrealised result that will not be reclassified to profit or loss	Total gains and losses not recognised in statement of income - Groupe share
	Remeasurement defined benefit plan	
(In thousands of EUR)		
<b>AS AT 31 DECEMBER 2012</b>	<b>85,707</b>	<b>(1,580,551)</b>
<b>Movements of the period</b>		
Net change in fair value through equity - Available for sale investments	0	609,742
Transfers to income of available for sale reserve amounts due to impairments	0	1,783
Transfers to income of available for sale reserve amounts due to disposals	0	5,575
Amortization of net fair value on reclassified portfolio in application of IAS 39 amended	0	50,611
Net change in fair value through equity - Cash flow hedges	0	33,654
Net change in cash flow hedge reserve due to transfers to income	0	(29)
Foreign exchange adjustments	0	49,127
Variation of scope of consolidation	8	1,960
Transfers to technical provisions of insurance companies	0	45,820
Provisions booked from/to equity	44,136	44,136
<b>AS AT 31 DECEMBER 2013</b>	<b>129,851</b>	<b>(738,172)</b>

The notes on pages 101 to 203 are an integral part of these consolidated financial statements.

Non-controlling interests	Core shareholders' equity	Gains and losses not recognised in the statement of income	Non-controlling interests
(In thousands of EUR)			
<b>AS AT 31 DECEMBER 2012</b>	<b>17,745</b>	<b>1,598</b>	<b>19,343</b>
<b>Movements of the period</b>			
Dividends	(761)		(761)
Net income for the period	98		98
Net change in fair value through equity		167	167
Transfers to income of available for sale reserve amounts due to disposals		(205)	(205)
Transfers to income of available for sale reserve amounts due to impairments		119	119
Variation of scope of consolidation	(1,631)	(1,499)	(3,130)
Amortization of net fair value on reclassified portfolio in application of IAS 39 amended		21	21
Other movements	244		244
<b>AS AT 31 DECEMBER 2013</b>	<b>15,695</b>	<b>201</b>	<b>15,896</b>

(In thousands of EUR)	
Core shareholders' equity	7,343,222
Gains and losses not recognised in the statement of income attributable to equity holders of the parent	(738,172)
Non-controlling interests	15,896
<b>TOTAL EQUITY AS AT 31 DECEMBER 2013</b>	<b>6,620,946</b>

Equity	31/12/12	31/12/13
<b>BY CATEGORIE OF SHARE</b>		
Number of shares authorized 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
	<b>no nominal value</b>	<b>no nominal value</b>
<b>VALUE PER SHARE</b>		
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

## Shared-based payments

The application of IFRS 2 "Share-based payments" is not applicable for Belfius.

The notes on pages 101 to 203 are an integral part of these consolidated financial statements.

# Consolidated cash flow statement

(In thousands of EUR)	Notes	31/12/12	31/12/13
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income after tax <sup>(1)</sup>		422,645	445,096
Adjustment for:			
Depreciation , amortization and other impairment		111,500	111,060
Impairment on bonds , equities, loans and other assets		(1,504,083)	(77,145)
Net gains (or losses) on investments		55,540	(53,926)
Charges for provisions (mainly insurance provision)		574,430	(89,801)
Unrealised gains or losses		33,535	45,412
Income from associates		(5,793)	(4,672)
Dividends from associates		3,595	3,782
Deferred taxes <sup>(1)</sup>		167,697	38,366
Other adjustments <sup>(1)</sup>		(5,923)	0
Changes in operating assets and liabilities <sup>(1)</sup>		(19,069,090)	(3,359,855)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		<b>(19,215,947)</b>	<b>(2,941,683)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(361,316)	(207,851)
Sales of fixed assets		223,646	237,369
Acquisitions of unconsolidated equity shares		(443,657)	(501,862)
Sales of unconsolidated equity shares		432,203	349,754
Acquisitions of subsidiaries and of business units		(23,259)	(9,518)
Sales of subsidiaries and of business units		770	0
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>		<b>(171,613)</b>	<b>(132,108)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issuance of new shares		62	0
Issuance of subordinated debts		25	72,000
Reimbursement of subordinated debts		(1,070,322)	(126,958)
Purchase of treasury shares		0	0
Sale of treasury shares		0	0
Dividends paid		(1,803)	(518)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>		<b>(1,072,038)</b>	<b>(55,476)</b>
<b>NET CASH PROVIDED</b>		<b>(20,459,598)</b>	<b>(3,129,267)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>5.1.</b>	<b>27,613,031</b>	<b>7,149,201</b>
Cash flow from operating activities		(19,215,947)	(2,941,683)
Cash flow from investing activities		(171,613)	(132,108)
Cash flow from financing activities		(1,072,038)	(55,476)
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents		(4,232)	(1,275)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>5.1.</b>	<b>7,149,201</b>	<b>4,018,659</b>
<b>ADDITIONAL INFORMATION</b>			
Income tax paid		(16,722)	(29,289)
Dividends received		56,951	54,535
Interest received		8,078,456	6,693,659
Interest paid		(5,892,359)	(5,150,473)

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated balance sheet" and to note 6.7. "Provisions and other obligations" for a detailed description.

The notes on pages 101 to 203 are an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

## II. Post-balance-sheet events

No material subsequent events have been identified that might affect the financial statements.

## III. Accounting principles on a consolidated basis

### Table of contents

Notes to the financial statements	101
Accounting policies	101
1. Basis of accounting	101
2. Changes in accounting policies and applicable standards since the previous annual publication that may impact Belfius group	102
3. Consolidation	104
4. Offsetting financial assets and financial liabilities	105
5. Foreign currency translation and transactions	105
6. Financial instruments	105
7. Interest income and expense	110
8. Fee and commission income and expense	110
9. Insurance and reinsurance activities	110
10. Network costs	112
11. Tangible fixed assets	112
12. Intangible assets and goodwill	113
13. Other assets	113
14. Non-current assets "held for sale" and discontinued operations	113
15. Leases	113
16. Deferred income tax	114
17. Employee benefits	114
18. Provisions	115
19. Share capital	115
20. Fiduciary activities	115

## Notes to the financial statements

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

The common used abbreviations below are:

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

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

The financial statements have been approved by the Board of Directors of Belfius on 11 March 2014.

## 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 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 2013 including the conditions applicable to interest-rate portfolio hedging.

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

The consolidated financial statements are prepared on a going-concern basis. They are expressed in thousands of euro (EUR) unless otherwise stated.

#### 1.2. Accounting estimates and judgements

In preparing the consolidated financial statements, management is required to make estimates 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 through profit or loss” for measurement purposes based on the instrument’s characteristics and the intentions of Belfius (see section 6).
- Determination of 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 6.10).
- Determination of fair value for financial instruments measured at fair value by means of valuation techniques (see section 6.10).
- Determination on whether Belfius controls the investee, including Special Purpose Entities (SPEs) (see section 3).
- Identification of non-current assets and disposal groups held for sale and discontinued operations (IFRS 5) (see section 14).
- The appropriateness of designating derivatives as hedging instruments (see section 6.6).
- Existence of a present obligation with probable outflows in the context of litigations (see section 18).
- Identification of impairment triggers (see section 6.5).

These judgements are discussed 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 6.5 and 14).
- Determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets (see section 11 and 12).
- Determination of the market value correction to adjust for market value and model uncertainty (see section 6.10).
- Measurement of liabilities for insurance contracts (see section 1.9).
- The measurement of hedge effectiveness in hedging relations (see section 6.6.2 and 6.7).
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets (see section 17 and note 8.6).
- Estimate of future taxable profit for the recognition and measurement of deferred tax assets (see section 16).
- Estimate of the recoverable amount of cash-generating units for goodwill impairment (see section 12.2).

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

The overview of the texts below is made until the reporting date of 31 December 2013.

### 2.1. IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 2013

The following standards, interpretations or amendments have been endorsed by the European Commission and are applied as from 1 January 2013.

- “Government Loans (Amendments to IFRS 1)”. This amendment has no impact on Belfius, which is not a first-time adopter anymore.
- “Annual Improvements to IFRSs (2009-2011 Cycle)”, which are a collection of amendments to existing International Financial Reporting Standards. These amendments are effective with retrospective application and there is no material impact for Belfius.
- Amendments to IAS 19 “Employee Benefits” is applicable with retrospective application and impacts 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 is no longer 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 is 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 is applicable with retrospective application and has an impact on the presentation of other comprehensive income 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 is applicable with retrospective application and expands the disclosures of Belfius regarding offsetting of financial instruments in the annual reporting.

- IFRS 13 “Fair Value Measurement” describes how to measure fair value under IFRS and introduces new and enhanced disclosure requirements. IFRS 13 is applicable with prospective application.
- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”. This interpretation has no impact on Belfius.
- Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”. There is no impact for Belfius as investment property is measured at cost.
- Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”. This amendment has 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 2013

- “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). Belfius will apply the transition guidance as from 1 January 2014 at the same time Belfius will apply IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28.
- “Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)”. These amendments define an investment entity and requires 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.
- Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting” will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. This amendment might impact Belfius and will be effective from 1 January 2014.

- Amendment to IAS 36 “Recoverable amount disclosures for non-financial assets” addresses the disclosure of the recoverable amount of impaired assets if this amount is based on fair value less costs of disposal. This amendment which is applicable as from 1 January 2014 (retrospective application) will have no direct impact for Belfius.

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

- IFRIC 21 “Levies” provides guidance on accounting for levies in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. This amendment could impact the interim accounts of Belfius and will be applicable as from 1 January 2014 (retrospective application).
- Amendment to IAS 19 “Defined Benefit Plans – Employee Contributions” simplifies the accounting for contributions that are independent of the number of years of employee service such as contributions that are calculated according to a fixed percentage of salary. This amendment will be effective from 1 January 2015 and will have no direct impact for Belfius.
- IFRS 9 “Financial Instruments: Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39” introduces a new hedge accounting model with improved disclosure requirements and also allows entities to change the accounting model for own credit risk for liabilities that they have elected to measure at fair value, before applying any of the other requirements in IFRS 9. Accordingly, the IASB will decide on a new mandatory effective date for IFRS 9 when the entire IFRS 9 project is closer to completion. These amendments will impact Belfius.
- “Annual improvements to IFRSs: 2010-2012 cycle”. A collection of clarifications to existing International Financial Reporting Standards that are applicable as from 1 January 2015. The clarification of IFRS 8 might impact the disclosure on operating segments of Belfius.
- “Annual improvements to IFRSs: 2011-2013 cycle”. A collection of amendments to existing International Financial Reporting Standards that are applicable as from 1 January 2015. They have no impact for Belfius.

## 2.4. First application IAS 19 Revised

Due to the application of IAS 19 Revised, the figures as at 31 December 2012 have been adapted in the balance sheet and income statement items (in thousand of EUR) mentioned here below:

(In thousands of EUR)	31/12/12 As published	Adjustment	31/12/12 Pro forma
<b>ASSETS</b>			
Tax assets	1,197,428	10,285	1,207,713
Other assets	1,155,760	(211)	1,155,549
<b>TOTAL ASSETS</b>	<b>212,947,049</b>	<b>10,075</b>	<b>212,957,124</b>
<b>LIABILITIES</b>			
Provisions and other obligations	948,031	30,073	978,104
<b>TOTAL LIABILITIES</b>	<b>207,587,589</b>	<b>30,073</b>	<b>207,617,662</b>
<b>EQUITY</b>			
Reserves and retained earnings	2,923,713	(111,618)	2,812,095
Net income for the period	415,354	5,923	421,277
<b>CORE SHAREHOLDERS' EQUITY</b>	<b>7,006,365</b>	<b>(105,695)</b>	<b>6,900,670</b>
Remeasurement defined benefit plan	0	85,707	85,707
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>5,340,107</b>	<b>(19,989)</b>	<b>5,320,118</b>
Non-controlling interests	19,353	(10)	19,343
<b>TOTAL EQUITY</b>	<b>5,359,460</b>	<b>(19,999)</b>	<b>5,339,461</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>212,947,049</b>	<b>10,075</b>	<b>212,957,124</b>

(In thousands of EUR)	31/12/12 As published	Adjustment	31/12/12 Pro forma
XII. Staff expense	(723,314)	8,973	(714,341)
<b>EXPENSES</b>	<b>(1,593,467)</b>	<b>8,973</b>	<b>(1,584,494)</b>
<b>GROSS OPERATING INCOME</b>	<b>864,875</b>	<b>8,973</b>	<b>873,848</b>
<b>NET INCOME BEFORE TAX</b>	<b>597,225</b>	<b>8,973</b>	<b>606,198</b>
XX. Tax expense	(180,503)	(3,050)	(183,553)
<b>NET INCOME AFTER TAX</b>	<b>416,722</b>	<b>5,923</b>	<b>422,645</b>
<b>NET INCOME</b>	<b>416,722</b>	<b>5,923</b>	<b>422,645</b>
Attributable to non-controlling interests	1,368	0	1,368
Attributable to equity holders of the parent	415,354	5,923	421,277

## 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.

### 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 are aligned to ensure consistency with the policies adopted by Belfius.

When Belfius loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

### 3.3. Jointly controlled entities

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 equity method. Further details on this method are described in section 3.4.

Where necessary, the accounting policies of the jointly controlled entities are aligned 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 Belfius' share of the net assets increased with related goodwill.

Gains and losses 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 are aligned 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.

### 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 instruments

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 instruments held for trading on trade date. All other "regular way" purchases and sales of financial instruments 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). Some exceptions apply, see discussion of the relevant categories.

## 6.3. Financial instruments measured at fair value through profit or loss (derivatives excluded)

### 6.3.1. Financial instruments held for trading

Financial assets held for trading includes loans and securities. Financial liabilities held for trading includes short positions in securities. These instruments are intended to generate a profit from short-term fluctuations in price or dealer's margins or are included in a portfolio in which a pattern of short-term profit taking exists. Belfius initially recognises these instruments at their fair value and subsequently re-measures them at 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 and interest expense are accrued using the effective interest-rate method and are recorded under "Interest income" and "Interest expense". Dividends received are recorded under "Dividend income".

### 6.3.2. Financial instruments 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.

The valuation rules as mentioned under paragraph 6.3.1 "Financial instruments held for trading" apply to this category.

## 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 "Interest income". Belfius recognises dividend income from equities under "Dividend income".

Belfius subsequently re-measures available for sale financial assets at fair value (cf. 6.10 "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.

## 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) an 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 are 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 estimations 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 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 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.

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.

### 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, objective evidence of impairment are a significant (more than 40%) or prolonged (more than 3 years) decline in fair value compared to the acquisition price. 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 or an increased 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 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.

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

### 6.6.1. Derivatives – Trading portfolio, including embedded derivatives

When a derivative is not designated in a hedge relationship, it is deemed to be held for trading. 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 an economic hedge relationship are recognised in interest income/interest expense.

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 presented as separate derivatives in the portfolio derivatives trading:

- 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.

### 6.6.2. Derivatives – Hedging

Hedging derivatives are categorised as either:

- a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge) or a fair value hedge of the interest-rate risk exposure of a portfolio (cf. 6.7); or
- a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash-flow hedge).



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 accruals are recognised in "interest income" or "interest expense".

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 "interest income" or "interest expense" in the periods during which the hedged firm commitment or forecast transaction affects the statement of income.

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

As explained in 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.

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. The hedged items include financial assets and liabilities at amortised cost and available for sale positions.

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

## 6.8. 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.

## 6.9. 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.

## 6.10. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted market prices in an organised market (such as a recognised stock exchange) are to be used as fair value, as they are the best evidence of the fair value of a financial instrument. Quoted market prices are not available for all financial assets and liabilities held or issued by Belfius.

If a financial instrument is not traded on an active market, recourse is provided by valuation models. A valuation model reflects the transaction price on the measurement date in an arm's length exchange 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 or the price to transfer the liability.

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:

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

##### Financial instruments measured at fair value for which reliable quoted market prices are available (level 1)

If the market is active – meaning that 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 13 fair value hierarchy, contrary to the use of quoted prices in inactive markets or the use of quoted spreads.

##### Financial instruments measured at fair value for which no reliable quoted market prices are available and for which valuations are obtained by means of valuation techniques (level 2 and 3)

Financial instruments for which no quoted market prices in active markets are available are valued by means of valuation techniques. The determination whether or not there is an active market is based on criteria such as volume, bid-offer spread and the number of price/spread contribution. The models that Belfius uses range from standard models 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.

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) or indirectly observable data (spreads).

Fair value measurements that rely significantly on own assumptions or when the model has not been validated need to be reported as part of the level 3 disclosure. The following parameters are not considered to be observable: Belgian inflation, CMS spread, equity correlations (such as equity baskets).

Bonds traded in inactive markets are valued using valuation techniques. To price its portfolio of illiquid bonds, Belfius uses modelled spreads on a mix of fundamental (or "through-the-cycle") information and information from the market (or "point-in-time").

A bi-annual backtesting of the Belfius Mark-to-Model is based on the comparison between market spreads and model spreads for illiquid positions. Market and model spreads are compared on a monthly basis across different risk dimensions such as the rating, maturity and sectors.

The derivatives are valued at mid-market prices for which, wherever possible, we use observable market parameters and valuation models that are in line with the market. The discount interest rate takes account of any collateral agreements.

The following value adjustments are also applied within Belfius:

- Unearned credit spread: this value adjustment takes account of either the possibility that a counterparty might default and part of the fair value cannot be recovered (Credit Value Adjustment) or of the creditworthiness of Belfius (Debit Value Adjustment).
- Close-Out Costs: because the mid-market prices do not take account of the direction in which the deal was closed, the bid/ask adjustment does take account of this information so that the valuation will be closer to the exit price.
- Market price uncertainty: value adjustment for uncertainty of market parameters.
- Model risk: this value adjustment is made if the assumptions used in a valuation model cannot be verified or cannot be verified with sufficient accuracy.
- Cash-CDS adjustment: this adjustment takes into account the spread difference between the cash and corresponding derivatives due to the funding need.
- Operational risk: this value adjustment is made to take into account the risk of inadequate systems.

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

This item 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.

#### 6.10.3. 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 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;
- Loans with an adjustable rate are priced using the corresponding forward rates increased with the contractual margin.

- 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.
- A correction for the credit risk is also included in the fair value.

### 6.11. 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 the model meets the validation requirements of risk management, the day one profit or loss will be recognised immediately in the statement of income.

If the main parameters are not observable or risk management has not validated the model, the day one profit or loss will be amortised on a straight line basis 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.

## 7. 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.

The interest results of derivatives for which their economic hedge relationship are recognised in interest income/interest expense.

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 item 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.

## 8. 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.

## 9. Insurance and reinsurance activities

### 9.1. Classification

Belfius Insurance operates in both Life and Non-Life insurance activities.

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 DPFF, 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 type) insurance policies. This means that the deposit component and the insurance component are valued and presented 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 Insurance staff does not come under IFRS 4, but instead comes under the valuation rules for pension schemes.

### 9.2. Valuation

#### 9.2.1. 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 scope 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.

**Provisions 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.

**Provisions for Life insurance**

The provision for Life insurance is calculated taking account of the statutory requirements and terms regarding the Life insurance business. As such, the following apply:

Valuation using the forward-looking method: this method is applied for provisions in classical branch 21 insurance policies and conventional 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 conventional 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 ("indicator light provisions").

**Provision for discretionary beneficiary participation**

Discretionary beneficiary participation is a contractual, but conditional entitlement to receive additional profits over and above a guaranteed return. Belfius Insurance has opted to present this beneficiary participation separately until it is allocated to individual insurance policies after approval by the Shareholders' Meeting. 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.

First and foremost, the provision for discretionary beneficiary participation consists of the share in the profits for the financial year just closed which the insurance company, in line with its beneficiary profit-sharing plan and after approval by the Shareholders' Meeting that rules on the past financial year, that is expected to be allocated to policyholders.

In addition, the provision for discretionary beneficiary participation also includes the funds set aside in accordance with local accounting standards for future allocations that are processed via the profit-and-loss account. In making allocations and withdrawals from these funds, Belfius Insurance takes account of the investment results achieved and the estimate made by it on the reporting date of any conditional future profit sharing. 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 activities**

A specific reduction in value is applied to the reinsurance assets if:

- there is objective evidence, resulting from an event that occurred after the initial 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.

**9.2.2. Shadow accounting**

Belfius Insurance 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 Insurance applies shadow accounting if the statutory or contractual conditions in the insurance policies state that the realisation of recorded but unrealised profits on clearly defined assets belonging to the insurer has a direct effect on the valuation of the corresponding insurance 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 directly with the technical provisions by virtue of insurance policies.

### 9.2.3. Liability Adequacy Test – LAT

After carrying out the shadow accounting stated above, Belfius Insurance 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.

### 9.3. 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.

## 10. Network costs

This item records the commission paid to intermediaries associated by exclusive sales mandate for bringing in business, which are not accounted as transaction costs attributable to the acquisition of a financial asset or financial liability.

## 11. 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.

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. 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".

## 12. Intangible assets and goodwill

### 12.1. Intangible assets

Intangible assets consist mainly of

- internally generated software; and
- acquired software.

The costs associated with maintaining computer software programmes are recognised as expense as incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond one year is 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".

### 12.2. Goodwill

#### 12.2.1. 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.

#### 12.2.2. 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 financial budget approved by management.

The calculation of the "value in use" shall also reflect the time value of money (current risk-free rate of interest) corrected for the price for bearing the uncertainty inherent in the asset. This is reflected in the discount rate.

## 13. Other assets

Other assets mainly include accrued income (other than interest prorata), prepayments, operational taxes and other accounts receivable. They also include assets from insurance contracts (reinsurance, insurance premiums receivables, etc.), construction contracts, inventories, plan assets relating to employee benefit obligations.

## 14. 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.

## 15. Leases

A finance lease is one that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

### 15.1. Belfius is the lessee

Belfius 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.

## 15.2. Belfius is the lessor

Belfius grants both operating and finance leases.

Revenue from operating leases is recognised in the statement of income on a straight-line basis over the lease term. The underlying asset is accounted for in accordance with the accounting policies applicable to this type of asset.

For finance leases, Belfius recognises "leases receivable" at an amount equal to the net investment in the lease, which can be different from the present value of minimum lease payments.

The interest rate implicit in the lease contract acts as the discount rate. Interest income is recognised over the term of the lease using the interest rate implicit in the lease.

## 16. 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 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 control the timing of the reversal of the temporary difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to the fair value 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.

## 17. Employee benefits

### 17.1. Short-term benefits

Short-term benefits are expected to be wholly settled within twelve months after the end of the annual reporting period in which the employee renders service. These are measured on an undiscounted basis and recognised as an expense.

### 17.2. Post-employment benefits

Post-employment benefits include retirement benefits (annuity or lump sum payments on retirement) and other post-employment benefits such as medical care granted after the completion of the employment.

#### 17.2.1. Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows based on interest rates determined by reference to market yields on high quality corporate bonds that have terms to maturity approximating to the terms of the related liability. When there is no deep market in such bonds, the market yields on government bonds shall be used. The valuation technique for the assessment of pension expenses incorporates actuarial assumptions comprising both demographic assumptions and financial assumptions such as the inflation rate, salary increase.

The amount recognised in the balance sheet for the defined benefit plan is the difference between the present value of the defined benefit obligation (using the Projected Unit Credit Method) and the fair value of any plan assets. This amount may be presented as a liability or an asset.

In case of net asset, the amount recognised is limited to the asset ceiling, which is the present value of any economic benefits available for Belfius in the form of refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability (asset) are recognised in other comprehensive income and are never reclassified to profit or loss. Remeasurements arise from the effect of changes in demographic and financial assumptions, from experience adjustments, the return on plan assets and any change in the effect of the asset ceiling.

#### 17.2.2. Defined contribution pension plans

The contributions related to defined contribution plans are charged to the statement of income in the year to which they relate. Under such plans, the obligation of Belfius is limited to the contributions to the fund on behalf of its employees.



Due to the legal minimum guaranteed rate of return imposed by the Belgian State, Belgian contribution plans are considered as defined benefit plans under IAS 19 and presented as such.

### 17.3. Other long-term benefits

A benefit is classified as other long-term employee benefits when the payment is not expected to be wholly settled before twelve months after the end of the annual closing period in which the employee renders service. These mainly include provisions for jubilee premiums and bonuses that employees receive after completion of specified periods of service.

Due to the smaller degree of uncertainty compared with post-employment benefits, a simplified method based on actuarial calculations is required to recognise and measure jubilees and other long-term benefits. A provision is set up for the estimated liability as a result of services rendered by employees up to the balance-sheet date and remeasurements are recognised in the statement of income.

### 17.4. Termination benefits

Termination benefits result either from a decision of Belfius to terminate the employment before the normal date of retirement or an employee's decision to accept redundancy payments from Belfius for termination of employment. Any benefit that requires future service is not a termination benefit.

A termination benefit provision is recognised at the earlier of recognition of related restructuring costs and when Belfius can no longer withdraw the offer of those benefits.

## 18. 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. Please refer to impairment section 6.5.

## 19. Share capital

### 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.

## 20. 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.



## IV. 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 is the following:

- Franchise
  - Retail & Commercial Banking (RCB)
  - Public & Wholesale Banking (PWB)
  - Insurance activities
  - Group Center
- Side
  - Includes the legacy portfolio bonds and derivatives and transactions with former related parties

From 2013, a new allocation method for the results between the business lines is used in the bank.

This method is based on the analytic split of the balance sheet in sub-banks: RCB, PWB and Side.

ALM Liquidity is replaced by cash transfers based on cash excess and cash shortage of each sub-bank.

The 2012 figures have been adapted to comply with this new method and to create a comparative basis.

### 1. Segmentation - Balance sheet

#### 2013 presentation

The balance sheet of RCB and PWB is composed of the total commercial assets and liabilities on the balance sheet, either in the bank or in a subsidiary.

The 2012 figures have been adapted. The assets and liabilities of the securisation vehicles are now allocated to the segments and no longer to Group center.

The balance sheet of Side is composed of the legacy portfolio bonds and derivatives and the assets and liabilities with former related parties.

(In thousands of EUR)	31/12/12	
	Assets	Liabilities
Retail and Commercial Banking	33,398,410	61,909,025
Public and Wholesale Banking	40,459,785	19,854,546
Insurance activities	22,248,640	22,248,640
Group center	85,235,832	106,779,847
<b>FRANCHISE</b>	<b>181,342,667</b>	<b>210,792,058</b>
<b>SIDE</b>	<b>31,614,456</b>	<b>2,165,065</b>
<b>TOTAL</b>	<b>212,957,123</b>	<b>212,957,123</b>

(In thousands of EUR)	31/12/13	
	Assets	Liabilities
Retail and Commercial Banking	33,513,459	61,463,711
Public and Wholesale Banking	40,431,701	18,017,578
Insurance activities	22,478,724	22,478,724
Group center	60,271,469	79,377,410
<b>FRANCHISE</b>	<b>156,695,352</b>	<b>181,337,422</b>
<b>SIDE</b>	<b>26,082,070</b>	<b>1,440,000</b>
<b>TOTAL</b>	<b>182,777,422</b>	<b>182,777,422</b>

## 2. Segmentation – Profit and loss

	31/12/12			
	Income	o/w net income from associates	o/w net interest income	Net income before tax
(In thousands of EUR)				
Retail and Commercial Banking <sup>(1)</sup>	1,321,681	(389)	1,036,920	254,614
Public and Wholesale Banking	332,633	548	269,971	123,877
Insurance activities	269,940	2,667	778,351	79,966
Group center	45,159	2,968	61,134	(113,993)
<b>FRANCHISE</b>	<b>1,969,414</b>	<b>5,793</b>	<b>2,146,376</b>	<b>344,464</b>
<b>SIDE</b>	<b>488,928</b>	<b>0</b>	<b>29,499</b>	<b>261,733</b>
<b>TOTAL</b>	<b>2,458,342</b>	<b>5,793</b>	<b>2,175,875</b>	<b>606,197</b>
Net income before tax				606,197
Taxes				(183,553)
Minority interests				(1,368)
<b>NET INCOME – GROUP SHARE</b>				<b>421,277</b>

Some amounts may not add up due to roundings-off.

	31/12/13			
	Income	o/w net income from associates	o/w net interest income	Net income before tax
(In thousands of EUR)				
Retail and Commercial Banking <sup>(1)</sup>	1,150,743	445	893,042	70,991
Public and Wholesale Banking	311,187	822	294,757	127,186
Insurance activities	434,286	1,573	724,105	242,315
Group center	126,196	1,832	31,171	120,363
<b>FRANCHISE</b>	<b>2,022,412</b>	<b>4,672</b>	<b>1,943,075</b>	<b>560,855</b>
<b>SIDE</b>	<b>(188,077)</b>	<b>0</b>	<b>24,550</b>	<b>(43,056)</b>
<b>TOTAL</b>	<b>1,834,335</b>	<b>4,672</b>	<b>1,967,626</b>	<b>517,799</b>
Net income before tax				517,799
Taxes				(72,703)
Minority interests				(97)
<b>NET INCOME – GROUP SHARE</b>				<b>444,998</b>

(1) The decrease of the net profit before tax of the segment "Retail and Commercial Banking" is mainly due to the refinement of the methodology used to determine the collective impairment and the increase of specific taxes for banks.

Some amounts may not add up due to roundings-off.

## V. Notes on the assets of the consolidated balance sheet

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

### 5.1. 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:

#### Analysis by nature

(In thousands of EUR)	31/12/12	31/12/13
Cash and balances with central banks other than mandatory reserves	1,964,113	561,721
Mandatory reserves with central banks <sup>(1)</sup>	0	883,865
Loans and advances due from banks	3,815,771	1,499,281
Financial assets available for sale	1,369,317	1,073,792
Non-current assets held for sale	0	0
<b>TOTAL</b>	<b>7,149,201</b>	<b>4,018,659</b>

(1) The "Mandatory reserves" include the minimum reserve deposits that credit institutions must have with European Central Bank or with other central banks.

### 5.2. Cash and balances with central banks

#### Analysis by nature

(In thousands of EUR)	31/12/12	31/12/13
Cash in hand	463,928	519,100
Balances with central banks other than mandatory reserve deposits	1,500,184	42,621
Mandatory reserve deposits	448	883,995
<b>TOTAL</b>	<b>1,964,560</b>	<b>1,445,716</b>
<i>Of which included in cash and cash equivalents</i>	<i>1,964,113</i>	<i>1,445,586</i>

### 5.3. Loans and advances due from banks

#### 1. Analysis by nature

(In thousands of EUR)	31/12/12	31/12/13
Cash collateral	19,276,013	14,769,114
Sight accounts	1,005,339	519,959
Reverse repurchase agreements	5,607,501	855,618
Loans and other advances	1,754,655	273,404
Bonds	13,652,024	13,702,662
Impaired loans	13,252	13,037
Impaired bonds	10,123	6,419
Less:		
Specific impairment on impaired loans or impaired bonds	(15,815)	(11,456)
Collective impairment	(23,306)	(5,048)
<b>TOTAL<sup>(1)</sup></b>	<b>41,279,786</b>	<b>30,123,709</b>
<i>Of which included in cash and cash equivalents</i>	<i>3,815,771</i>	<i>1,499,281</i>
<i>Of which included in financial lease</i>	<i>0</i>	<i>0</i>

(1) Loans and advances to credit institutions declined mainly due to a decrease in the cash collateral, because of the interest rate evolution, and in the reverse repurchase agreements.

**2. Analysis of quality**

See note 5.16.

**3. Analysis by maturity and interest rate**

See notes 9.4., 9.5. and 9.6.

**4. Analysis of the fair value**

See note 9.1.

**5. Reclassification of financial assets (IAS 39 amended)**

See note 5.7.

**5.4. Loans and advances to customers****1. Analysis by counterparty**

(In thousands of EUR)	31/12/12	31/12/13
Public sector	19,260,163	19,493,575
Corporate	31,527,024	28,768,736
Retail	37,837,872	38,849,148
Impaired loans	2,370,097	2,056,528
Impaired bonds	162,552	50,174
Less:		
Specific impairment on impaired loans or impaired bonds	(1,184,619)	(1,129,543)
Collective impairment	(486,973)	(367,056)
<b>TOTAL<sup>(1)</sup></b>	<b>89,486,116</b>	<b>87,721,562</b>

(1) This decrease is mainly linked to the tactical de-risking of the "Side" portfolio.

**2. Analysis by nature**

(In thousands of EUR)	31/12/12	31/12/13
Cash collateral	2,480,999	1,378,126
Reverse repurchase agreements	478,775	395,578
Loans and other advances	77,348,744	77,991,416
Of which bills and own acceptances	12,563	22,616
Of which finance lease	2,947,290	2,963,226
Of which consumer loans	1,382,441	1,380,610
Of which mortgage loans <sup>(1)</sup>	25,336,084	25,631,177
Of which term loans <sup>(2)</sup>	44,080,263	44,457,275
Of which current accounts	2,316,301	2,080,357
Of which other loans and advances	1,273,802	1,456,155
Bonds	8,316,541	7,346,339
Impaired loans	2,370,097	2,056,528
Impaired bonds	162,552	50,174
Less:		
Specific impairment on impaired loans or impaired bonds	(1,184,619)	(1,129,543)
Collective impairment	(486,973)	(367,056)
<b>TOTAL</b>	<b>89,486,116</b>	<b>87,721,562</b>

(1) In 2012 an amount of EUR 12.1 billion "mortgage loans" were securitised and in 2013 an amount of EUR 10.2 billion.

(2) In 2012 an amount of EUR 8.6 billion "term loans" were securitised and in 2013 an amount of EUR 7.3 billion.

### 3. Analysis of quality

See note 5.16.

### 4. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

### 5. Analysis of the fair value

See note 9.1.

### 6. Reclassification of financial assets (IAS 39 amended)

See note 5.7.

## 5.5. Financial assets measured at fair value through profit or loss

(In thousands of EUR)	31/12/12	31/12/13
Financial assets held for trading	1,314,247	1,592,643
Financial assets designated at fair value <sup>(1)</sup>	3,763,388	3,919,590
<b>TOTAL</b>	<b>5,077,635</b>	<b>5,512,233</b>

(1) Mainly "branch 23".

## FINANCIAL ASSETS HELD FOR TRADING

### 1. Analysis by counterparty

(In thousands of EUR)	31/12/12	31/12/13
Public sector	63,476	234,756
Banks	44,413	35,438
Corporate	1,206,358	1,322,449
<b>TOTAL</b>	<b>1,314,247</b>	<b>1,592,643</b>

### 2. Analysis by nature

(In thousands of EUR)	31/12/12	31/12/13
Loans	53,712	4,279
Bonds issued by public sector	62,487	234,386
Other bonds and fixed-income instruments	1,182,696	1,344,917
Equity and variable-income instruments	15,352	9,061
<b>TOTAL</b>	<b>1,314,247</b>	<b>1,592,643</b>

### 3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

#### 4. Analysis of the fair value

See note 9.1.

#### 5. Reclassification of financial assets (IAS 39 amended)

See note 5.7.

### FINANCIAL ASSETS DESIGNATED AT FAIR VALUE

#### 1. Analysis by counterparty

(In thousands of EUR)	31/12/12	31/12/13
Public sector	27,654	29,972
Banks	8,418	8,912
Corporate	3,727,316	3,880,705
<b>TOTAL</b>	<b>3,763,388</b>	<b>3,919,589</b>

#### 2. Analysis by nature

(In thousands of EUR)	31/12/12	31/12/13
Loans	304,864	272,459
Unit-linked products Insurance – bonds and loans	748,699	894,997
Unit-linked products Insurance – equity and variable-income instruments	2,709,825	2,752,134
<b>TOTAL</b>	<b>3,763,388</b>	<b>3,919,590</b>

#### 3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

#### 3. Analysis of the fair value

See note 9.1.

The item “Financial assets designated at fair value through profit or loss” is used in the following situations:

- For the insurance activities: “branch 23”. The return of these unit-linked products 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 detailed in the valuation rules.

## 5.6. Financial investments

### 1. Analysis by counterparty

(In thousands of EUR)	31/12/12	31/12/13
Public sector	16,730,316	15,819,420
Banks	7,213,647	4,869,144
Corporate	7,473,608	7,279,060
Retail	63,628	23,691
Impaired financial investments	222,056	162,100
<b>TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT</b>	<b>31,703,255</b>	<b>28,153,415</b>
Less:		
Specific impairment on impaired financial investments	(99,592)	(79,264)
<b>TOTAL<sup>(1)</sup></b>	<b>31,603,663</b>	<b>28,074,151</b>
<i>Of which included in cash and cash equivalents</i>	<i>1,369,317</i>	<i>1,073,792</i>

(1) This decrease is mainly linked to the tactical de-risking of the "Side" portfolio.

### 2. Analysis of quality

See note 5.16.

### 3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

### 4. Analysis by nature

	31/12/12	31/12/13
Bonds issued by public bodies	16,444,888	15,630,258
Other bonds and fixed-income instruments	14,070,185	11,185,001
Equity and variable-income instruments	1,188,182	1,338,156
<b>TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT</b>	<b>31,703,255</b>	<b>28,153,415</b>
Specific impairment on impaired financial investments	(99,592)	(79,264)
<b>TOTAL</b>	<b>31,603,663</b>	<b>28,074,151</b>

### 5. Analysis of the fair value

See note 9.1.

### 6. Reclassification of financial assets (IAS 39 amended)

See note 5.7.



## 5.7. Reclassification of financial assets (IAS 39 amended)

(In thousands of EUR)	From Trading to Loans and receivables (1)	From Available for sale portfolio to Loans and receivables (2)
Book value as at 31 December 2012 (A)	442,313	7,463,675
Fair value as at 31 December 2012 (B)	392,332	6,226,976
CUMULATED AMOUNT BEFORE TAXES NOT TAKEN IN INCOME (1) DUE TO RECLASSIFICATION (B)-(A)	(49,981)	n.a.
CUMULATED AMOUNT BEFORE TAXES NOT TAKEN IN AFS RESERVE (2) DUE TO RECLASSIFICATION (B)-(A)	n.a.	(1,236,699)

(In thousands of EUR)	From Trading to Loans and receivables (1)	From Available for sale portfolio to Loans and receivables (2)
Book value as at 31 December 2013 (A)	215,813	5,945,497
Fair value as at 31 December 2013 (B)	189,274	4,799,613
CUMULATED AMOUNT BEFORE TAXES NOT TAKEN IN INCOME (1) DUE TO RECLASSIFICATION (B)-(A)	(26,539)	n.a.
CUMULATED AMOUNT BEFORE TAXES NOT TAKEN IN AFS RESERVE (2) DUE TO RECLASSIFICATION (B)-(A)	n.a.	(1,145,884)

Belfius Bank decided in 2008 and 2009 to apply the amendment of IAS 39 & IFRS 7 "Reclassification of financial assets".

The decrease of the outstanding amounts of the reclassified portfolio is mainly linked to the tactical de-risking of the "Side" portfolio.

### Impact of reclassifications on equity and results

We refer to the accounting policies for the further details on the impact of the reclassification.

#### A. Transfer from "Held for trading" to "Loans and receivables"

In 2008 Belfius Bank reclassified EUR 2.8 billion from "Held for trading" to "Loans and receivables".

The impact of this amortisation on the interest margin amounts to EUR 0.4 million in 2012 and EUR 1.9 million in 2013.

#### B. Transfer from "Available for sale (AFS)" to "Loans and receivables (L&R)"

Belfius Bank had also reclassified a portfolio from "Available for sale portfolio" to "Loans and receivables" for a total amount of EUR 16.3 billion in 2008 and 2009.

The reclassification resulted in a decrease of the "Cost of risk" for EUR 7 million in 2012. There are no new impaired bonds in 2013.

## 5.8. Derivatives

### 1. Analysis by nature

(In thousands of EUR)	31/12/12		31/12/13	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	31,995,938	31,187,290	20,852,309	20,788,208
Derivatives designated as fair value hedges	11,463	290,762	10,362	203,118
Derivatives designated as cash flow hedges	62	38,067	0	1,115
Derivatives designated as portfolio hedge	3,227,502	10,249,416	2,327,509	7,609,602
<b>TOTAL</b>	<b>35,234,965</b>	<b>41,765,535</b>	<b>23,190,180</b>	<b>28,602,043</b>

### 2. Detail of derivatives held for trading

(In thousands of EUR)	31/12/12				31/12/13			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	29,441,432	29,600,478	1,818,463	1,624,980	23,477,302	23,660,547	1,192,528	1,418,129
Interest rate derivatives	598,163,063	617,541,611	28,986,655	28,249,418	557,492,518	576,272,803	18,742,676	18,641,005
of which option/cap/floor/collar/swaption	190,540,720	208,193,400	2,690,144	3,010,710	201,492,007	216,851,811	2,205,510	2,509,335
of which interest rate swaps	383,377,642	383,626,332	26,289,411	25,238,270	328,408,365	328,651,191	16,535,508	16,129,651
of which other interest rate	24,244,701	25,721,879	7,100	438	27,592,146	30,769,801	1,658	2,019
Credit derivatives	9,691,594	7,949,995	1,039,210	1,141,798	7,040,169	6,749,033	769,201	622,418
Equity derivatives	2,708,333	3,237,844	151,610	171,094	2,195,276	2,433,444	147,904	106,656
<b>TOTAL</b>	<b>640,004,422</b>	<b>658,329,928</b>	<b>31,995,938</b>	<b>31,187,290</b>	<b>590,205,265</b>	<b>609,115,827</b>	<b>20,852,309</b>	<b>20,788,208</b>

### 3. Detail of derivatives designated as fair value hedges

(In thousands of EUR)	31/12/12				31/12/13			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	610,318	697,310	210	172,950	535,197	529,892	0	114,066
Interest rate derivatives	845,572	845,572	11,253	117,812	1,446,774	880,919	10,362	89,052
<b>TOTAL</b>	<b>1,455,890</b>	<b>1,542,882</b>	<b>11,463</b>	<b>290,762</b>	<b>1,981,971</b>	<b>1,410,811</b>	<b>10,362</b>	<b>203,118</b>

### 4. Detail of derivatives designated as cash flow hedges

(In thousands of EUR)	31/12/12				31/12/13			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	0	0	62	38,067	0	0	0	1,115
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>62</b>	<b>38,067</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,115</b>

## 5. Detail of derivatives of portfolio hedge<sup>(1)</sup>

(In thousands of EUR)	31/12/12				31/12/13			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	79,007,933	79,007,933	3,227,502	10,249,416	83,583,699	83,583,699	2,327,509	7,609,602
<b>TOTAL</b>	<b>79,007,933</b>	<b>79,007,933</b>	<b>3,227,502</b>	<b>10,249,416</b>	<b>83,583,699</b>	<b>83,583,699</b>	<b>2,327,509</b>	<b>7,609,602</b>

(1) Used only in fair-value hedge strategy.

## 6. Detail of derivatives designated as hedge of a net investment in foreign operations

Nil

We also refer to note 9.5. "Market Risk and ALM".

## 5.9. Investments in associates

### 1. Carrying value

(In thousands of EUR)	2012	2013
<b>CARRYING VALUE AS AT 1 JANUARY</b>	<b>93,154</b>	<b>92,872</b>
Acquisitions <sup>(1)</sup>	0	68,935
Disposals	(2,481)	0
Change in scope of consolidation (in)	0	6,790
Share of result before tax	6,184	5,261
Share of tax	(391)	(589)
Dividend paid	(3,549)	(3,782)
Other movements	(45)	0
<b>CARRYING VALUE AS AT 31 DECEMBER</b>	<b>92,872</b>	<b>169,487</b>

(1) In 2013, the companies North Light SA and Pole Star SA have been acquired. It concerns investments in real estate companies as part of the investment policy of Belfius Insurance.

### 2. Positive goodwill included in carrying amount

Nil

### 3. List of major associates

(In thousands of EUR)	Book value		Website
	31/12/12	31/12/13	
Ecetia Finances SA	63,931	63,515	<a href="http://www.ecetia.be">www.ecetia.be</a>
North Light SA <sup>(1)</sup>		33,775	
Pole Star SA <sup>(1)</sup>		33,340	
TEB Participations SA	14,057	13,847	<a href="http://www.ecetia.be">www.ecetia.be</a>
Aviabel SA	8,455	8,618	<a href="http://www.aviabel.com">www.aviabel.com</a>
Isabel SA	3,110	4,065	<a href="http://www.isabel.eu">www.isabel.eu</a>
Auxipar SA	2,854	3,638	
Promotion Léopold SA	465	481	

(1) In 2013, the companies North Light SA and Pole Star SA have been acquired. It concerns investments in real estate companies as part of the investment policy of Belfius Insurance.

### 4. Discontinuation of recognition of share of loss (negative equity)

Nil

## 5.10. Tangible fixed assets

### 1. Net book value

	Land and buildings		Office furniture and other equipment		Investment property <sup>(2)</sup>	Total
	Own use owner <sup>(1)</sup>	Own use finance lease	Own use owner	Own use finance lease		
(In thousands of EUR)						
<b>ACQUISITION COST</b>						
<b>AS AT 1 JANUARY 2012</b>	<b>1,935,190</b>	<b>2,507</b>	<b>479,304</b>	<b>22</b>	<b>286,124</b>	<b>2,703,147</b>
Acquisitions	182,535	0	9,588	0	102,756	294,879
Subsequent expenditures	19,140	0	0	0	10,515	29,655
Post-acquisition adjustment	0	0	0	0	14,139	14,139
Disposals	(230,006)	0	(405)	(5)	(61)	(230,477)
Change in scope of consolidation (in)	0	0	1	0	16,142	16,143
Transfers and cancellations	20,851	0	(87,062)	0	(11,713)	(77,924)
<b>ACQUISITION COST AS AT 31 DECEMBER 2012 (A)<sup>(3)</sup></b>	<b>1,927,710</b>	<b>2,507</b>	<b>401,426</b>	<b>17</b>	<b>417,902</b>	<b>2,749,562</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>						
<b>AS AT 1 JANUARY 2012</b>	<b>(893,297)</b>	<b>(166)</b>	<b>(366,381)</b>	<b>(16)</b>	<b>(42,259)</b>	<b>(1,302,119)</b>
Post-acquisition adjustment	0	0	0	0	0	0
Booked	(25,146)	(26)	(24,081)	0	(18,127)	(67,380)
Impairment booked <sup>(4)</sup>	(466)	0	(51)	0		(517)
Write-back	766	0		0		766
Disposals	21,433	0	397	0	75	21,905
Change in scope of consolidation (in)	0	0	(1)	0	(2,673)	(2,674)
Transfers and cancellations	(16,799)	0	87,063	0	10,464	80,728
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2012 (B)</b>	<b>(913,509)</b>	<b>(192)</b>	<b>(303,054)</b>	<b>(16)</b>	<b>(52,520)</b>	<b>(1,269,291)</b>
<b>NET BOOK VALUE AS AT 31 DECEMBER 2012 (A)+(B)</b>	<b>1,014,201</b>	<b>2,315</b>	<b>98,372</b>	<b>1</b>	<b>365,382</b>	<b>1,480,271</b>

(1) The acquisitions mainly include leasing contracts for the construction of property. The disposals include the delivery of these leasing contracts.

(2) In 2012: the Courthouse in Hasselt and retirement homes through the entities LFB and Legros Renier were acquired.

(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 7.12. "Impairment on tangible and intangible assets".

	Land and buildings		Office furniture and other equipment		Investment property	Total
(In thousands of EUR)	Own use owner <sup>(1)</sup>	Own use finance lease	Own use owner	Own use finance lease		
<b>ACQUISITION COST AS AT 1 JANUARY 2013</b>	<b>1,927,710</b>	<b>2,507</b>	<b>401,426</b>	<b>17</b>	<b>417,902</b>	<b>2,749,562</b>
Acquisitions	117,715	0	6,537	0	36,627	160,879
Subsequent expenditures	9,922	0	0	0	6,475	16,397
Post-acquisition adjustment	0	0	0	0	5,163	5,163
Disposals	(231,193)	0	(831)	0	(912)	(232,936)
Change in scope of consolidation (in)	0	0	0	0	8,440	8,440
Change in scope of consolidation (out)	(1,323)	0	(149)	0	(5,932)	(7,404)
Transfers and cancellations	11,321	0	(6,427)	0	(10,797)	(5,903)
<b>ACQUISITION COST AS AT 31 DECEMBER 2013 (A)</b>	<b>1,834,152</b>	<b>2,507</b>	<b>400,556</b>	<b>17</b>	<b>456,966</b>	<b>2,694,198</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2013</b>	<b>(913,509)</b>	<b>(192)</b>	<b>(303,054)</b>	<b>(16)</b>	<b>(52,520)</b>	<b>(1,269,291)</b>
Post-acquisition adjustment	0	0	0	0	0	0
Booked	(29,128)	(2,198)	(21,400)	(1)	(18,090)	(70,817)
Impairment booked <sup>(2)</sup>	(922)	0	0	0	0	(922)
Write-back	0	0	0	0	0	0
Disposals	36,775	0	548	0	10	37,333
Change in scope of consolidation (in)	0	0	0	0	(153)	(153)
Change in scope of consolidation (out)	0	0	149	0	123	272
Transfers and cancellations	(15,335)	0	6,427	0	9,995	1,087
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2013 (B)</b>	<b>(922,119)</b>	<b>(2,390)</b>	<b>(317,330)</b>	<b>(17)</b>	<b>(60,635)</b>	<b>(1,302,491)</b>
<b>NET BOOK VALUE AS AT 31 DECEMBER 2013 (A)+(B)</b>	<b>912,033</b>	<b>117</b>	<b>83,226</b>	<b>0</b>	<b>396,331</b>	<b>1,391,707</b>

(1) The acquisitions mainly include leasing contracts for the construction of property. The disposals include the delivery of these leasing contracts.

(2) For more information regarding this impairment, see note 7.12. "Impairment on tangible and intangible assets".

## 2. Fair value of investment property

(In thousands of EUR)	31/12/12	31/12/13
<b>TOTAL</b>	<b>371,133</b>	<b>430,520</b>
Fair value subject to an independent valuation	222,075	286,382
Fair value not subject to an independent valuation	149,058	144,138

## 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

## 5.11. Intangible assets and goodwill

(In thousands of EUR)	Positive goodwill <sup>(1)</sup>	Internally developed software	Other intangible assets <sup>(2)</sup>	Total
<b>ACQUISITION COST AS AT 1 JANUARY 2012</b>	<b>129,886</b>	<b>505,394</b>	<b>65,977</b>	<b>701,257</b>
Acquisitions	0	28,413	8,221	36,634
Disposals	0	(1,050)	(632)	(1,682)
Transfers and cancellations	0	(255,088)	(696)	(255,784)
Other movements	0	0	304	304
<b>ACQUISITION COST AS AT 31 DECEMBER 2012 (A)</b>	<b>129,886</b>	<b>277,669</b>	<b>73,174</b>	<b>480,729</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2012</b>	<b>(25,920)</b>	<b>(408,634)</b>	<b>(48,170)</b>	<b>(482,724)</b>
Booked	0	(36,194)	(8,157)	(44,351)
Disposals	0	54	314	368
Transfers and cancellations	0	255,088	684	255,772
Other movements	0	0	0	0
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2012 (B)</b>	<b>(25,920)</b>	<b>(189,686)</b>	<b>(55,329)</b>	<b>(270,935)</b>
<b>NET BOOK VALUE AS AT 31 DECEMBER 2012 (A)+(B)</b>	<b>103,966</b>	<b>87,983</b>	<b>17,845</b>	<b>209,794</b>

(1) Positive goodwill relates to the goodwill on the group Belfius Insurance. We refer to note 7.13. "Impairment on goodwill".

(2) Other intangible assets mainly include purchased software for EUR 17.7 million in 2012.

(In thousands of EUR)	Positive goodwill <sup>(1)</sup>	Internally developed software	Other intangible assets <sup>(2)</sup>	Total
<b>ACQUISITION COST AS AT 1 JANUARY 2013</b>	<b>129,886</b>	<b>277,669</b>	<b>73,174</b>	<b>480,729</b>
Acquisitions	0	26,638	3,916	30,554
Disposals	0	(746)	(3,125)	(3,871)
Transfers and cancellations	0	(20,446)	(96)	(20,542)
<b>ACQUISITION COST AS AT 31 DECEMBER 2013 (A)</b>	<b>129,886</b>	<b>283,115</b>	<b>73,869</b>	<b>486,870</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2013</b>	<b>(25,920)</b>	<b>(189,686)</b>	<b>(55,329)</b>	<b>(270,935)</b>
Booked	0	(32,467)	(6,854)	(39,321)
Disposals	0	47	1,844	1,891
Transfers and cancellations	0	20,446	96	20,542
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2013 (B)</b>	<b>(25,920)</b>	<b>(201,660)</b>	<b>(60,243)</b>	<b>(287,823)</b>
<b>NET BOOK VALUE AS AT 31 DECEMBER 2013 (A)+(B)</b>	<b>103,966</b>	<b>81,455</b>	<b>13,626</b>	<b>199,047</b>

(1) Positive goodwill relates to the goodwill on the group Belfius Insurance. We refer to note 7.13. "Impairment on goodwill".

(2) Other intangible assets mainly include purchased software for EUR 13.4 million in 2013.



## 5.12. Tax assets

### 1. Tax assets

(In thousands of EUR)	31/12/12	31/12/13
Current taxes	22,918	17,809
Deferred income tax assets <sup>(1)</sup>	1,184,795	941,018
<b>TOTAL</b>	<b>1,207,713</b>	<b>958,827</b>

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated basis" and to note 6.7. "Provisions and other obligations" for a detailed description.

### 2. Deferred taxes

#### A. Analysis

(In thousands of EUR)	31/12/12	31/12/13
Deferred income tax liabilities	(101,109)	(80,724)
Deferred income tax assets <sup>(1)</sup>	1,479,422	1,212,429
<b>DEFERRED TAXES</b>	<b>1,378,313</b>	<b>1,131,705</b>
Derecognised deferred tax assets	(294,627)	(271,411)
<b>NET DEFERRED INCOME TAX ASSETS/(LIABILITIES)</b>	<b>1,083,686</b>	<b>860,294</b>

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated basis" and to note 6.7. "Provisions and other obligations" for a detailed description.

#### B. Movements

(In thousands of EUR)	31/12/12	31/12/13
<b>AS AT 1 JANUARY</b>	<b>2,032,211</b>	<b>1,083,686</b>
Movements of the year		
Statement of income charge/credit	(164,568)	(38,264)
Items directly computed by equity <sup>(1)</sup>	(782,588)	(184,434)
Effect of change in tax rates - statement of income	(5)	(65)
Effect of change in tax rates - equity	(1,364)	(184)
Variation of scope of consolidation	0	(445)
<b>AS AT 31 DECEMBER</b>	<b>1,083,686</b>	<b>860,294</b>

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated basis" and to note 6.7. "Provisions and other obligations" for a detailed description.

#### Deferred tax coming from assets of the balance sheet

(In thousands of EUR)	31/12/12		31/12/13	
	Total	Of which impact in result	Total	Of which impact in result
Cash, loans and loan loss provisions	(8,865)	59,238	25,895	34,760
Securities	(526,233)	(149,741)	(912,365)	(304,771)
Derivatives	(4,778,039)	(23,170)	(8,240,649)	(3,488,297)
Tangible and intangible fixed assets	15,141	14,095	6,914	(8,227)
Other assets specific to insurance companies	(2,045)	(668)	(2,603)	(558)
Other movements	10,525	4,640	6,914	(3,611)
<b>TOTAL</b>	<b>(5,289,516)</b>	<b>(95,606)</b>	<b>(9,115,894)</b>	<b>(3,770,704)</b>

## Deferred tax coming from liabilities of the balance sheet

(In thousands of EUR)	31/12/12		31/12/13	
	Total	Of which impact in result	Total	Of which impact in result
Securities	15,335	(5,452)	(1,119)	(16,454)
Derivatives	5,591,034	146,441	9,301,503	3,753,616
Borrowings, deposits and issuance of debt securities	58,816	(10,533)	37,797	(21,019)
Provisions	151,399	19,630	122,694	(27,800)
Pensions <sup>(1)</sup>	40,240	(35,041)	24,980	57,528
Other liabilities specific to insurance companies	167,618	54,502	136,807	(6,607)
Other movements	17,026	(6,989)	16,413	(613)
<b>TOTAL</b>	<b>6,041,468</b>	<b>162,558</b>	<b>9,639,075</b>	<b>3,738,651</b>

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated basis" and to note 6.7. "Provisions and other obligations" for a detailed description.

(In thousands of EUR)	31/12/12		31/12/13	
	Total	Of which impact in result	Total	Of which impact in result
Deferred tax coming from the balance sheet	751,952	66,952	523,181	(32,053)
Derecognised deferred tax assets - temporary differences	(82,301)		(70,201)	
<b>DEFERRED TAX - TEMPORARY DIFFERENCES</b>	<b>669,651</b>		<b>452,980</b>	

## Deferred tax coming from other elements

(In thousands of EUR)	31/12/12		31/12/13	
	Total	Of which impact in result	Total	Of which impact in result
Tax losses carried forward	626,361	(233,322)	608,523	(17,392)
<b>TOTAL</b>	<b>626,361</b>	<b>(233,322)</b>	<b>608,523</b>	<b>(17,392)</b>
Derecognised deferred tax assets - tax losses carried forward	(212,326)		(201,210)	
<b>DEFERRED TAX COMING FROM OTHER ELEMENTS AFTER DERECOGNISED DEFERRED TAX ASSETS - TAX LOSSES CARRIED FORWARD</b>	<b>414,035</b>		<b>407,313</b>	

(In thousands of EUR)	31/12/12	31/12/13
<b>DEFERRED TAX BEFORE DERECOGNISED DEFERRED TAX</b>	<b>1,378,313</b>	<b>1,131,704</b>
<b>DEFERRED TAX AFTER DERECOGNISED DEFERRED TAX</b>	<b>1,083,686</b>	<b>860,293</b>

## C. 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 differences	0	0	0	(70,201)	(70,201)
Tax losses carried forward	0	(46,582)	(851)	(153,777)	(201,210)
<b>TOTAL</b>	<b>0</b>	<b>(46,582)</b>	<b>(851)</b>	<b>(223,978)</b>	<b>(271,411)</b>

## 5.13. Other assets

(In thousands of EUR)	31/12/12	31/12/13
Other assets <sup>(1)</sup>	840,134	649,580
Other assets specific to insurance companies	315,415	273,555
<b>TOTAL</b>	<b>1,155,549</b>	<b>923,135</b>

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated basis" and to note 6.7. "Provisions and other obligations" for a detailed description.

### 1. Other assets

#### Analysis by nature

(In thousands of EUR)	31/12/12	31/12/13
Accrued income	54,568	57,799
Deferred expenses	16,404	35,388
Accounts receivable from customers	565,709	505,256
Plan assets <sup>(1)</sup>	6,230	122
Long-term construction contracts	0	0
Inventories	1,155	1,138
Operational taxes	33,150	29,988
Precious metals	162,918	19,889
<b>TOTAL</b>	<b>840,134</b>	<b>649,580</b>

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated basis" and to note 6.7. "Provisions and other obligations" for a detailed description.

### 2. Other assets specific to insurance companies

#### Analysis by nature (acquisition costs and share of reinsurers)

(In thousands of EUR)	31/12/12	31/12/13
Share of the reinsurers in the technical reserves	100,455	98,817
Receivables resulting from direct insurance transactions	46,884	59,739
Premiums still to be issued	2,875	18,309
Deferred acquisition costs	5,944	7,658
Other insurance assets <sup>(1)</sup>	159,257	89,032
Impaired insurance assets	547	732
Less:		
Specific impairment	(547)	(732)
Provisions on not impaired insurance assets	0	0
<b>TOTAL</b>	<b>315,415</b>	<b>273,555</b>

(1) Includes mainly claims on reinsurance entities.

## 5.14. Non current assets held for sale

(In thousands of EUR)	31/12/12	31/12/13
Assets of subsidiaries held for sale	0	0
Tangible and intangible assets held for sale	18,209	22,084
Discontinued operations	0	0
Other assets	1,408	1,075
<b>TOTAL</b>	<b>19,617</b>	<b>23,159</b>

## 5.15. Leasing

### 1. Belfius as a lessor

#### A. Finance lease

(In thousands of EUR)	31/12/12	31/12/13
Gross investment in finance leases		
Not later than 1 year	720,213	689,989
Later than 1 year and not later than 5 years	1,504,967	1,402,914
Over 5 years	1,380,749	1,488,265
<b>SUBTOTAL (A)</b>	<b>3,605,929</b>	<b>3,581,168</b>
<b>UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASES (B)</b>	<b>663,377</b>	<b>623,462</b>
<b>NET INVESTMENT IN FINANCE LEASES (A)+(B)</b>	<b>2,942,552</b>	<b>2,957,706</b>

(In thousands of EUR)	31/12/12	31/12/13
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	606,518	581,880
Later than 1 year and not later than 5 years	1,203,140	1,142,496
Over 5 years	1,132,894	1,233,330
<b>TOTAL</b>	<b>2,942,552</b>	<b>2,957,706</b>

(In thousands of EUR)	31/12/12	31/12/13
Amount of uncollectible finance lease receivables included in the provision for loan losses at the end of the period	64,395	38,593
Estimated fair value of finance lease	2,960,637	2,966,119
Accumulated allowance for uncollectible minimum lease payments receivable	28,548	22,463

#### B. Operating lease

(In thousands of EUR)	31/12/12	31/12/13
Future net minimum lease receivables under non cancellable operating leases are as follows:		
Not later than 1 year	14,592	17,406
Later than 1 year and not later than 5 years	51,344	93,369
Over 5 years	307,349	386,774
<b>TOTAL</b>	<b>373,285</b>	<b>497,549</b>

## 2. Belfius as a lessee

### A. Finance lease

Amounts involved are immaterial. See note 5.10 "Tangible fixed assets".

### B. Operating lease

(In thousands of EUR)	31/12/12	31/12/13
Future net minimum lease receivables under non cancellable operating leases are as follows:		
Not later than 1 year	9,574	9,529
Later than 1 year and not later than 5 years	31,177	31,329
Over 5 years	23,686	24,665
<b>TOTAL</b>	<b>64,437</b>	<b>65,523</b>
Amount of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date:	6,263	7,729
Lease and sublease payments recognized as an expense during the period:		
Minimum lease payments	8,957	8,047
Sublease payments	(30)	0
<b>TOTAL</b>	<b>8,927</b>	<b>8,047</b>

## 5.16. Quality of financial assets

### 1. Analysis of normal loans and securities

	Gross amount (A)	
(In thousands of EUR)	31/12/12	31/12/13
Loans and advances due from banks	41,295,532	30,120,757
Loans and advances to customers	88,625,059	87,111,459
Financial assets available for sale	31,481,200	27,991,315
Of which Fixed-income instruments	30,437,821	26,802,766
Of which Equity instruments	1,043,379	1,188,549
Collective impairment on not specifically impaired loans (-) <sup>(1)</sup>	(510,279)	(372,104)
<b>TOTAL</b>	<b>160,891,512</b>	<b>144,851,427</b>

(1) The "collective impairment losses for loans" have decreased mainly as a result of the tactical de-risking.

## 2. Analysis of impaired loans and securities

(In thousands of EUR)	Gross amount (B)		Specific impairment (C)		Total (B)+(C)	
	31/12/12	31/12/13	31/12/12	31/12/13	31/12/12	31/12/13
Loans and advances due from banks	23,375	19,456	(15,814)	(11,456)	7,561	8,000
Loans and advances to customers	2,532,649	2,106,702	(1,184,619)	(1,129,543)	1,348,030	977,159
Financial assets available for sale	222,055	162,100	(99,592)	(79,264)	122,463	82,836
Of which Fixed-income instruments	77,252	12,493	(33,648)	(3,101)	43,604	9,392
Of which Equity instruments	144,803	149,608	(65,944)	(76,164)	78,859	73,444
<b>TOTAL</b>	<b>2,778,079</b>	<b>2,288,258</b>	<b>(1,300,025)</b>	<b>(1,220,263)</b>	<b>1,478,054</b>	<b>1,067,995</b>

## 3. Normal + impaired

(In thousands of EUR)	Gross amount (A)+(B)		Specific impairment (C)		Total (A)+(B)+(C)	
	31/12/12	31/12/13	31/12/12	31/12/13	31/12/12	31/12/13
Loans and advances due from banks	41,318,907	30,140,213	(15,814)	(11,456)	41,303,093	30,128,757
Loans and advances to customers	91,157,708	89,218,161	(1,184,619)	(1,129,543)	89,973,089	88,088,618
Financial assets available for sale	31,703,255	28,153,415	(99,592)	(79,264)	31,603,663	28,074,151
Of which Fixed-income instruments	30,515,073	26,815,259	(33,648)	(3,101)	30,481,425	26,812,158
Of which Equity instruments	1,188,182	1,338,157	(65,944)	(76,164)	1,122,238	1,261,993
Collective impairment on not specifically impaired loans (-)	(510,279)	(372,104)	0	0	(510,279)	(372,104)
<b>TOTAL</b>	<b>163,669,591</b>	<b>147,139,685</b>	<b>(1,300,025)</b>	<b>(1,220,263)</b>	<b>162,369,566</b>	<b>145,919,422</b>

Management report

Consolidated financial statements

Non-consolidated financial statements

## VI. Notes on the liabilities of the consolidated balance sheet

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

### 6.1. Due to banks

#### 1. Analysis by nature

(In thousands of EUR)	31/12/12	31/12/13
On demand	266,385	157,503
Term	2,197,976	1,577,992
Repurchase agreements	2,792,945	6,905,580
Central banks <sup>(1)</sup>	25,201,736	13,674,188
Cash collateral received <sup>(1)</sup>	9,907,718	6,855,245
Other borrowings	73,540	65,060
<b>TOTAL</b>	<b>40,440,300</b>	<b>29,235,568</b>

(1) The improved liquidity position of Belfius reduces the need of central bank loans. For more details, we refer to the chapter "Risk Management" in the Management Report.

#### 2. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

#### 3. Analysis of the fair value

See note 9.1.

### 6.2. Customer borrowings and deposits

#### 1. Analysis by nature

(In thousands of EUR)	31/12/12	31/12/13
Demand deposits	16,153,919	16,258,835
Saving deposits	28,017,841	29,792,678
Term deposits	9,080,658	8,295,023
Other customer deposits	5,253,965	5,374,221
<b>TOTAL CUSTOMER DEPOSITS</b>	<b>58,506,383</b>	<b>59,720,757</b>
Repurchase agreements	8,120,717	1,875,380
Other borrowings	21,992	29,175
<b>TOTAL CUSTOMER BORROWINGS</b>	<b>8,142,709</b>	<b>1,904,555</b>
<b>TOTAL</b>	<b>66,649,092</b>	<b>61,625,312</b>

#### 2. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

#### 3. Analysis of the fair value

See note 9.1.



## 6.3. Financial liabilities measured at fair value through profit or loss

(In thousands of EUR)	31/12/12	31/12/13
Financial liabilities held for trading	96,394	45,686
Financial liabilities designated at fair value	10,366,557	8,415,122
<b>TOTAL</b>	<b>10,462,951</b>	<b>8,460,808</b>

### FINANCIAL LIABILITIES HELD FOR TRADING

#### 1. Analysis by nature

(In thousands of EUR)	31/12/12	31/12/13
Bonds issued by public sector	35,368	29,420
Other bonds	60,956	11,427
Equity instruments	70	4,839
<b>TOTAL</b>	<b>96,394</b>	<b>45,686</b>

#### 2. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

#### 3. Analysis of the fair value

See note 9.1.

### FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

#### 1. Analysis by nature

(In thousands of EUR)	31/12/12	31/12/13
Non-subordinated liabilities <sup>(1)</sup>	6,594,395	4,464,080
Subordinated liabilities	313,638	303,911
Unit-linked products - Branch 23	3,458,524	3,647,131
<b>TOTAL</b>	<b>10,366,557</b>	<b>8,415,122</b>

(1) The decrease of the "non subordinated liabilities" is due to maturity dates and call dates.

#### 2. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

#### 3. Analysis of the fair value

See note 9.1.

The item "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.

## 6.4. Debt securities

### 1. Analysis by nature

(In thousands of EUR)	31/12/12	31/12/13
Certificates of deposit	1,743,419	1,680,786
Customer savings certificates	10,080,865	8,621,354
Non-convertible bonds	13,273,617	13,842,017
Covered bonds <sup>(1)</sup>	1,341,593	3,040,023
<b>TOTAL</b>	<b>26,439,494</b>	<b>27,184,180</b>

(1) The covering assets of the covered bonds are mainly Belgian mortgage loans provided according to the law on mortgage credit (law of 4 August 1992). These residential loans are granted through the branch network of Belfius. A detailed description of the covering assets (including the outstanding amount and the characteristics of the residential loans in the cover pool) can be consulted on the website of Belfius Bank in the section "Financial communication". For more details, we refer to the prospectus (on the website of Belfius).

### 2. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

### 3. Analysis of the fair value

See note 9.1.

## 6.5. Subordinated debts

### 1. Analysis by nature

(In thousands of EUR)	31/12/12	31/12/13
<b>CONVERTIBLE SUBORDINATED DEBT</b>		
Nil		
<b>NON-CONVERTIBLE SUBORDINATED DEBT</b>		
Loan capital perpetual subordinated notes	266,018	334,483
Other	773,888	558,709
<b>TOTAL</b>	<b>1,039,906</b>	<b>893,192</b>
<b>HYBRID CAPITAL AND REDEEMABLE PREFERENCE SHARES</b>	<b>0</b>	<b>0</b>

### 2. Analysis of subordinated debt convertible in Dexia shares

Nil

### 3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

### 4. Analysis of the fair value

See note 9.1.

## 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	35,000	15/12/2014	a) not applicable b) no specific conditions c) none	CMS linked <sup>(3)</sup>
2.	EUR	15,000	15/12/2015	a) not applicable b) no specific conditions c) none	basket linked (Nikkei, Eurostoxx50, S&P500)
3.	EUR	15,000	15/07/2019	a) not applicable b) no specific conditions c) none	CMS linked <sup>(3)</sup>
4.	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%
5.	EUR	11,000	16/12/2019	a) not applicable b) no specific conditions c) none	CMS linked <sup>(3)</sup>
6.	EUR	29,931	01/03/2022	a) not applicable b) no specific conditions c) none	Euribor 3 m + 43 bp
7.	EUR	44,932	04/04/2022	a) not applicable b) no specific conditions c) none	6.00%
8.	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%
9.	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%
10.	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
11.	EUR	17,500	undetermined (call date: 29/12/2019)	a) possible with the agreement of the NBB, from the time of the call, then at the end of each period of 10 years b) no specific conditions c) none	IRS 10 y + 200 bp
12.	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 + 200 bp
13. <sup>(1)(2)</sup>	EUR	65,904	undetermined (call date: 18/05/2014)	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
14. <sup>(1)</sup>	GBP	150,000	09/02/2017 (call date: 09/02/2014)	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
15. <sup>(1)</sup>	USD	50,000	undetermined (call date: 25/02/2014)	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

(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

(3) 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. <sup>(1)</sup>	USD	100,000	undetermined (call date: 21/03/2014)	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
17.	JPY	10,000,000	11/09/2025	a) not applicable b) no specific conditions c) none	6.10%
18.	JPY	10,000,000	11/09/2025	a) not applicable b) no specific conditions c) none	6.05%
19. <sup>(1)</sup>	EUR	299,842	20/06/2018 (call date: 20/06/2014)	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 12 m + 150 bp
20.	EUR	72,000	undetermined (call date: 01/01/2025)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each year b) no specific conditions c) none	6.25% till 01/01/2025, then: Euribor 3 m + 417 bp

(1) This issue falls within the scope of the temporary restrictions on early redemption (call) as agreed with the European Commission.

## 6.6. Insurance contracts

### 1. General overview Life/Non-Life contracts

(In thousands of EUR)	31/12/12				31/12/13			
	Life branch 21 and 26	Life branch 23	Non-Life	Total	Life branch 21 and 26	Life branch 23	Non-Life	Total <sup>(3)</sup>
Gross reserves <sup>(1)</sup>	16,621,011	0	958,177	17,579,188	16,628,880	0	1,012,210	17,641,090
Gross reserves - Share of reinsurers <sup>(2)</sup>	12,470	0	87,985	100,455	12,811	0	86,006	98,817
Gross earned premiums	1,485,694	0	518,290	2,003,984	1,248,889	0	531,972	1,780,861
Claims incurred and other technical expenses	(1,952,214)	17,047	(382,165)	(2,317,332)	(1,565,350)	20,956	(316,238)	(1,860,632)
Acquisition commissions	(132,554)	(6,967)	(81,799)	(221,320)	(161,758)	(8,067)	(92,592)	(262,417)
Technical result from ceded reinsurance	(41,966)	0	1,987	(39,979)	(38,734)	0	(23,198)	(61,932)
<b>TOTAL TECHNICAL RESULT<sup>(3)</sup></b>	<b>(641,040)</b>	<b>10,080</b>	<b>56,313</b>	<b>(574,647)</b>	<b>(516,953)</b>	<b>12,889</b>	<b>99,944</b>	<b>(404,120)</b>

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

(2) See note 5.13. "Other assets, table B. Other assets specific to insurance companies".

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

## 2. Insurance contracts Life

### A. Income and expenses

Technical result branch 21 and 26	31/12/12			31/12/13		
	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total
(In thousands of EUR)						
Gross premiums written	555,695	930,073	1,485,768	594,708	654,312	1,249,020
Change in gross unearned premium reserves (UPR)	(74)	0	(74)	(131)	0	(131)
<b>GROSS EARNED PREMIUMS</b>	<b>555,621</b>	<b>930,073</b>	<b>1,485,694</b>	<b>594,577</b>	<b>654,312</b>	<b>1,248,889</b>

(1) Discretionary participation feature.

(In thousands of EUR)	31/12/12	31/12/13
<b>GROSS PREMIUMS WRITTEN LIFE</b>	<b>1,485,768</b>	<b>1,249,020</b>
Direct business	1,291,106	1,057,652
Accepted reinsurance	194,662	191,368

	31/12/12			31/12/13		
	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total
(In thousands of EUR)						
Gross claims paid	(366,008)	(1,056,765)	(1,422,773)	(374,788)	(1,049,987)	(1,424,775)
Changes in claims reserves	(871)	110,971	110,100	(1,124)	17,449	16,325
Changes in Life insurance reserves	(215,116)	(237,067)	(452,183)	(1,617,079)	1,335,866	(281,213)
Changes in profit sharing reserves	(117,522)	(57,058)	(174,580)	120,710	(1,097)	119,613
Changes in other technical reserves	(60)	0	(60)	167	0	167
Other technical income and charges	(11,528)	(1,190)	(12,718)	4,147	386	4,533
<b>CLAIMS INCURRED AND OTHER TECHNICAL EXPENSES</b>	<b>(711,105)</b>	<b>(1,241,109)</b>	<b>(1,952,214)</b>	<b>(1,867,967)</b>	<b>302,617</b>	<b>(1,565,350)</b>

(1) Discretionary participation feature.

	31/12/12			31/12/13		
	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total
(In thousands of EUR)						
<b>ACQUISITION COMMISSIONS</b>	<b>(89,569)</b>	<b>(42,985)</b>	<b>(132,554)</b>	<b>(153,160)</b>	<b>(8,598)</b>	<b>(161,758)</b>

(1) Discretionary participation feature.

	31/12/12			31/12/13		
	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total
(In thousands of EUR)						
Premiums ceded to reinsurers	(102,368)	(15)	(102,383)	(95,421)	(17)	(95,437)
Share of reinsurers in change of unearned premium reserves (UPR)	(2)	0	(2)	0	0	0
<b>EARNED PREMIUMS - SHARE OF REINSURERS</b>	<b>(102,370)</b>	<b>(15)</b>	<b>(102,385)</b>	<b>(95,421)</b>	<b>(17)</b>	<b>(95,437)</b>
Claims paid - share of reinsurers	40,727	0	40,727	42,037	0	42,037
Changes in claims reserves - share of reinsurers	(97)	0	(97)	(155)	0	(155)
Changes in Life insurance reserves - share of reinsurers	658	0	658	523	0	523
Changes in profit sharing reserves - share of reinsurers	1,257	0	1,257	276	0	276
Changes in other technical reserves - share of reinsurers	0	0	0	0	0	0
Other technical income and charges - share of reinsurers	(121)	0	(121)	(161)	0	(161)
<b>CLAIMS INCURRED AND OTHER TECHNICAL EXPENSES - SHARE OF REINSURERS</b>	<b>42,424</b>	<b>0</b>	<b>42,424</b>	<b>42,520</b>	<b>0</b>	<b>42,520</b>
Acquisition Commissions and profit sharing received from reinsurers	17,995	0	17,995	14,127	56	14,183
<b>TECHNICAL RESULT FROM CEDED REINSURANCE</b>	<b>(41,951)</b>	<b>(15)</b>	<b>(41,966)</b>	<b>(38,774)</b>	<b>40</b>	<b>(38,734)</b>

(1) Discretionary participation feature.

## B. Changes in technical reserves

### Change in unearned premium reserves

	31/12/12			31/12/13		
	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total
(In thousands of EUR)						
Unearned premium reserves (UPR) as at 1 January	450	0	450	524	0	524
Gross change in unearned premium reserves (UPR) as at 31 December	(524)	0	(524)	(139)	0	(139)
Transferred unearned premium reserves (UPR)	0	0	0	(516)	0	(516)
<b>GROSS CHANGE IN UNEARNED PREMIUM RESERVES (UPR)</b>	<b>(74)</b>	<b>0</b>	<b>(74)</b>	<b>(131)</b>	<b>0</b>	<b>(131)</b>

(1) Discretionary participation feature.

### Changes in claims reserves

	31/12/12			31/12/13		
	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total
(In thousands of EUR)						
Claims reserves as at 1 January	76,879	158,143	235,022	54,540	70,382	124,922
Claims reserves as at 31 December	(54,540)	(70,382)	(124,922)	(54,157)	(52,933)	(107,090)
Transferred claims reserves	(23,210)	23,210	0	(1,507)		(1,507)
<b>GROSS CHANGE IN CLAIMS RESERVES</b>	<b>(871)</b>	<b>110,971</b>	<b>110,100</b>	<b>(1,124)</b>	<b>17,449</b>	<b>16,325</b>

(1) Discretionary participation feature.

## Changes in Life insurance reserves

	31/12/12			31/12/13		
	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total
(In thousands of EUR)						
Life insurance reserves as at 1 January	3,751,942	11,839,035	15,590,977	3,962,685	12,074,085	16,036,770
Life insurance reserves as at 31 December	(3,962,685)	(12,074,085)	(16,036,770)	(5,580,553)	(10,673,726)	(16,254,279)
Transferred Life insurance reserves	(4,373)	(2,017)	(6,390)	789	(64,493)	(63,704)
<b>GROSS CHANGE IN LIFE INSURANCE RESERVES</b>	<b>(215,116)</b>	<b>(237,067)</b>	<b>(452,183)</b>	<b>(1,617,079)</b>	<b>1,335,866</b>	<b>(281,213)</b>

(1) Discretionary participation feature.

## Changes in profit sharing reserves

	31/12/12			31/12/13		
	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total
(In thousands of EUR)						
Profit sharing reserve as at 1 January	12,148	63,728	75,876	128,835	121,248	250,083
Profit sharing reserve as at 31 December	(128,835)	(121,248)	(250,083)	(8,015)	(122,345)	(130,360)
Paid profit share	(373)	0	(373)	(108)	0	(108)
Transferred profit sharing reserve	(462)	462	0	(2)	0	(2)
<b>GROSS CHANGE IN PROFIT SHARING RESERVE<sup>(2)</sup></b>	<b>(117,522)</b>	<b>(57,058)</b>	<b>(174,580)</b>	<b>120,710</b>	<b>(1,097)</b>	<b>119,613</b>

(1) Discretionary participation feature.

(2) This reserve includes the fund for future allocation.

## Changes in other technical reserves

	31/12/12			31/12/13		
	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total
(In thousands of EUR)						
Other technical reserves Life as at 1 January	107	0	107	167	0	167
Other technical reserves Life as at 31 December	(167)	0	(167)	0	0	0
<b>GROSS CHANGE IN OTHER TECHNICAL RESERVES LIFE</b>	<b>(60)</b>	<b>0</b>	<b>(60)</b>	<b>167</b>	<b>0</b>	<b>167</b>

(1) Discretionary participation feature.



## C. Changes in technical reserves – share of reinsurers

### Share of reinsurers in change of unearned premium reserves (UPR)

	31/12/12			31/12/13		
	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total
(In thousands of EUR)						
Share of reinsurers in unearned premium reserves as at 1 January	(2)	0	(2)	0	0	0
Share of reinsurers in unearned premium reserves as at 31 December	0	0	0	0	0	0
<b>SHARE OF REINSURERS IN CHANGE IN UNEARNED PREMIUM RESERVES (UPR)</b>	<b>(2)</b>	<b>0</b>	<b>(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>

(1) Discretionary participation feature.

### Changes in claims reserves – share of reinsurers

	31/12/12			31/12/13		
	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total
(In thousands of EUR)						
Share of reinsurers in claims reserves as at 1 January	(1,569)	0	(1,569)	(1,472)	0	(1,472)
Share of reinsurers in claims reserves as at 31 December	1,472	0	1,472	1,317	0	1,317
Share of reinsurers in transferred claims reserves	0	0	0	0	0	0
<b>CHANGES IN CLAIMS RESERVES – SHARE OF REINSURERS</b>	<b>(97)</b>	<b>0</b>	<b>(97)</b>	<b>(155)</b>	<b>0</b>	<b>(155)</b>

(1) Discretionary participation feature.

### Changes in Life insurance reserves – share of reinsurers

	31/12/12			31/12/13		
	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total
(In thousands of EUR)						
Share of reinsurers in Life insurance reserves as at 1 January	(10,313)	0	(10,313)	(10,971)	0	(10,971)
Share of reinsurers in Life insurance reserves as at 31 December	10,971	0	10,971	11,494	0	11,494
Share of reinsurers in transferred Life insurance reserves	0	0	0	0	0	0
<b>CHANGES IN LIFE INSURANCE RESERVES – SHARE OF REINSURERS</b>	<b>658</b>	<b>0</b>	<b>658</b>	<b>523</b>	<b>0</b>	<b>523</b>

(1) Discretionary participation feature.

## Changes in profit sharing reserves – share of reinsurers

	31/12/12			31/12/13		
	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total
(In thousands of EUR)						
Share of reinsurers in transferred profit sharing reserve as at 1 January	(37)	0	(37)	(27)	0	(27)
Share of reinsurers in transferred profit sharing reserve as at 31 December	27	0	27	0	0	0
Share of reinsurers in paid profit share	1,267	0	1,267	303	0	303
Share of reinsurers in transferred profit sharing reserve	0	0	0	0	0	0
<b>CHANGES IN PROFIT SHARING RESERVES – SHARE OF REINSURERS</b>	<b>1,257</b>	<b>0</b>	<b>1,257</b>	<b>276</b>	<b>0</b>	<b>276</b>

(1) Discretionary participation feature.

## D. Losses resulting from liability adequacy test (LAT)

Nil

## E. Assets and Liabilities

## Gross reserves

	31/12/12			31/12/13		
	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total
(In thousands of EUR)						
Life insurance reserves	3,962,685	12,074,085	16,036,770	5,580,553	10,673,726	16,254,278
Reserves due to results of LAT (Liability Adequacy Test)	0	0	0	0	0	0
Reserves due to shadow accounting adjustments	53,216	155,328	208,544	13,014	124,000	137,014
Reserves due to IAS 39	0	0	0	0	0	0
<b>TOTAL LIFE INSURANCE RESERVE</b>	<b>4,015,901</b>	<b>12,229,413</b>	<b>16,245,314</b>	<b>5,593,567</b>	<b>10,797,726</b>	<b>16,391,293</b>
Claims reserves	54,541	70,382	124,923	54,157	52,933	107,090
Profit sharing reserve	128,835	121,248	250,083	8,015	122,344	130,359
Unearned premium reserves (UPR)	524	0	524	138	0	138
Other technical reserves	167	0	167	0	0	0
<b>TOTAL GROSS TECHNICAL RESERVES LIFE</b>	<b>4,199,968</b>	<b>12,421,043</b>	<b>16,621,011</b>	<b>5,655,877</b>	<b>10,973,003</b>	<b>16,628,880</b>

(1) Discretionary participation feature.

## Share of reinsurers

	2012			2013		
	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total	Insurance contracts	Investment contracts with DPF <sup>(1)</sup>	Total
(In thousands of EUR)						
Share of reinsurers in Life insurance reserves	10,971	0	10,971	11,494	0	11,494
Share of reinsurers in claims reserves	1,472	0	1,472	1,317	0	1,317
Share of reinsurers in unearned premium reserves (UPR)	0	0	0	0	0	0
Share of reinsurers in profit sharing reserves	27	0	27	0	0	0
Share of reinsurers in other technical reserves	0	0	0	0	0	0
<b>TOTAL SHARE OF REINSURERS IN TECHNICAL RESERVES LIFE</b>	<b>12,470</b>	<b>0</b>	<b>12,470</b>	<b>12,811</b>	<b>0</b>	<b>12,811</b>

(1) Discretionary participation feature.

## Discretionary participation feature included in equity

Nil

## Reconciliation of changes in life insurance reserve

	2012			2013		
	Gross amount contracts	Reinsurance amount	Net amount	Gross amount contracts	Reinsurance amount	Net amount
(In thousands of EUR)						
<b>LIFE INSURANCE RESERVES AS AT 1 JANUARY</b>	<b>15,594,813</b>	<b>10,313</b>	<b>15,584,500</b>	<b>16,245,314</b>	<b>10,971</b>	<b>16,234,343</b>
Variation in opening due to variation of scope of consolidation	0	0	0	0	0	0
Net payment received/premiums receivable	1,387,814	4,991	1,382,823	804,642	3,700	800,942
Additional reserves due to shadow accounting adjustments	204,709	0	204,709	(71,530)	0	(71,530)
Additional reserves due to results of LAT (Liability Adequacy Test)	0	0	0	0	0	0
Claims paid	(1,350,256)	(2,172)	(1,348,084)	(1,366,922)	(2,774)	(1,364,148)
Results on death and on life	(84,151)	(2,582)	(81,569)	(79,443)	(1,946)	(77,497)
Attribution of technical interest	457,983	427	457,557	502,810	645	502,165
Other changes	34,402	(6)	34,408	356,421	897	355,524
Variation of scope of consolidation	0	0	0	0	0	0
<b>LIFE INSURANCE RESERVES AS AT 31 DECEMBER</b>	<b>16,245,314</b>	<b>10,971</b>	<b>16,234,343</b>	<b>16,391,292</b>	<b>11,493</b>	<b>16,379,799</b>

## 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 <sup>(1)</sup>			
	31/12/12		31/12/13	
> 4.00%	1,801,074	11%	1,889,059	12%
≤ 4.00%	1,964,671	12%	2,276,623	14%
≤ 3.50%	3,417,513	21%	3,002,867	18%
≤ 3.00%	5,243,619	33%	4,795,098	30%
≤ 2.50%	1,800,087	11%	1,913,854	12%
≤ 2.00%	329,132	2%	1,268,525	8%
Equal to 0%	1,376,262	9%	884,196	5%
Other	104,411	1%	224,056	1%
<b>TOTAL</b>	<b>16,036,769</b>	<b>100%</b>	<b>16,254,278</b>	<b>100%</b>

(1) Total gross technical reserves Life (shadow accounting adjustments excluded).

## 3. Insurance contracts Non-Life

## A. Income and expenses

(In thousands of EUR)	31/12/12	31/12/13
Gross premiums written	520,690	534,303
Change in gross unearned premium reserves (UPR)	(2,401)	(2,331)
<b>GROSS EARNED PREMIUMS</b>	<b>518,289</b>	<b>531,972</b>

(In thousands of EUR)	31/12/12	31/12/13
Gross claims paid	(306,290)	(264,459)
Changes in claims reserves	(75,204)	(43,342)
Changes in profit sharing reserves	8	0
Changes in other technical reserves	(609)	(8,358)
Other technical income and charges	(71)	(80)
<b>CLAIMS INCURRED AND OTHER TECHNICAL EXPENSES</b>	<b>(382,166)</b>	<b>(316,239)</b>

(In thousands of EUR)	31/12/12	31/12/13
Acquisition commissions insurance paid	(24,397)	(33,581)
Acquisition commissions brokers distribution paid	(57,402)	(59,011)
<b>ACQUISITION COMMISSIONS</b>	<b>(81,799)</b>	<b>(92,592)</b>

(In thousands of EUR)	31/12/12	31/12/13
Premiums ceded to reinsurers	(35,722)	(36,921)
Share of reinsurers in change of unearned premium reserves (UPR)	69	61
<b>EARNED PREMIUMS - SHARE OF REINSURERS</b>	<b>(35,653)</b>	<b>(36,860)</b>
Claims paid - share of reinsurers	20,181	12,779
Changes in claims reserves - share of reinsurers	15,202	(1,959)
Changes in other technical reserves - share of reinsurers	(72)	(83)
Other technical income and charges - share of reinsurers	(231)	(97)
<b>CLAIMS INCURRED AND OTHER TECHNICAL EXPENSES - SHARE OF REINSURERS</b>	<b>35,080</b>	<b>10,640</b>
Acquisition Commissions and profit sharing received from reinsurers	2,561	3,023
<b>TECHNICAL RESULT FROM CEDED REINSURANCE</b>	<b>1,988</b>	<b>(23,197)</b>

## B. Changes in technical reserves

### Change in unearned premium reserves

(In thousands of EUR)	31/12/12	31/12/13
Unearned premium reserves (UPR) as at 1 January	109,348	111,749
Unearned premium reserves (UPR) as at 31 December	(111,749)	(114,080)
Transferred unearned premium reserves	0	0
<b>GROSS CHANGE IN UNEARNED PREMIUM RESERVES (UPR)</b>	<b>(2,401)</b>	<b>(2,331)</b>

### Change in claims reserves

(In thousands of EUR)	31/12/12	31/12/13
Claims reserves as at 1 January	748,150	823,354
Claims reserves as at 31 December	(823,354)	(866,696)
Transferred claims reserves	0	0
<b>GROSS CHANGE IN CLAIMS RESERVES</b>	<b>(75,204)</b>	<b>(43,342)</b>

### Changes in profit sharing reserves

(In thousands of EUR)	31/12/12	31/12/13
Profit sharing reserve as at 1 January	0	0
Profit sharing reserve as at 31 December	0	0
Paid profit share	8	0
Transferred profit sharing reserve	0	0
<b>GROSS CHANGE IN PROFIT SHARING RESERVE</b>	<b>8</b>	<b>0</b>

### Changes in other technical reserves

(In thousands of EUR)	31/12/12	31/12/13
Other technical reserves as at 1 January	22,466	23,075
Other technical reserves as at 31 December	(23,075)	(31,433)
<b>GROSS CHANGE IN OTHER TECHNICAL RESERVES</b>	<b>(609)</b>	<b>(8,358)</b>

## C. Changes in technical reserves - share of reinsurers

### Share of reinsurers in change of unearned premium reserves (UPR)

(In thousands of EUR)	31/12/12	31/12/13
Share of reinsurers in unearned premium reserves as at 1 January	(1,625)	(1,694)
Share of reinsurers in unearned premium reserves as at 31 December	1,694	1,755
<b>SHARE OF REINSURERS IN CHANGE IN UNEARNED PREMIUM RESERVES (UPR)</b>	<b>69</b>	<b>61</b>

### Changes in claims reserves - share of reinsurers

(In thousands of EUR)	31/12/12	31/12/13
Share of reinsurers in claims reserves as at 1 January	(70,514)	(85,716)
Share of reinsurers in claims reserves as at 31 December	85,716	83,757
Share of reinsurers in transferred claims reserves	0	0
<b>CHANGES IN CLAIMS RESERVES - SHARE OF REINSURERS</b>	<b>15,202</b>	<b>(1,959)</b>

## Changes in other technical reserves - share of reinsurers

(In thousands of EUR)	31/12/12	31/12/13
Other technical reserves as at 1 January	(648)	(576)
Other technical reserves as at 31 December	576	493
<b>CHANGES IN OTHER TECHNICAL RESERVES - SHARE OF REINSURERS</b>	<b>(72)</b>	<b>(83)</b>

## D. Losses resulting from liability adequacy test (LAT)

Nil

## E. Non-life insurance by product group

	Gross earned premiums	Claims incurred and other technical costs	Acquisition commissions	Technical result reinsurance	Costs	Net income on capital	Other	Total P&L
(In thousands of EUR)								
<b>TOTAL AS AT 31 DECEMBER 2012</b>	<b>518,289</b>	<b>(382,166)</b>	<b>(81,799)</b>	<b>1,988</b>	<b>(97,134)</b>	<b>49,547</b>	<b>(1,474)</b>	<b>7,251</b>
<b>ACCEPTED REINSURANCE</b>	<b>1,714</b>	<b>(1,077)</b>	<b>(1,138)</b>	<b>(152)</b>	<b>1</b>	<b>810</b>	<b>(62)</b>	<b>96</b>
<b>DIRECT BUSINESS</b>	<b>516,575</b>	<b>(381,089)</b>	<b>(80,661)</b>	<b>2,140</b>	<b>(97,135)</b>	<b>48,737</b>	<b>(1,412)</b>	<b>7,155</b>
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

	Gross earned premiums	Claims incurred and other technical costs	Acquisition commissions	Technical result reinsurance	Costs	Net income on capital	Other	Total P&L
(In thousands of EUR)								
<b>TOTAL AS AT 31 DECEMBER 2013</b>	<b>531,972</b>	<b>(316,238)</b>	<b>(71,574)</b>	<b>(23,198)</b>	<b>(111,628)</b>	<b>41,536</b>	<b>2,728</b>	<b>53,598</b>
<b>ACCEPTED REINSURANCE</b>	<b>2,191</b>	<b>(1,622)</b>	<b>(232)</b>	<b>(133)</b>	<b>(11)</b>	<b>713</b>	<b>(64)</b>	<b>842</b>
<b>DIRECT BUSINESS</b>	<b>529,781</b>	<b>(314,616)</b>	<b>(71,342)</b>	<b>(23,065)</b>	<b>(111,617)</b>	<b>40,823</b>	<b>2,792</b>	<b>52,756</b>
All risks / accidents	77,647	(55,988)	(11,357)	(4,211)	(20,359)	7,593	16	(6,659)
Cars / third party liability	148,415	(100,366)	(20,471)	(5,063)	(34,507)	21,091	578	9,677
Cars / other branches	75,687	(37,915)	(9,929)	(577)	(16,779)	1,436	(19)	11,904
Credit and suretyship	0	(263)	66	0	(250)	109	(2)	(340)
Non Life distribution	0	0	0	0	(4)	0	2,333	2,329
Health	24,500	(26,718)	(1,474)	(426)	(5,316)	2,034	(32)	(7,432)
Fire and other damage to property	176,484	(70,207)	(26,925)	(14,179)	(29,936)	4,627	(63)	39,801
Accidents at work	27,048	(23,159)	(1,252)	1,391	(4,466)	3,933	(19)	3,476

Management report

Consolidated financial statements

Non-consolidated financial statements

## 4. Assets and liabilities

### A. Gross reserves

(In thousands of EUR)	31/12/12	31/12/13
Claims reserves	723,208	772,155
Reserves Unallocated Loss Adjustment Expenses (ULAE)	27,704	30,296
Premium deficiency reserves (Non-Life LAT)	0	0
Reserves for claims incurred but not reported (IBNR)	72,442	64,245
<b>GROSS TECHNICAL RESERVES NON-LIFE</b>	<b>823,354</b>	<b>866,696</b>
Other technical reserves	23,075	31,433
Unearned premium reserves (UPR)	111,748	114,080
<b>TOTAL GROSS TECHNICAL RESERVES NON-LIFE</b>	<b>958,177</b>	<b>1,012,209</b>

### B. Share of reinsurers

(In thousands of EUR)	31/12/12	31/12/13
Share of reinsurers in claims reserves	85,716	83,758
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
<b>SHARE OF REINSURERS IN TOTAL CLAIMS RESERVES</b>	<b>85,716</b>	<b>83,758</b>
Share of reinsurers in other technical reserves	576	493
Share of reinsurers in unearned premium reserves (UPR)	1,693	1,755
<b>TOTAL SHARE OF REINSURERS IN TECHNICAL RESERVES NON-LIFE</b>	<b>87,985</b>	<b>86,006</b>

### C. Reconciliation of changes in claims reserves

(In thousands of EUR)	2011			2012		
	Gross amount contracts	Reinsurance amount	Net amount	Gross amount contracts	Reinsurance amount	Net amount
<b>CLAIMS RESERVES AS AT 1 JANUARY</b>	<b>748,150</b>	<b>70,514</b>	<b>677,636</b>	<b>823,354</b>	<b>85,716</b>	<b>737,638</b>
Claims paid on previous years	(150,882)	(11,803)	(139,079)	(142,299)	(4,581)	(137,718)
Change in claim charges on previous years	(10,227)	17,596	(27,823)	(26,307)	23	(26,330)
Liabilities on claims current year	236,313	9,409	226,904	211,948	2,600	209,348
<b>CLAIMS RESERVES AS AT 31 DECEMBER</b>	<b>823,354</b>	<b>85,716</b>	<b>737,638</b>	<b>866,696</b>	<b>83,758</b>	<b>782,938</b>

## 6.7. Provisions and other obligations

### 1. Analysis by nature

(In thousands of EUR)	31/12/12	31/12/13
Litigation claims <sup>(1)</sup>	73,788	46,447
Restructuring <sup>(2)</sup>	175,902	199,274
Long-term defined benefit plans <sup>(3)(4)</sup>	571,231	85,825
Other postretirement obligations <sup>(3)</sup>	72,895	55,117
Other long-term employee benefits	20,105	18,512
Provision for off-balance-sheet credit commitments	5,964	5,987
Onerous contracts	4,310	3,816
Other Provisions (non insurance)	53,909	47,168
<b>TOTAL</b>	<b>978,104</b>	<b>462,146</b>

(1) The "Litigation claims" contain mainly small disputes with third parties. We refer to the chapter "Corporate Governance" of the Management report.

(2) Belfius announced in 2012 a restructuring plan. The plan was extended and reassessed in 2013 and is primarily a restructuring plan for staff.

(3) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated basis" for a detailed description.

(4) An amount of EUR 305 million has been transferred to the new OFP (Organisation for the Financing of Pensions). We refer to item 5 for a detailed description.

### 2. Analysis of movements

	Litigation claims <sup>(1)</sup>	Restructuring <sup>(2)</sup>	Pensions and other employee benefits <sup>(3)</sup>	Provision for off-balance-sheet credit commitments	Onerous contracts	Other Provisions (non insurance)	Total
(In thousands of EUR)							
<b>AS AT 1 JANUARY 2012</b>	<b>131,269</b>	<b>94,787</b>	<b>616,921</b>	<b>30,417</b>	<b>14,849</b>	<b>88,968</b>	<b>977,211</b>
Foreign exchange adjustments	(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)
Utilized during the year	(1,438)	(23,962)	(95,043)	(5)	(14,619)	(8,945)	(144,012)
Change in scope of consolidation (in)	0	0	0	0	0	0	0
Change in scope of consolidation (out)	0	0	0	0	0	0	0
Transfers	0	(41)	284	0	0	47	290
Provisions booked from/to equity	0	0	0	0	0	0	0
Other movements	0	0	30,073	0	0	0	30,073
<b>AS AT 31 DECEMBER 2012</b>	<b>73,788</b>	<b>175,902</b>	<b>664,231</b>	<b>5,964</b>	<b>4,310</b>	<b>53,909</b>	<b>978,104</b>

(1) The "Litigation claims" contain mainly small disputes with third parties. We refer to the chapter "Corporate Governance" of the Management report.

(2) Belfius announced in 2012 a restructuring plan. The plan was extended and reassessed in 2013 and is primarily a restructuring plan for staff.

(3) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated basis" for a detailed description.



	Litigation claims <sup>(1)</sup>	Restructuring <sup>(2)</sup>	Pensions and other employee benefits	Provision for off-balance-sheet credit commitments	Onerous contracts	Other Provisions (non insurance)	Total
(In thousands of EUR)							
<b>AS AT 1 JANUARY 2013</b>	<b>73,788</b>	<b>175,902</b>	<b>664,231</b>	<b>5,964</b>	<b>4,310</b>	<b>53,909</b>	<b>978,104</b>
Foreign exchange adjustments	(35)	0	0	14	0	0	(21)
Additional provisions	2,842	57,447	5,611	4,215	0	21,198	91,313
Unused amounts reversed	(24,157)	(4,779)	(73,745)	(4,202)	0	(20,615)	(127,498)
Utilized during the year	(5,991)	(29,231)	(62,787)	(4)	(494)	(7,324)	(105,831)
Change in scope of consolidation (in)	0	0	0	0	0	0	0
Change in scope of consolidation (out )	0	(65)	0	0	0	0	(65)
Transfers <sup>(3)</sup>	0	0	(307,011)	0	0	0	(307,011)
Provisions booked from/to equity <sup>(4)</sup>	0	0	(66,844)	0	0	0	(66,844)
Other movements	0	0	(1)	0	0	0	(1)
<b>AS AT 31 DECEMBER 2013</b>	<b>46,447</b>	<b>199,274</b>	<b>159,454</b>	<b>5,987</b>	<b>3,816</b>	<b>47,168</b>	<b>462,146</b>

(1) The "Litigation claims" contain mainly small disputes with third parties. We refer to the chapter "Corporate Governance" of the Management report.

(2) Belfius announced in 2012 a restructuring plan. The plan was extended and reassessed in 2013 and is primarily a restructuring plan for staff.

(3) An amount of EUR 305 million has been transferred to the new OFP (Organisation for the Financing of Pensions). We refer to item 5 for a detailed description.

(4) Remeasurement defined benefit plan.

### 3. Analysis by interest rate repricing

See note 9.4

### 4. Analysis by liquidity

See note 9.6

### 5. Provisions for pensions and other long term benefits

In Belgium, each employee is eligible for state pension plans. In addition, Belfius provides post-employment benefits to its employees. Post-employment benefits include retirement benefits (annuity or lump sum payments on retirement) with a death insurance. In some cases, Belfius provides post-retirement health care benefits for its retirees. Though the plan members in Belgium have the option to receive at retirement their post-employment benefits in the form of a lump sum payment or ongoing payments, plans are mainly settled through the payment of a lump sum transfer.

Belfius operates both defined and contribution benefit plans:

Under defined benefit (DB) plans the employee future benefit depends on various factors such as the employee's length of service and its final salary. The defined benefit plans are funded by employer's contributions except for one plan that is also funded by employees' contributions. The contributions are mainly based on an aggregated cost method and result as a percentage of the salary which is compliant with the legal requirements. Considering that Belfius maintains benefits plans for employees mainly located in Belgium post-employment benefits are subject to the Belgian market practice and regulations The plans abroad are not substantial.

Under defined contributions (DC) plans the benefit upon retirement depends on the investments performance of the fund. The defined contribution plans are funded by employer's and employees' contributions. Employer's contributions made to the plans are based on

the number of working years and the salary. The employees' contributions are a fixed percentage of the salary. Note that DC plans are function of the performance of the plan with a minimum guaranteed rate of return as imposed by the Belgian law. This compulsory return implies that Belgian defined contribution plans are defined benefit plans regarding the requirement of the standard IAS 19. There is currently no deficit for those plans as DC plan assets cover the obligation. As there is no deficit, no net liability has been recognised. For this disclosure, the DC plans are included in the DB plans.

In respect of the main post-employment benefits the valuations of the obligation are carried out by qualified external actuaries. Valuations assumptions and results are reviewed for Belfius by an external coordinating actuary that ensures that all calculations are harmonised and calculated in compliance with IAS 19.

The 2012 financial statements have been adjusted to the revision of the Standard IAS 19 Employee Benefits mandatory from 1 January 2013. We refer to the accounting policies in the annual report for more information. Note that other long term benefits (EUR 18.3 million in 2013) are no longer shown.

During 2013, Belfius has set up a restructuring plan "Plan 2016". We refer to the management report for detailed information. As a result, as at 1 October 2013, an agreement was reached on a set of measures to diminish the cost and the number of the employees with a direct impact on its pension obligations. Subject to transition

measures, different pension plans were changed significantly. More specifically, the main DB and DC plans were transferred to a separate legal entity (OFP - Organisation for the Financing of Pensions).

“Note that while in 2007, DB plans were already closed to new entrants, as at 1 October 2013, all DB plans have been replaced by a DC plan. This DC plan is function of the salary and the service of the employee.

The accrued rights of the existing defined benefit plans are still indexed and based on the last salary of the employee but no future services are taken into account.

In addition, the external pension fund has now been extended to fund all DC plans of Belfius Bank and several DB plans. The transfer of those plans to a legal separate entity, previously considered as unfunded as they were funded by non qualifying insurance contracts, has a consequence on the net defined benefit liability of Belfius as

the assets of those plans may now be recognised. Previously these assets could not be recognised because they were funded through insurance contracts not recognised in the scope of consolidation.”

As a reminder, plans are set up in a separate legal entity which can be an insurer or a pension fund. An insurer or pension fund has its own prudential rules to comply with in terms of investments. These entities (whether insurer or pension fund) pay directly the benefits to the employees even if the employer remains the sole responsible of the pension obligation. For the pension funds the board is composed of equal representatives of the employer and of the employees.

The impact of the “Restructuring plan 2016” is mainly due to: the impact of salary decrease on DBO, the transfer of the internally funded pension plans to an OFP and the closure and dynamic management of the DB-plans and their replacement by DC-plans.

## A. Change in benefit obligation

(In thousands of EUR)	31/12/12	31/12/13
Defined Benefit obligation at beginning of year	1,675,736	1,737,611
Service cost		
Current service cost	63,556	58,712
Past service cost and gain(-)/loss on settlements	(1,390)	(96,133)
Interest expense	68,767	55,927
Cash flows		
Benefit paid	(84,879)	(74,133)
Settlement payments	0	(33,169)
Employees contributions	3,138	2,833
Effect of business combinations and disposals	28,770	(1,850)
Remeasurements		
Effect of changes in demographic assumptions	0	31,193
Effect of changes in financial assumptions	7,529	(58,085)
Effect of experience adjustments	(24,053)	(34,208)
Foreign exchange adjustments	437	(317)
<b>BENEFIT OBLIGATION AT END OF YEAR</b>	<b>1,737,611</b>	<b>1,588,381</b>

## B. Change in plan assets

(In thousands of EUR)	31/12/12	31/12/13
Fair value of plan assets at beginning of year	928,743	1,135,591
Interest income	38,791	46,949
Cash flows		
Benefit paid	(58,871)	(68,996)
Settlement payments	0	(33,169)
Employees contributions	3,138	2,833
Employer contributions	74,596	372,152
Effect of business combinations and disposals	16,976	34,451
Remeasurements		
Return on plan assets (excl. interest income)	131,757	(10,880)
Foreign exchange adjustments	461	(329)
<b>FAIR VALUE OF PLAN ASSETS AT END OF YEAR</b>	<b>1,135,591</b>	<b>1,478,602</b>

### C. Change in asset ceiling

(In thousands of EUR)	31/12/12	31/12/13
Asset ceiling at beginning of the year	15,573	35,876
Interest income	545	559
Remeasurements		
Changes in the effect of asset ceiling (excluding interest income)	19,758	(5,436)
Foreign exchange adjustments	0	43
<b>ASSET CEILING AT END OF YEAR</b>	<b>35,876</b>	<b>31,042</b>

### D. Amounts recognised in the financial statements

(In thousands of EUR)	31/12/12	31/12/13
Defined benefit obligation	1,737,611	1,588,381
Fair value of plan assets	1,135,591	1,478,602
Deficit/(surplus) for funded plans	51,239	(9,663)
Present value of unfunded obligations	550,781	119,442
Effect of asset ceiling	35,876	31,042
<b>NET LIABILITY (ASSET)</b>	<b>637,896</b>	<b>140,821</b>

### E. Amounts recognised in the statement of comprehensive income

(In thousands of EUR)	31/12/12	31/12/13
Service cost	62,977	(36,285)
Net interest cost	30,521	9,537
<b>DEFINED BENEFIT COST INCLUDED IN P&amp;L</b>	<b>93,498</b>	<b>(26,748)</b>
Effect of changes in demographic assumptions	0	31,193
Effect of changes in financial assumptions	7,529	(58,085)
Effect of experience adjustments	(24,053)	(34,208)
Return on plan assets (excl. interest income)	(131,757)	10,906
Changes in the effect of asset ceiling (excluding interest income)	19,758	(5,436)
<b>TOTAL REMEASUREMENTS IN OCI</b>	<b>(128,523)</b>	<b>(55,630)</b>
<b>TOTAL DEFINED BENEFIT COST RECOGNISED</b>	<b>(35,025)</b>	<b>(82,378)</b>

### F. Financial statements reconciliation

(In thousands of EUR)	31/12/12	31/12/13
Net liability (asset) at beginning of year	762,566	637,896
Defined benefit cost included in P&L	93,498	(26,748)
Total remeasurements in OCI	(128,523)	(55,630)
Effect of business combinations and disposals	11,794	(36,301)
Cash flows		
Employer contributions	(101,415)	(378,451)
Foreign exchange adjustments	(24)	55
<b>NET LIABILITY (ASSET) AT END OF YEAR</b>	<b>637,896</b>	<b>140,821</b>

## G. Plan assets

(In thousands of EUR)	31/12/12	31/12/13
Fair value of plan assets		
Cash and cash equivalents	347	51,913
Equity instruments	119,025	145,809
Debt securities	999,854	1,177,406
Real estate	0	44,844
Derivatives	0	0
Investment funds	1,387	1,363
Other	14,978	57,267
<b>TOTAL</b>	<b>1,135,591</b>	<b>1,478,602</b>

In 2013 90% of the fair value from the plan assets are quoted.

## H. Weighted average assumptions for Belgian plans

(In thousands of EUR)	31/12/12	31/12/13
Discount rate	3.10% - 3.20%	3.30% - 3.60%
Inflation	2.00%	2.00%
Salary increase	0.75% - 2.25%	0.75% - 2.25%

### Comment on assumptions:

The discount rate is based since 2012 on a constructed AA-curved of corporate bonds inclusive collateralised 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.

Belfius applies standard Belgian mortality tables which have been adjusted to reflect the current elonged longevity.

The inflation rate is based on estimates of the European Central Bank.

## I. Sensitivity<sup>(1)</sup> of the present value of the DBO at end of year to changes of

(In thousands of EUR)	-50 bp	+50 bp
Discount rate	5.92%	-5.21%
Real salary increase	-2.65%	4.05%

(1) If all other assumptions are held constant.

## J. Weighted average duration of the benefit obligation

(In thousands of EUR)	31/12/12	31/12/12
Belgium	12.02	11.18

## K. Concentration

The key risks concerning pension plans to which Belfius is exposed, relate to interest rate, inflation, longevity and age of retirement. The management has been delegated to an "Investment Committee" and is mainly liability driven in its investment policy. A formalised investment framework ("Statement of Investment Principles") has been drafted to ensure a well-diversified and dedicated investment portfolio. The pension plans' liabilities are evaluated at least once a year. On a regular basis, an ALM study (with cash flow analysis and

stress tests) is performed to determine and analyse the sensitivities of the plans to i.e. interest rate and inflation shocks. These form an important driver for the investment committee in its deliberations on the asset allocation of the investment portfolio. Day-to-day management of this portfolio and the plans' liquidity aspects have been entrusted to an external asset manager who, on a regular basis, delivers a report of its activities to the investment committee.

## 6.8. Tax liabilities

### Analysis by nature

(In thousands of EUR)	31/12/12	31/12/13
Current income tax	29,642	28,928
Deferred tax liabilities (see note 5.12)	101,109	80,724
<b>TOTAL</b>	<b>130,751</b>	<b>109,652</b>

## 6.9. Other liabilities

(In thousands of EUR)	31/12/12	31/12/13
Other liabilities (except relating to insurance companies)	1,758,965	1,695,910
Other liabilities specific to insurance companies	286,171	203,943
<b>TOTAL</b>	<b>2,045,136</b>	<b>1,899,853</b>

### 1. Other liabilities (except relating to insurance companies)

(In thousands of EUR)	31/12/12	31/12/13
Accrued costs	143,640	103,818
Deferred income	34,182	32,608
Subsidies	0	0
Other granted amounts received	541	412
Salaries and social charges (payable)	166,065	143,625
Shareholder dividends payable	0	2
Operational taxes	60,622	66,251
Long-term construction contracts	0	0
Debts to service providers	1,353,915	1,349,194
<b>TOTAL</b>	<b>1,758,965</b>	<b>1,695,910</b>

### 2. Other liabilities specific to insurance activities

(In thousands of EUR)	31/12/12	31/12/13
Debts for deposits from assignees	85,401	86,509
Debts resulting from direct insurance transactions	191,227	105,894
Debts resulting from reinsurance transactions	9,543	11,540
Other insurance liabilities	0	0
<b>TOTAL</b>	<b>286,171</b>	<b>203,943</b>

## 6.10. Liabilities included in disposal groups held for sale

Nil

## VII. Notes on the consolidated statement of income

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

### Significant items included in the statement of income

For more information we refer to the chapter "Financial results" in the management report.

### 7.1. Interest income – Interest expense

(In thousands of EUR)	31/12/12	31/12/13
<b>INTEREST INCOME</b>	<b>7,641,037</b>	<b>6,270,012</b>
<b>INTEREST INCOME OF ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS</b>	<b>4,877,424</b>	<b>4,215,674</b>
Cash and balances with central banks	6,948	3,400
Loans and advances due from banks	506,320	268,364
Loans and advances to customers	3,098,698	2,876,851
Financial assets available for sale	1,205,367	1,019,454
Interest on impaired assets	48,476	36,481
Other	11,615	11,124
<b>INTEREST INCOME OF ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS</b>	<b>2,763,613</b>	<b>2,054,338</b>
Financial assets held for trading	66,461	70,255
Financial assets designated at fair value	389	341
Derivatives held for trading	1,222,617	819,530
Derivatives as hedging instruments	1,474,146	1,164,212
<b>INTEREST EXPENSE</b>	<b>(5,518,518)</b>	<b>(4,353,139)</b>
<b>INTEREST EXPENSE OF LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS</b>	<b>(1,809,845)</b>	<b>(1,362,942)</b>
Due to banks	(342,441)	(137,692)
Customer borrowings and deposits	(759,807)	(583,077)
Debt securities	(650,207)	(613,601)
Subordinated debts	(41,927)	(21,628)
Preferred shares and hybrid capital	(4,034)	0
Expenses linked to the amounts guaranteed by the States	(18)	(1)
Other	(11,411)	(6,943)
<b>INTEREST EXPENSE OF LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS</b>	<b>(3,708,673)</b>	<b>(2,990,197)</b>
Financial liabilities held for trading	(2,126)	(515)
Financial liabilities designated at fair value	(291,049)	(193,911)
Derivatives held for trading	(1,055,315)	(699,169)
Derivatives as hedging instruments	(2,360,183)	(2,096,602)
<b>NET INTEREST INCOME<sup>(1)</sup></b>	<b>2,122,519</b>	<b>1,916,873</b>

(1) Belfius has presented the contribution to the deposit guarantee scheme in the interest margin.

### 7.2. Dividend income

(In thousands of EUR)	31/12/12	31/12/13
Financial assets available for sale	52,374	50,328
Financial assets held for trading	983	425
<b>TOTAL</b>	<b>53,357</b>	<b>50,753</b>

Management  
report

Consolidated  
financial statements

Non-consolidated  
financial statements

## 7.3. Net income from associates

(In thousands of EUR)	31/12/12	31/12/13
Income from associates before tax	6,184	5,261
Share of tax	(391)	(589)
<b>TOTAL</b>	<b>5,793</b>	<b>4,672</b>

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

(In thousands of EUR)	31/12/12	31/12/13
Net trading income <sup>(1)</sup>	29,723	(164,755)
Net result of hedge accounting	(33,645)	(45,446)
Net result of financial instruments designated at fair value through profit or loss and result from the related derivatives <sup>(2)</sup>	4,788	18,661
Change in own credit risk <sup>(3)</sup>	0	(7,354)
Forex activity and exchange differences	(26,526)	10,714
<b>TOTAL</b>	<b>(25,660)</b>	<b>(188,180)</b>

(1) The significant decrease of the "net trading income" is due to methodological refinements in the determination of the fair value of derivatives.

(2) Among which trading derivatives included in a fair value option strategy 40,543 (58,467)

(3) See also note 9.2.g. "Credit-risk information about financial liabilities designated at fair value through profit or loss".

### Result of hedge accounting

(In thousands of EUR)	31/12/12	31/12/13
<b>FAIR VALUE HEDGES</b>	<b>(17,042)</b>	<b>(35,401)</b>
Fair value changes of the hedged item attributable to the hedged risk	(13,975)	(71,570)
Fair value changes of the hedging derivatives	(3,067)	36,169
<b>CASH FLOW HEDGES</b>	<b>0</b>	<b>0</b>
Fair value changes of the hedging derivatives - ineffective portion	0	0
<b>DISCONTINUATION OF CASH FLOW HEDGE ACCOUNTING (CASH FLOWS NO LONGER EXPECTED TO OCCUR)</b>	<b>0</b>	<b>0</b>
<b>HEDGES OF NET INVESTMENTS IN A FOREIGN OPERATION</b>	<b>0</b>	<b>0</b>
Fair value changes of the hedging derivatives - ineffective portion	0	0
<b>PORTFOLIO HEDGE</b>	<b>(16,603)</b>	<b>(10,045)</b>
Fair value changes of the hedged item	1,433,351	(1,819,084)
Fair value changes of the hedging derivatives	(1,449,954)	1,809,039
<b>TOTAL</b>	<b>(33,645)</b>	<b>(45,446)</b>

(In thousands of EUR)	31/12/12	31/12/13
<b>DISCONTINUATION OF CASH FLOW HEDGE ACCOUNTING (CASH FLOWS STILL EXPECTED TO OCCUR) - AMOUNTS RECORDED IN INTEREST MARGIN</b>	<b>110</b>	<b>34</b>

## 7.5. Net income on investments

(In thousands of EUR)	31/12/12	31/12/13
Gains on Loans and advances	30,273	116,495
Gains on Financial assets available for sale	467,755	157,290
Gains on Tangible fixed assets	13,471	39,091
Gains on Liabilities	779,099	61,347
Other gains	0	13,125
<b>TOTAL GAINS</b>	<b>1,290,598</b>	<b>387,348</b>
Losses on Loans and advances	(135,155)	(154,256)
Losses on Financial assets available for sale	(2,243,908)	(75,081)
Losses on Tangible fixed assets	(111)	(396)
Losses on Assets held for sale	(90)	(57)
Losses on Liabilities	(2)	(369)
Other losses	0	(22,480)
<b>TOTAL LOSSES</b>	<b>(2,379,266)</b>	<b>(252,639)</b>
<b>NET IMPAIRMENT</b>	<b>1,675,257</b>	<b>19,853</b>
<b>TOTAL</b>	<b>586,589</b>	<b>154,562</b>

### Net impairment

(In thousands of EUR)	Specific risk		Total
	Allowances	Write-backs	
<b>AS AT 31 DECEMBER 2012</b>			
Securities available for sale	(45,454)	1,720,711	1,675,257
<b>TOTAL</b>	<b>(45,454)</b>	<b>1,720,711</b>	<b>1,675,257</b>

(In thousands of EUR)	Specific risk		Total
	Allowances	Write-backs	
<b>AS AT 31 DECEMBER 2013</b>			
Securities available for sale	(27,997)	47,850	19,853
<b>TOTAL</b>	<b>(27,997)</b>	<b>47,850</b>	<b>19,853</b>



## 7.6. Fee and commission income and expense

(In thousands of EUR)	31/12/12			31/12/13		
	Income	Expense	Net	Income	Expense	Net
Commissions on unit trusts and mutual funds managed by third parties	98,873	(7,133)	91,740	103,195	(4,143)	99,052
Insurance activity	80,024	(3,523)	76,501	116,420	(3,232)	113,188
Credit activity	46,930	(11,815)	35,115	43,889	(16,047)	27,842
Purchase and sale of securities	16,834	(1,078)	15,756	17,880	(969)	16,911
Purchase and sale of unit trusts and mutual funds	9,290	(1,285)	8,005	30,050	(2,102)	27,948
Payment services	136,420	(40,704)	95,716	136,771	(51,934)	84,837
Commissions to not exclusive brokers	6,349	(19,963)	(13,614)	9,255	(21,058)	(11,803)
Services on securities other than safekeeping	2,337	(885)	1,452	2,796	(660)	2,136
Custody	12,007	(6,383)	5,624	12,242	(4,808)	7,434
Issues and placements of securities	2,036	(2,471)	(435)	2,658	(909)	1,749
Servicing fees of securitization	642	0	642	551	0	551
Private banking	7,993	(2,808)	5,185	8,332	(2,999)	5,333
Clearing and settlement	2,733	(9,585)	(6,852)	5,686	(6,261)	(575)
Securities lending	19,462	(19,998)	(536)	1,220	(1,274)	(54)
<b>TOTAL</b>	<b>441,930</b>	<b>(127,631)</b>	<b>314,299</b>	<b>490,945</b>	<b>(116,396)</b>	<b>374,549</b>

## 7.7. Other net income

(In thousands of EUR)	31/12/12	31/12/13
Operational taxes	806	985
Rental income from investment property	16,911	19,482
Other rental income	12,381	11,740
Other income on other activities <sup>(1)</sup>	259,275	132,017
<b>OTHER INCOME</b>	<b>289,373</b>	<b>164,224</b>
Impairment on inventory	(2)	(1)
Operational taxes	(86,814)	(121,520)
Repair and maintenance on investment properties that generated income during the current financial year	(1,976)	(67)
Other expense on other activities <sup>(2)</sup>	(224,489)	(117,410)
<b>OTHER EXPENSE</b>	<b>(313,281)</b>	<b>(238,998)</b>
<b>TOTAL</b>	<b>(23,908)</b>	<b>(74,774)</b>

(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 yearly movements in 2013. In 2012 the table is the result of quarterly movements. If the quarterly movements during 2012 are eliminated, the "Other income" and "Other expense" would be approximately EUR 71 million lower.

## 7.8. Staff expense

(In thousands of EUR)	31/12/12	31/12/13
Wages and salaries	(493,211)	(489,797)
Social security and insurance costs	(149,841)	(148,094)
Pension costs-defined benefit plans <sup>(1)(3)</sup>	(38,827)	61,500
Pension costs-defined contribution plans <sup>(3)</sup>	(486)	(790)
Other postretirement obligations <sup>(1)</sup>	(1,361)	13,076
Shared-based payments	413	0
Other long-term employee benefits	(2,838)	1,593
Restructuring expenses <sup>(2)(3)</sup>	(81,104)	8,169
Other expense	52,914	(6,068)
<b>TOTAL</b>	<b>(714,341)</b>	<b>(560,411)</b>

(1) Due to the application of IAS 19 Revised, the figures as at 31 December 2012 have been adapted. We refer to the "Accounting principles on a consolidated basis" and to note 6.7. "Provisions and other obligations" for a detailed description.

(2) Belfius has announced a restructuring plan in 2012. We refer to the management report.

(3) We refer to note 6.7. "Provisions and other obligations" for a detailed description.

(Average FTE) as at 31 december 2012	Belgium	Luxembourg	Ireland	Fully consolidated
Senior Executives	181	5	3	189
Employees	6,875	88	23	6,986
<b>TOTAL</b>	<b>7,056</b>	<b>93</b>	<b>26</b>	<b>7,175</b>

(Average FTE) as at 31 December 2013	Belgium	Luxembourg	Ireland	Fully consolidated
Senior Executives	173	4	3	180
Employees	6,766	91	21	6,878
<b>TOTAL</b>	<b>6,939</b>	<b>95</b>	<b>24</b>	<b>7,058</b>

## 7.9. General and administrative expense

(In thousands of EUR)	31/12/12	31/12/13
Occupancy	(29,936)	(29,990)
Operating leases (except technology and system costs)	(19,753)	(7,695)
Professional fees	(38,418)	(32,403)
Marketing advertising and public relations	(36,923)	(38,681)
Technology and system costs	(167,294)	(193,816)
Software costs and research and development costs	(12,652)	(16,761)
Repair and maintenance expenses	(519)	(643)
Restructuring costs other than staff	0	(10,500)
Insurance (except related to pension)	(6,291)	(6,573)
Transportation of mail and valuable	(37,484)	(35,003)
Operational taxes	(42,671)	(42,050)
Other general and administrative expense	(86,041)	(64,597)
<b>TOTAL</b>	<b>(477,982)</b>	<b>(478,712)</b>

## 7.10. Depreciation and amortisation

(In thousands of EUR)	31/12/12	31/12/13
Amortization on buildings	(25,158)	(31,327)
Amortization on other tangible assets	(24,081)	(21,400)
Amortization of intangible assets	(44,351)	(39,322)
<b>TOTAL</b>	<b>(93,590)</b>	<b>(92,049)</b>

## 7.11. Impairment on loans and provisions for credit commitments

### 1. Collective impairment

(In thousands of EUR)	31/12/12			31/12/13		
	Allowances	Write-backs	Total	Allowances	Write-backs	Total
Loans <sup>(1)</sup>	(208,843)	154,704	(54,139)	(190,359)	328,534	138,175
<b>TOTAL</b>	<b>(208,843)</b>	<b>154,704</b>	<b>(54,139)</b>	<b>(190,359)</b>	<b>328,534</b>	<b>138,175</b>

(1) The collective impairment losses for loans decreased mainly as a result of the de-risking.

### 2. Specific impairment

(In thousands of EUR)	31/12/12				
	Allowances	Write-backs	Losses	Recoveries	Total
Loans and advances due from banks	(9,259)	17,489	(13,538)	489	(4,819)
Loans and advances to customers <sup>(1)</sup>	(370,879)	162,757	(55,003)	4,579	(258,546)
Assets from insurance companies <sup>(2)</sup>	(136)	7	0	0	(129)
Other receivables	(193)	29,118	(8,907)	0	20,018
Liabilities	(4,300)	34,034	0	0	29,734
<b>TOTAL</b>	<b>(384,767)</b>	<b>243,405</b>	<b>(77,448)</b>	<b>5,068</b>	<b>(213,742)</b>

(1) The "specific impairments on loans or debt instruments" mainly relate to impairments linked to Side activities.

(2) Is presented under item XII. of the Assets.

(In thousands of EUR)	31/12/13				
	Allowances	Write-backs	Losses	Recoveries	Total
Loans and advances due from banks	0	4,131	(2,136)	0	1,995
Loans and advances to customers <sup>(1)(2)</sup>	(237,477)	289,832	(89,687)	6,332	(31,000)
Assets from insurance companies <sup>(3)</sup>	(334)	4	0	0	(330)
Other receivables	(528)	2,190	(1,935)	0	(273)
Liabilities	(4,215)	4,206	0	0	(9)
<b>TOTAL</b>	<b>(242,554)</b>	<b>300,363</b>	<b>(93,758)</b>	<b>6,332</b>	<b>(29,617)</b>

(1) The "specific impairments on loans or debt instruments" mainly relate to impairments linked to Side activities.

(2) The collective impairment losses for loans decreased mainly as a result of the de-risking.

(3) Is presented under item XII. of the Assets.

## 7.12. Impairment on tangible and intangible assets

(In thousands of EUR)	31/12/12	31/12/13
Impairment on land and buildings	300	(922)
Impairment on other tangible assets	(50)	0
Impairment on assets held for sale	(19)	0
<b>TOTAL</b>	<b>231</b>	<b>(922)</b>

## 7.13. Impairment on goodwill

Nil

The annual impairment test did not require an impairment of goodwill. The impairment test was performed by comparing the equity value of Belfius Insurance with the "value in use". This value in use was determined based on a discounted cash flow model with following inputs:

- (i) financial plan for 3 years,
- (ii) a discount rate of 10% and
- (iii) a long term growth rate for Belgium of 1.5%.

Based on that scenario, a surplus could be identified.

All scenarios (ranging from a growth rate from 1.2% to 4.2% and a discount rate of 6% to 12%) showed that no impairment was required.

If the long term growth rate would increase with 20 bp, the value in use of Belfius Insurance would increase with 2%. If the discount rate would decrease with 1%, the value in use would increase with 13%.

## 7.14. Provisions for legal litigations

The information regarding the provisions for legal litigations is presented in the chapter "Corporate governance" of the management report.

## 7.15. Tax expense

(In thousands of EUR)	31/12/12	31/12/13
Income tax on current year	(17,532)	(33,509)
Deferred taxes on current year <sup>(1)</sup>	(167,534)	(64,750)
<b>TAX ON CURRENT YEAR RESULT (A)</b>	<b>(185,066)</b>	<b>(98,259)</b>
Income tax on previous year	2,476	32
Deferred taxes on previous year	(163)	26,384
Provision for tax litigations	(800)	(860)
<b>OTHER TAX EXPENSE (B)</b>	<b>1,513</b>	<b>25,556</b>
<b>TOTAL (A)+(B)</b>	<b>(183,553)</b>	<b>(72,703)</b>

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated basis" and to note 6.7. "Provisions and other obligations" for a detailed description.

### Effective corporate income tax charge

The standard tax rate in Belgium in 2012 and 2013 was 33.99%.

Belfius Bank's effective tax rate was respectively 30.8% and 19.1% for 2012 and 2013. This effective tax rate decreased mainly due to the further recognition of deferred tax assets.

The difference between these two rates can be analysed as follows:

(In thousands of EUR)	31/12/12	31/12/13
<b>NET INCOME BEFORE TAX</b>	<b>606,198</b>	<b>517,799</b>
Income and losses from companies accounted for by the equity method	5,793	4,672
<b>TAX BASE</b>	<b>600,405</b>	<b>513,127</b>
Statutory tax rate	33.99%	33.99%
<b>TAX EXPENSE USING STATUTORY RATE</b>	<b>204,078</b>	<b>174,412</b>
Tax effect of rates in other jurisdictions	21,777	4,362
Tax effect of non-taxable revenues <sup>(1)</sup>	(70,780)	(21,552)
Tax effect of non-tax deductible expenses	44,055	23,261
Tax effect of utilisation of previously unrecognised tax losses	(1,602)	0
Tax effect on tax benefit not previously recognised in profit or loss	0	(1)
Tax effect from reassessment of unrecognised deferred tax assets	(1,796)	(11,116)
Tax effect of change in tax rates	27	(335)
Items taxed at a reduced rate	(61)	(6,047)
Other increase (decrease) in statutory tax charge	(10,632)	(64,724)
<b>TAX ON CURRENT YEAR RESULT</b>	<b>185,066</b>	<b>98,260</b>
Tax base	600,405	513,127
<b>EFFECTIVE TAX RATE</b>	<b>30.8%</b>	<b>19.1%</b>

(1) Mainly definitely taxed income (dividends).

# Other notes

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

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

### 8.1. Regular way trade

(In thousands of EUR)	31/12/12	31/12/13
Loans to be delivered and purchases of assets	2,614,408	1,334,417
Borrowings to be received and sales of assets	2,599,813	2,546,848

### 8.2. Guarantees

(In thousands of EUR)	31/12/12	31/12/13 <sup>(1)</sup>
Guarantees given to credit institutions	2,796,175	1,544,289
Guarantees given to customers	5,671,288	4,852,527
Guarantees received from credit institutions <sup>(1)</sup>	29,114	1,077,563
Guarantees received from customers	37,546,603	31,036,266
Guarantees received from the States	1,659	0

(1) This amount includes the personal guarantees and similar rights of recourse obtained for derivatives.

### 8.3. Loan commitments

(In thousands of EUR)	31/12/12	31/12/13
Unused lines granted to credit institutions	221,977	167,429
Unused lines granted to customers <sup>(1)</sup>	21,907,892	18,468,045
Unused lines obtained from credit institutions	3,866	540
Unused lines obtained from customers	0	0

(1) Belfius continues to apply a proactive policy to reduce unused credit lines together with its customers.

### 8.4. Other commitments to financing activities

(In thousands of EUR)	31/12/12	31/12/13
Insurance activity - Commitments given	0	0
Insurance activity - Commitments received	58,307	63,411
Banking activity - Commitments given <sup>(1)</sup>	71,873,603	50,199,253
Banking activity - Commitments received	58,689,680	60,452,098

(1) Mainly related to repurchase agreements and collateralisation of loans with the European Central Bank and other central banks. For more details regarding the liquidity position, we refer to "Risk Management" in the management report. The section "Banking activity- commitments given" also includes the underlying assets of the covered bond program. The special estate of the mortgage covered bond program contains mainly residential mortgage loans for a total amount of EUR 4.6 billion (nominal) at the end of 2013. See also note 6.4. "Debts securities".

## 8.5. Bond lending and bond borrowing transactions

(In thousands of EUR)	31/12/12	31/12/13
Securities lending	4,116,166	6,136
Securities borrowing	3,389,608	336,640

## IX. Notes on risk exposure

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

### 9.1. Fair value

In accordance with the accounting policies is the fair value 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. Fair value of financial instruments

##### A. Breakdown of fair value of assets

(In thousands of EUR)	31/12/12			31/12/13		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and balances with central banks	1,964,560	1,964,560	0	1,445,716	1,445,716	0
Loans and advances	130,765,902	137,349,752	6,583,850	117,845,271	124,200,304	6,355,033
Financial assets measured at fair value through profit and loss	5,077,635	5,077,635	0	5,512,233	5,512,233	0
Financial investments	31,603,663	31,603,663	0	28,074,151	28,074,151	0
Derivatives	35,234,965	35,234,965	0	23,190,180	23,190,180	0
Non-current assets held for sale	19,617	38,417	18,800	23,159	46,112	22,953

##### B. Breakdown of fair value of liabilities

(In thousands of EUR)	31/12/12			31/12/13		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Borrowings and deposits	107,089,392	107,130,315	40,923	90,860,880	90,996,635	135,755
Financial liabilities measured at fair value through profit or loss	10,462,951	10,462,951	0	8,460,808	8,460,808	0
Derivatives	41,765,535	41,765,535	0	28,602,043	28,602,043	0
Debt securities	26,439,494	26,132,599	(306,895)	27,184,180	28,079,485	895,305
Subordinated debts	1,039,906	941,141	(98,765)	893,192	1,018,723	125,531

The carrying amount does not include the "Fair value revaluation of portfolio hedge". In 2012, the value of the hedged interest rate risk amount is EUR 4,145 million on the asset side and EUR 87 million on the liability side. In 2013, EUR 3,044 million and EUR 43 million respectively are recognised on the balance sheet.

Apart from the "Financial liabilities measured at fair value through profit or loss" is the own credit risk on liabilities considered as unchanged for the determination of the fair value.

## 2. Analysis of fair value of financial instruments

### A. Assets

(In thousands of EUR)	31/12/12			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit and loss	3,594,807	381,161	1,101,667	5,077,635
Financial investments	20,438,575	3,711,178	7,453,910	31,603,663
Derivatives	3,127	33,618,615	1,613,223	35,234,965
Non-current assets held for sale	0	38,417	0	38,417
<b>TOTAL</b>	<b>24,036,509</b>	<b>37,749,371</b>	<b>10,168,800</b>	<b>71,954,680</b>

(In thousands of EUR)	31/12/13			
	Level 1	Level 2	Level 3	Total
Loans and advances	21,200,207	24,284,172	78,715,925	124,200,304
Financial assets measured at fair value through profit and loss	3,944,832	805,773	761,628	5,512,233
Financial investments	25,664,592	734,196	1,675,363	28,074,151
Derivatives	23,578	21,564,035	1,602,567	23,190,180
Non-current assets held for sale	0	46,112	0	46,112
<b>TOTAL</b>	<b>50,833,209</b>	<b>47,434,288</b>	<b>82,755,483</b>	<b>181,022,980</b>

### B. Liabilities

(In thousands of EUR)	31/12/12			
	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value through profit or loss	34,959	10,011,422	416,571	10,462,952
Derivatives	1,391	40,124,124	1,640,020	41,765,535
<b>TOTAL</b>	<b>36,350</b>	<b>50,135,546</b>	<b>2,056,591</b>	<b>52,228,487</b>

(In thousands of EUR)	31/12/13			
	Level 1	Level 2	Level 3	Total
Borrowings and deposits	53,683,098	35,877,262	1,436,275	90,996,635
Financial liabilities measured at fair value through profit or loss	3,688,335	3,379,958	1,392,516	8,460,809
Derivatives	24,173	27,749,799	828,071	28,602,043
Debt securities	2,249,559	18,510,114	7,319,812	28,079,485
Subordinated debts	46,294	619,338	353,091	1,018,723
<b>TOTAL</b>	<b>59,691,459</b>	<b>86,136,471</b>	<b>11,329,765</b>	<b>157,157,695</b>

## 3. Transfer between Level 1 and Level 2 fair value

### A. Assets

(In thousands of EUR)	31/12/12		31/12/13	
	From 1 to 2	From 2 to 1	From 1 to 2	From 2 to 1
Financial assets measured at fair value through profit and loss	0	4,946	0	2,552
Financial investments	0	4,883,097	309,802	1,443,079
Derivatives	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>4,888,043</b>	<b>309,802</b>	<b>1,445,631</b>

### B. Liabilities

Nil



## 4. Reconciliation Level 3

### A. Assets

	31/12/12									
	Opening balance	Total of unrealised gains and losses in P&L	Total gains/losses in other comprehensive income	Purchases	Sale	Settlement	Transfers in Level 3	Transfer out of Level 3	Foreign exchange adjustments	Closing balance
(In thousands of EUR)										
Financial assets measured at fair value through profit and loss	642,355	55,896	0	622,159	(242,905)	0	26,538	(2,376)	0	1,101,667
Financial investments	7,597,040	3,131	42,679	591,331	(816,316)	(12)	159,475	(123,418)	0	7,453,910
Derivatives	2,105,926	(493,791)	0	0	0	0	0	0	1,088	1,613,223
<b>TOTAL</b>	<b>10,345,321</b>	<b>(434,764)</b>	<b>42,679</b>	<b>1,213,490</b>	<b>(1,059,221)</b>	<b>(12)</b>	<b>186,013</b>	<b>(125,794)</b>	<b>1,088</b>	<b>10,168,800</b>

	31/12/13									
	Opening balance	Total of unrealised gains and losses in P&L	Total gains/losses in other comprehensive income	Purchases	Sale	Settlement	Transfers in Level 3	Transfer out of Level 3	Foreign exchange adjustments	Closing balance
(In thousands of EUR)										
Financial assets measured at fair value through profit and loss	1,101,667	(39,020)	0	100,221	(8,758)	0	1,159	(393,641)	0	761,628
Financial investments	7,453,910	(8,477)	(54,405)	732,661	(737,457)	(115,924)	386,064	(5,981,009)	0	1,675,363
Derivatives	1,613,223	(315,235)	0	332,323	0	(323,497)	567,915	(259,873)	(12,289)	1,602,567
<b>TOTAL</b>	<b>10,168,800</b>	<b>(362,732)</b>	<b>(54,405)</b>	<b>1,165,205</b>	<b>(746,215)</b>	<b>(439,421)</b>	<b>955,138</b>	<b>(6,634,523)</b>	<b>(12,289)</b>	<b>4,039,558</b>

### B. Liabilities

	31/12/12								
	Opening balance	Total of realised gains and losses in P&L	Total of unrealised gains and losses in P&L	Purchases	Direct origination	Settlement	Transfers in Level 3	Transfer out of Level 3	Closing balance
(In thousands of EUR)									
Financial liabilities measured at fair value through profit or loss	190,368	(621)	14,917	11	109,802	(10,158)	212,928	(100,676)	416,571
Derivatives	2,509,063	0	(869,043)	0	0	0	0	0	1,640,020
<b>TOTAL</b>	<b>2,699,431</b>	<b>(621)</b>	<b>(854,126)</b>	<b>11</b>	<b>109,802</b>	<b>(10,158)</b>	<b>212,928</b>	<b>(100,676)</b>	<b>2,056,591</b>

	31/12/13								
	Opening balance	Total of realised gains and losses in P&L	Total of unrealised gains and losses in P&L	Purchases	Direct origination	Settlement	Transfers in Level 3	Transfer out of Level 3	Closing balance
(In thousands of EUR)									
Financial liabilities measured at fair value through profit or loss	416,571	(653)	13,898	47,174	225,752	(110,420)	847,406	(47,212)	1,392,516
Derivatives	1,640,020	0	(1,435,131)	751,731	0	(540,082)	501,747	(90,214)	828,071
<b>TOTAL</b>	<b>2,056,591</b>	<b>(653)</b>	<b>(1,421,233)</b>	<b>798,905</b>	<b>225,752</b>	<b>(650,502)</b>	<b>1,349,153</b>	<b>(137,426)</b>	<b>2,220,587</b>

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 or liabilities classified at amortised cost or some assets and liabilities classified in Level 1 or 2 may be hedged by derivatives classified in Level 3. We refer to the VaR schedules of note 9.5. "Market risk and ALM".
- In view of the evolution of the markets activity and the increasing availability of market prices or consensus prices, Belfius has moved even more from Mark-to-Model valuations using

unobservable data to valuations using more observable data, for a number of transactions resulting in a shift from Level 3 to Level 2.

- Belfius applies a tactical de-risking strategy also to some Level 3 positions. This leads to a decrease of fair values in Level 3.
- Given the decrease of interest rates and tightening of credit spread, fair values (net of interest rate hedges) of the Level 3 products have increased significantly during 2013.

Note that the impact in result of Level 3 items is rather limited due to the fact that structured financial instruments are fully hedged.

## 5. Valuation techniques and data (level 1, 2 and 3)

Financial instruments are considered as "Level 1" if executable prices can be determined such as interest futures, as well as liquid bonds.

Following financial instruments are considered as "Level 2": interest rate swaps, forward rate agreements, currency swaps, swaptions, cap/floors, foreign exchange contracts/options and less liquid bonds.

Considered as "Level 3" are financial instruments for which the fair value is derived from valuation techniques where the underlying data cannot always be considered as observable or when the valuation model used has not yet been validated. Following market data are considered as a level 3 input: Belgian inflation, Constant Maturity Swap-spreads, equity correlations (ex. equity baskets). In addition, illiquid bonds are considered as "level 3" as well as Total Return Swaps (TRS), Credit Default Obligations (CDO) and Credit Default Swaps (CDS). The valuation of these positions is regularly backtested by analysis of new transactions and a comparison with prices obtained from counterparties.

### A. Quantitative information on significant unobservable data (level 3)

If the fair value of a financial instrument is determined based on valuation techniques using inputs that are not based on observable market data, alternative assumptions may impact the own funds and the result.

Financial instrument	Non-observable items	Difference with alternative assumptions <sup>(1)</sup>	Impact in P&L or equity of alternative assumptions (in millions of EUR)
OTC swaps on Belgian inflation	Expectations in Belgian inflation	+30 bp	+4.2
OTC derivatives on CMS spread	Correlation between CMS interest rates	+10%	-0.55
OTC derivatives on equity baskets	Correlation between shares or equity indexes <sup>(1)</sup>	1%	+0.009
OTC swaps Bermudian Feature	Mean Reversion	1%	1.34
Collateralised Debt Obligation	Credit spread	-10 bp	-4.50
Credit Default Swap	Credit spread	-10 bp	+2.5
Illiquid bonds	Credit spread	-10 bp	+10.3

(1) Assumption: the value of all equity correlations is 0.01.

### B. Valuation process

The market risk department determines the fair value level for each transaction. Seeing that the market risk department provides all market data, it has the expertise with respect to the observability. In addition, the market risk department has a clear view on the validation status and the reliability of the models used.

### C. Transfers between valuation levels

Transfers between valuation levels may occur if the observability of the input data has changed or the observability of the instrument itself or when a model becomes validated. Mainly transfers to the level 1 are observed for the bonds in 2013 as the market for some bonds became more liquid and due to changes in the valuation methodology.

## 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 2012 nor in 2013.

More specifically, as Belfius sells plain vanilla products, like Interest Rate Swaps (IRS) or complex products (like structured transactions) which are mostly hedged in the market, the potential day one profit is recognised up-front. Only a few transactions of insignificant amounts have non observable parameters, consequently the Deferred DOP is immaterial.

## 9.2. Credit risk exposure

### 1. Analysis of total credit risk exposure

Maximum credit risk exposure (MCRE) 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.
- 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 II 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)	31/12/12	31/12/13
Belgium	124,056,451	118,324,160
France	16,986,056	11,296,599
Germany	1,403,062	1,114,370
Greece	66,087	17,063
Ireland	232,443	79,952
Italy	7,465,253	5,982,889
Luxembourg	1,272,398	1,477,499
Spain	5,677,380	5,194,803
Portugal	531,282	354,605
Other EU countries <sup>(1)</sup>	10,096,961	11,364,214
Rest of Europe	2,420,137	365,389
Turkey	648,582	359,629
United States and Canada	8,042,940	4,780,954
South and Central America	503,038	460,105
Southeast Asia	369,679	383,652
Japan	405,295	388,433
Other	3,721,117	2,498,814
<b>TOTAL</b>	<b>183,898,161</b>	<b>164,443,129</b>

(1) Includes supranational entities, such as the European Central Bank.

## B. Exposure by category of counterparty

(In thousands of EUR)	31/12/12	31/12/13
Central governments	33,715,248	31,231,982
Local public sector	51,693,822	48,843,703
Corporate	24,184,414	22,982,841
Monolines	3,208,262	3,256,741
ABS/MBS	4,491,366	3,488,213
Project finance	1,597,458	1,798,824
Individuals, SME, self-employed	37,269,855	37,747,413
Financial institutions	27,659,822	15,093,261
Other	77,914	151
<b>TOTAL</b>	<b>183,898,161</b>	<b>164,443,129</b>

## C. Detail of GIIPS countries per counterparty

(In thousands of EUR)	31/12/12						Total
	Central government bonds <sup>(1)</sup>	Financial institutions <sup>(2)</sup>	ABS/MBS	Local public sector	Corporate – Project finance	Other	
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 <sup>(2)</sup>	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
<b>GIIPS</b>	<b>4,855,830</b>	<b>5,834,744</b>	<b>2,322,460</b>	<b>147,697</b>	<b>580,543</b>	<b>231,170</b>	<b>13,972,444</b>

(1) Direct exposure.

(2) Mainly covered bonds.

(In thousands of EUR)	31/12/13						Total
	Central government bonds <sup>(1)</sup>	Financial institutions <sup>(2)</sup>	ABS/MBS	Local public sector	Corporate – Project finance	Other	
Greece	0	0	15,585	0	773	705	17,063
Ireland	10,965	67,972	0	0	0	1,014	79,952
Portugal	0	49,641	233,814	66,108	4,683	358	354,605
Spain <sup>(2)</sup>	89,142	4,002,835	839,538	99,674	157,297	6,317	5,194,803
Italy	4,698,497	317,654	788,209	168	175,491	2,869	5,982,889
<b>GIIPS</b>	<b>4,798,605</b>	<b>4,438,103</b>	<b>1,877,146</b>	<b>165,949</b>	<b>338,244</b>	<b>11,264</b>	<b>11,629,312</b>

(1) Direct exposure.

(2) Mainly covered bonds.

We refer to the chapter “Risk management” of the management report for further information.

## 2. Credit quality of financial assets neither past due nor impaired

	31/12/12				
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Total
(In thousands of EUR)					
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) <sup>(1)</sup>	298,799	6,057	0	0	304,856
Financial assets held for trading (excluding variable income securities)	330,467	690,673	383	159,866	1,181,389
Loans and advances (at amortized cost)	56,031,907	31,438,689	14,571,715	1,124,241	103,166,551
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
<b>TOTAL</b>	<b>84,877,352</b>	<b>72,952,680</b>	<b>21,089,525</b>	<b>2,743,312</b>	<b>181,662,870</b>

(1) The 2012 figures have been adapted.

	31/12/13				
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Total
(In thousands of EUR)					
Financial assets available for sale (excluding variable income securities)	12,565,518	12,390,317	2,836,011	62,097	27,853,943
Financial assets designated at fair value (excluding variable income securities)	0	272,711	0	0	272,711
Financial assets held for trading (excluding variable income securities)	247,291	1,113,558	3,258	5,209	1,369,315
Loans and advances (at amortized cost)	51,250,567	31,108,204	15,573,425	617,434	98,549,630
Derivatives	1,608,540	3,102,072	174,838	20,786	4,906,236
Other financial instruments - at cost	97,012	1,212,316	3,144	783,882	2,096,353
Loan commitments granted	9,698,884	6,649,569	3,077,819	397,519	19,823,791
Guarantee commitments granted	1,317,210	5,255,373	1,132,706	105,320	7,810,609
<b>TOTAL</b>	<b>76,785,023</b>	<b>61,104,119</b>	<b>22,801,201</b>	<b>1,992,244</b>	<b>162,682,587</b>

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 Asset Backed Securities (ABS) positions for which the credit risk is calculated based on external ratings (Fitch, Standard & Poor's or Moody's).

### 3. Information on past-due or impaired financial assets

A financial asset is past due when the counterparty has failed to make a payment when contractually due. This is considered on a contract-by-contract basis. For example, if a counterparty fails to

pay the required interests at due date, the entire loan is considered as past due.

(In thousands of EUR)	31/12/12			Carrying amount of individually impaired financial assets, before deducting any impairment loss
	Past-due but not impaired financial assets			
	≤ 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
Other financial instruments - at cost	0	0	0	5,711
<b>TOTAL</b>	<b>620.988</b>	<b>48.305</b>	<b>41.084</b>	<b>2.638.987</b>

(In thousands of EUR)	31/12/13			Carrying amount of individually impaired financial assets, before deducting any impairment loss
	Past-due but not impaired financial assets			
	≤ 90 days	> 90 days ≤ 180 days	> 180 days	
Financial assets available for sale (excluding variable income securities)	0	0	0	12,493
Loans and advances (at amortised cost)	631,489	23,893	37,854	2,126,158
Other financial instruments - at cost	0	0	0	4,745
<b>TOTAL</b>	<b>631,489</b>	<b>23,893</b>	<b>37,854</b>	<b>2,143,396</b>

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

### 4. Forbearance

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

## 5. Movements in allowances for credit losses

	As at 1 January 2012	Utilisation	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other	As at 31 December 2012	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
(In thousands of EUR)								
<b>SPECIFIC ALLOWANCES FOR INDIVIDUALLY AND COLLECTIVELY ASSESSED FINANCIAL ASSETS</b>	<b>(2,793,325)</b>	<b>912,581</b>	<b>(396,968)</b>	<b>976,573</b>	<b>1,114</b>	<b>(1,300,025)</b>	<b>5,068</b>	<b>(16,962)</b>
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)
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
<b>ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS</b>	<b>(456,140)</b>	<b>0</b>	<b>(208,752)</b>	<b>154,613</b>	<b>0</b>	<b>(510,279)</b>	<b>0</b>	<b>0</b>
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
<b>TOTAL</b>	<b>(3,249,465)</b>	<b>912,581</b>	<b>(605,720)</b>	<b>1,131,186</b>	<b>1,114</b>	<b>(1,810,304)</b>	<b>5,068</b>	<b>(16,962)</b>

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.

	As at 1 January 2013	Utilisation	Amounts set aside for estimated probable loan losses <sup>(1)</sup>	Amounts reversed for estimated probable loan losses <sup>(1)</sup>	Other	As at 31 December 2013	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
(In thousands of EUR)								
<b>SPECIFIC ALLOWANCES FOR INDIVIDUALLY AND COLLECTIVELY ASSESSED FINANCIAL ASSETS</b>	<b>(1,300,025)</b>	<b>83,175</b>	<b>(256,137)</b>	<b>248,752</b>	<b>3,972</b>	<b>(1,220,263)</b>	<b>6,332</b>	<b>(43,420)</b>
Loans and advances due from banks	(15,814)	2,928	(278)	1,481	228	(11,455)	0	0
Loans and advances to customers	(1,184,619)	46,267	(238,025)	243,565	3,269	(1,129,543)	6,332	(43,420)
Financial assets available for sale	(99,592)	33,980	(17,834)	3,706	475	(79,265)	0	0
Of which Fixed-income instruments	(33,648)	22,194	6,987	3,706	454	(307)	0	0
Of which Equity instruments	(65,944)	11,786	(24,821)	0	21	(78,958)	0	0
<b>ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS</b>	<b>(510,279)</b>	<b>0</b>	<b>(190,358)</b>	<b>328,533</b>	<b>0</b>	<b>(372,104)</b>	<b>0</b>	<b>0</b>
Loans and advances due from banks	(23,306)	0	(1,852)	20,110	0	(5,048)	0	0
Loans and advances to customers	(486,973)	0	(188,506)	308,423	0	(367,056)	0	0
<b>TOTAL</b>	<b>(1,810,304)</b>	<b>83,175</b>	<b>(446,495)</b>	<b>577,285</b>	<b>3,972</b>	<b>(1,592,367)</b>	<b>6,332</b>	<b>(43,420)</b>

(1) The evolution is as a result of the de-risking strategy.

## 6. Credit risk information for loans designated at fair value through profit or loss

Amounts involved are immaterial. See note 5.5. "Financial assets measured at fair value through profit or loss".

## 7. Credit risk information about financial liabilities designated at fair value through profit or loss

As at 31 December 2012	Book value	Amount of change in the fair value attributable to changes in the credit risk of the liability		Difference between carrying amount of the financial liability and contractually amount required to be paid at maturity <sup>(1)</sup>
		Change of the period	Cumulative amount	
(in thousands of EUR)				
	10,366,557	0	(7,353)	147,070

(1) This amount includes the premium/discount and the change in market value.

As at 31 December 2013	Book value	Amount of change in the fair value attributable to changes in the credit risk of the liability		Difference between carrying amount of the financial liability and contractually amount required to be paid at maturity <sup>(1)</sup>
		Change of the period <sup>(2)</sup>	Cumulative amount	
(in thousands of EUR)				
	8,415,122	7,353	0	132,248

(1) This amount includes the premium/discount and the change in market value.

(2) This amount is booked in result as a charge.

## 9.3. Information about collateral

### 1. Assets received as collateral which can be sold or repledged

#### Assets received as collateral

	Collateral received as at 31 December 2012		Collateral received as at 31 December 2013	
	Fair values of collateral held	Fair value of collateral sold/repledged	Fair values of collateral held	Fair value of collateral sold/repledged
(In thousands of EUR)				
Equity instruments	404,601	0	321,483	0
Debt securities	9,212,161	7,737,754	2,068,845	656,814
Loans and advances	190,577	170,433	191,003	175,821
Cash collateral	9,991,076	9,991,076	6,861,969	6,861,969
<b>TOTAL</b>	<b>19,798,415</b>	<b>17,899,263</b>	<b>9,443,300</b>	<b>7,694,604</b>

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

(In thousands of EUR)	Carrying amount of financial assets pledged as collateral as at 31 December 2012		Carrying amount of financial assets pledged as collateral as at 31 December 2013	
	For liabilities	For contingent liabilities	For liabilities	For contingent liabilities
	77,571,275	0	57,178,215	0

The actual borrowed amount is lower than the carrying amount 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" (CSA) agreements.

These figures were determined based on the EBA definition.

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

## 3. Transfer of financial assets which do not qualify for derecognition in the consolidated balance sheet

(In thousands of EUR)	31/12/12				
	Carrying amount of transferred assets	Carrying amount of associated liabilities	For those liabilities that recourse only to the transferred assets		Net position
			Fair value of transferred assets	Fair Value of associated liabilities	
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 available for sale	4,953,514	4,712,493	0	0	0
<b>TOTAL</b>	<b>10,106,493</b>	<b>9,883,129</b>	<b>3,973,289</b>	<b>3,528,750</b>	<b>444,539</b>

(In thousands of EUR)	31/12/13				
	Carrying amount of transferred assets	Carrying amount of associated liabilities	For those liabilities that recourse only to the transferred assets		Net position
			Fair value of transferred assets	Fair Value of associated liabilities	
Loans and advances due from banks	3,148,849	2,912,142	0	0	0
Loans and advances to customers	3,328,160	3,338,491	3,383,530	3,242,148	141,382
Financial assets held for trading	75,143	74,238	0	0	0
Financial assets available for sale	2,943,621	2,863,255	0	0	0
<b>TOTAL</b>	<b>9,495,773</b>	<b>9,188,126</b>	<b>3,383,530</b>	<b>3,242,148</b>	<b>141,382</b>

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 and these transfers are considered as securitised funding transactions. Consequently, the repurchase agreements and securitised loans are included in this table.

### 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.

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 on this.

## B. Securitisation of credits

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 and

the liquid assets obtained through securitisation are represented by a debt instrument. We refer to note 13. "Securitisation" for further details.

Only the securitised loans DSFB-4 are included in this overview as investors have a contractual right on the cash flows of the underlying loans. Since the investors only have a contractual right on the underlying credits and not on the entire debt, the column "for those liabilities that recourse only to the transferred assets" is applicable.

The related received cash transfer is recognised as a liability.

## 4. Maximum credit risk exposure by class of financial instruments and impact of collateral

	31/12/12		31/12/13	
	Maximum credit risk exposure	Effect of physical collateral	Maximum credit risk exposure	Effect of physical collateral
(In thousands of EUR)				
Financial assets available for sale (excluding variable income securities)	30,484,540	0	27,853,943	0
Financial assets designated at fair value (excluding variable income securities)	304,856	0	272,711	0
Financial assets held for trading (excluding variable income securities)	1,181,389	0	1,369,315	0
Loans and advances (at amortized cost)	105,492,485	2,386,727	100,238,978	1,797,164
Derivatives	6,107,300	0	4,907,350	0
Other financial instruments - at cost	2,726,308	0	2,096,368	0
Loan commitments granted	23,622,927	67,128	19,867,496	80,430
Guarantee commitments granted	14,277,156	51,804	7,836,969	30,386
<b>TOTAL</b>	<b>184,196,960</b>	<b>2,505,659</b>	<b>164,443,129</b>	<b>1,907,980</b>

## 5. Collateral and other credit enhancements obtained by taking possession of collateral

Nil

Amounts involved are immaterial.

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. Offsetting

### A. Financial assets subject to offsetting enforceable master netting agreements and similar agreements

	31/12/12					
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off	Net amounts of financial assets presented in the balance sheet	Amounts not set off in the balance		Net amount
				Financial instrument	Securities + cash collateral received	
(In thousands of EUR)						
Derivatives with London Clearing House	5,747,281	5,705,696	41,585	0	0	41,585
Derivatives with master netting agreements	21,942,838	0	21,942,838	17,181,758	2,541,460	2,219,620
Reverse repurchase agreements with master netting agreements	1,047,957	0	1,047,957	0	977,926	70,031
Financial instruments under DGMNA <sup>(1)</sup>	14,446,247	0	14,446,247	2,627,995	11,818,252	0
<b>TOTAL</b>	<b>43,184,323</b>	<b>5,705,696</b>	<b>37,478,627</b>	<b>19,809,753</b>	<b>15,337,638</b>	<b>2,331,236</b>

(1) The Dexia Group Master Netting Agreement (DGMNA) is a legal enforceable master netting agreement that has been closed in 2009 between Dexia SA, Dexia Crédit Local, Dexia Banque Internationale à Luxembourg, Dexia Crediop and Belfius Bank, in which cross-product close-out netting arrangements in the event of default by one of the adhering parties (default netting agreement) are contractually recorded. Following a default of one of the adhering parties, first the net sum of the positive and negative close-out values of the included individual bilateral master agreements (such as derivatives, repurchase agreements, securities lendings and loans) are calculated and subsequently these amounts are netted into 1 single remaining legal obligation in application of the DGMNA. Dexia Banque Internationale à Luxembourg is no longer an adhering party to this DGMNA (since 29 January 2014).

(In thousands of EUR)	31/12/13					Net amount
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off	Net amounts of financial assets presented in the balance sheet	Amounts not set off in the balance		
				Financial instrument	Securities + cash collateral received	
Derivatives with London Clearing House	5,247,629	5,088,530	159,099	0	0	159,099
Derivatives with master netting agreements	13,622,823	0	13,622,823	10,321,635	1,574,197	1,726,991
Reverse repurchase agreements with master netting agreements	1,221,577	0	1,221,577	0	924,103	297,474
Financial instruments under DGMNA <sup>(1)</sup>	6,166,428	0	6,166,428	1,437,229	4,729,199	0
TOTAL	26,258,457	5,088,530	21,169,927	11,758,864	7,227,499	2,183,564

(1) The Dexia Group Master Netting Agreement (DGMNA) is a legal enforceable master netting agreement that has been closed in 2009 between Dexia SA, Dexia Crédit Local, Dexia Banque Internationale à Luxembourg, Dexia Crediop and Belfius Bank, in which cross-product close-out netting arrangements in the event of default by one of the adhering parties (default netting agreement) are contractually recorded. Following a default of one of the adhering parties, first the net sum of the positive and negative close-out values of the included individual bilateral master agreements (such as derivatives, repurchase agreements, securities lendings and loans) are calculated and subsequently these amounts are netted into 1 single remaining legal obligation in application of the DGMNA. Dexia Banque Internationale à Luxembourg is no longer an adhering party to this DGMNA (since 29 January 2014).

## B. Financial liabilities subject to offsetting enforceable master netting agreements and similar agreements

	31/12/12					
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off	Net amounts of financial liabilities presented in the balance sheet	Amounts not set off in the balance		Net amount
				Financial instrument	Securities + cash collateral pledged	
(In thousands of EUR)						
Derivatives with London Clearing House	5,707,294	5,705,696	1,598	0	0	1,598
Derivatives with master netting agreements	37,758,226	0	37,758,226	17,293,327	19,703,557	761,342
Repurchase agreements with master netting agreements	10,913,662	0	10,913,662	0	10,912,317	1,345
Financial instruments under DGMNA <sup>(1)</sup>	2,627,998	0	2,627,998	2,627,995	0	3
<b>TOTAL</b>	<b>57,007,180</b>	<b>5,705,696</b>	<b>51,301,484</b>	<b>19,921,322</b>	<b>30,615,874</b>	<b>764,288</b>

(1) The Dexia Group Master Netting Agreement (DGMNA) is a legal enforceable master netting agreement that has been closed in 2009 between Dexia SA, Dexia Crédit Local, Dexia Banque Internationale à Luxembourg, Dexia Crediop and Belfius Bank, in which cross-product close-out netting arrangements in the event of default by one of the adhering parties (default netting agreement) are contractually recorded. Following a default of one of the adhering parties, first the net sum of the positive and negative close-out values of the included individual bilateral master agreements (such as derivatives, repurchase agreements, securities lendings and loans) are calculated and subsequently these amounts are netted into 1 single remaining legal obligation in application of the DGMNA. Dexia Banque Internationale à Luxembourg is no longer an adhering party to this DGMNA (since 29 January 2014).

	31/12/13					Net amount
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off	Net amounts of financial liabilities presented in the balance sheet	Amounts not set off in the balance		
				Financial instrument	Securities + cash collateral pledged	
(In thousands of EUR)						
Derivatives with London Clearing House	5,235,961	5,088,530	147,431	0	0	147,431
Derivatives with master netting agreements	26,008,448	0	26,008,448	10,332,320	15,060,188	615,940
Repurchase agreements with master netting agreements	8,780,961	0	8,780,961	0	8,581,925	199,036
Financial instruments under DGMNA <sup>(1)</sup>	1,437,229	0	1,437,229	1,437,229	0	0
<b>TOTAL</b>	<b>41,462,599</b>	<b>5,088,530</b>	<b>36,374,069</b>	<b>11,769,549</b>	<b>23,642,113</b>	<b>962,407</b>

(1) The Dexia Group Master Netting Agreement (DGMNA) is a legal enforceable master netting agreement that has been closed in 2009 between Dexia SA, Dexia Crédit Local, Dexia Banque Internationale à Luxembourg, Dexia Crediop and Belfius Bank, in which cross-product close-out netting arrangements in the event of default by one of the adhering parties (default netting agreement) are contractually recorded. Following a default of one of the adhering parties, first the net sum of the positive and negative close-out values of the included individual bilateral master agreements (such as derivatives, repurchase agreements, securities lendings and loans) are calculated and subsequently these amounts are netted into 1 single remaining legal obligation in application of the DGMNA. Dexia Banque Internationale à Luxembourg is no longer an adhering party to this DGMNA (since 29 January 2014).

## 9.4. Interest-rate repricing risk: breakdown by remaining maturity until next refinancing 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

refinancing date on the legal repayment date, rather than on the observed behavioural customer data. However, for the determination of the interest sensitivity, the observed behaviour of customers is taken into account (see note 9.5. "Market risk and ALM").

### 1. 2012

#### A. Assets

(In thousands of EUR)	At sight and on demand	Less than 3 months	3 months to 1 year	Between 1 to 5 years	Over 5 years	Undetermined maturity <sup>(1)</sup>	Accrued interest	Fair value adjustment <sup>(1)</sup>	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 measured at fair value through profit and loss	0	1,033,870	26,010	132,987	324,373	3,473,984	5,244	81,167	0	5,077,635
Financial investments	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
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 <sup>(1)</sup>						1,207,713				1,207,713
Other assets <sup>(1)</sup>	144,342	44,192	25,483	14,277	3,748	921,272		6,230	(3,995)	1,155,549
Non-current assets held for sale						25,468			(5,851)	19,617
<b>TOTAL ASSETS<sup>(1)</sup></b>	<b>27,803,762</b>	<b>41,037,186</b>	<b>15,709,702</b>	<b>28,441,354</b>	<b>48,258,396</b>	<b>10,847,213</b>	<b>2,807,579</b>	<b>39,872,081</b>	<b>(1,820,150)</b>	<b>212,957,124</b>
Regular way trade	0	2,119,826	255,601	9,435	11,365	218,181	0	0	0	2,614,408
Derivatives	0	231,424,947	118,186,685	115,469,983	252,787,217	2,599,414	0	0	0	720,468,246
<b>OFF BALANCE SHEET</b>	<b>0</b>	<b>233,544,773</b>	<b>118,442,286</b>	<b>115,479,418</b>	<b>252,798,582</b>	<b>2,817,595</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>723,082,654</b>
<b>TOTAL FOR INTEREST RATE REPRICING RISK<sup>(1)</sup></b>	<b>27,803,762</b>	<b>274,581,959</b>	<b>134,151,988</b>	<b>143,920,772</b>	<b>301,056,978</b>	<b>13,664,808</b>	<b>2,807,579</b>	<b>39,872,081</b>	<b>(1,820,150)</b>	<b>936,039,778</b>

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated basis" and to note 6.7. "Provisions and other obligations" for a detailed description.

## B. Liabilities

(In thousands of EUR)	At sight and on demand	Less than 3 months	3 months to 1 year	Between 1 to 5 years	Over 5 years	Undetermined maturity <sup>(1)</sup>	Accrued interest	Fair value adjustment	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 measured at fair value through profit or loss	0	409,244	477,279	4,608,419	1,223,413	3,459,351	136,544	148,701	10,462,951
Derivatives							2,737,615	39,027,920	41,765,535
Fair value revaluation of portfolio hedge								87,205	87,205
Debt securities		6,041,389	3,369,192	15,029,496	1,715,628		283,742	47	26,439,494
Subordinated debts		30,128	198,396	274,343	201,108	288,373	39,159	8,399	1,039,906
Technical provisions of insurance companies						17,579,188			17,579,188
Provisions and other obligations <sup>(1)</sup>						978,104			978,104
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
<b>TOTAL LIABILITIES<sup>(1)</sup></b>	<b>59,765,549</b>	<b>22,103,241</b>	<b>6,939,830</b>	<b>48,212,274</b>	<b>4,462,954</b>	<b>22,998,497</b>	<b>3,859,956</b>	<b>39,275,361</b>	<b>207,617,662</b>
Regular way trade	0	1,374,387	1,001,196	9,129	3,327	211,773	0	0	2,599,812
Derivatives	0	215,280,856	125,408,393	122,691,917	272,512,183	2,987,395	0	0	738,880,744
<b>OFF BALANCE SHEET</b>	<b>0</b>	<b>216,655,243</b>	<b>126,409,589</b>	<b>122,701,046</b>	<b>272,515,510</b>	<b>3,199,168</b>	<b>0</b>	<b>0</b>	<b>741,480,556</b>

<b>TOTAL FOR INTEREST RATE REPRICING RISK<sup>(1)</sup></b>	<b>59,765,549</b>	<b>238,758,484</b>	<b>133,349,419</b>	<b>170,913,320</b>	<b>276,978,464</b>	<b>26,197,665</b>	<b>3,859,956</b>	<b>39,275,361</b>	<b>949,098,218</b>
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(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated basis" and to note 6.7. "Provisions and other obligations" for a detailed description.

## C. Net position

(In thousands of EUR)	At sight and on demand	Less than 3 months	3 months to 1 year	Between 1 to 5 years	Over 5 years	Undetermined maturity <sup>(1)</sup>
Balance-sheet sensitivity gap <sup>(1)</sup>	(31,961,787)	35,823,475	,802,569	(26,992,548)	24,078,514	(12,532,857)

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated basis" and to note 6.7. "Provisions and other obligations" for a detailed description.

The actual interest rate risk of the bank is analysed based on more advanced hypotheses.

## 2. 2013

### A. Assets

(In thousands of EUR)	At sight and on demand	Less than 3 months	More than 3 months to 1 year	Between 1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	1,445,586						130			1,445,716
Loans and advances due from banks	15,283,163	14,055,302	455,775	173,665	92,609	13,467	42,311	23,921	(16,504)	30,123,709
Loans and advances to customers	3,116,136	17,748,834	13,352,117	21,043,522	31,625,002	1,970,682	303,905	57,963	(1,496,599)	87,721,562
Financial assets measured at fair value through profit and loss	0	1,443,753	7,686	75,081	174,421	3,656,578	8,051	146,663	0	5,512,233
Financial investments	0	2,116,661	1,325,987	5,584,439	15,519,596	1,161,898	502,010	1,942,824	(79,264)	28,074,151
Derivatives							1,527,524	21,662,656		23,190,180
Fair value revaluation of portfolio hedge								3,044,509		3,044,509
Investments in associates						169,487				169,487
Tangible fixed assets						1,391,707				1,391,707
Intangible assets and goodwill						199,047				199,047
Tax assets						958,827				958,827
Other assets	69,615	48,917	6,935	12,836	564	786,331		122	(2,185)	923,135
Non-current assets held for sale						27,489			(4,330)	23,159
<b>TOTAL ASSETS</b>	<b>19,914,500</b>	<b>35,413,467</b>	<b>15,148,500</b>	<b>26,889,543</b>	<b>47,412,192</b>	<b>10,335,513</b>	<b>2,383,931</b>	<b>26,878,658</b>	<b>(1,598,882)</b>	<b>182,777,422</b>
Regular way trade	0	328,745	196,781	23,158	313,985	471,748	0	0	0	1,334,417
Derivatives	0	197,072,015	121,570,564	106,511,750	250,422,971	193,636	0	0	0	675,770,936
<b>OFF BALANCE SHEET</b>	<b>0</b>	<b>197,400,760</b>	<b>121,767,345</b>	<b>106,534,908</b>	<b>250,736,956</b>	<b>665,384</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>677,105,353</b>
<b>TOTAL FOR INTEREST RATE REPRICING RISK</b>	<b>19,914,500</b>	<b>232,814,227</b>	<b>136,915,845</b>	<b>133,424,451</b>	<b>298,149,148</b>	<b>11,000,897</b>	<b>2,383,931</b>	<b>26,878,658</b>	<b>(1,598,882)</b>	<b>859,882,775</b>

## B. Liabilities

(In thousands of EUR)	At sight and on demand	Less than 3 months	3 months to 1 year	between 1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Due to banks	7,012,120	5,849,964	1,845,174	14,291,289	49,035	3,878	182,457	1,651	29,235,568
Customer borrowings and deposits	45,624,702	13,786,894	544,201	912,955	640,423	22,144	93,993		61,625,312
Financial liabilities measured at fair value through profit or loss	0	661,969	953,128	2,092,054	888,235	3,651,726	80,447	133,249	8,460,808
Derivatives							2,393,636	26,208,407	28,602,043
Fair value revaluation of portfolio hedge								42,632	42,632
Debt securities		7,765,343	7,556,767	8,738,937	2,818,067		305,050	16	27,184,180
Subordinated debts		209,895	214,718	50,000	249,149	157,000	6,754	5,676	893,192
Technical provisions of insurance companies						17,641,090			17,641,090
Provisions and other obligations						462,146			462,146
Tax liabilities						109,652			109,652
Other liabilities	202,779	1,100,001	32,686	11,896	3,351	548,888	252		1,899,853
Liabilities included in disposal groups held for sale									0
<b>TOTAL LIABILITIES</b>	<b>52,839,601</b>	<b>29,374,066</b>	<b>11,146,674</b>	<b>26,097,131</b>	<b>4,648,260</b>	<b>22,596,524</b>	<b>3,062,589</b>	<b>26,391,631</b>	<b>176,156,476</b>
Regular way trade	0	1,437,353	21,990	40,969	315,083	731,453	0	0	2,546,848
Derivatives	0	190,293,451	128,121,848	105,540,091	269,655,302	499,645	0	0	694,110,337
<b>OFF BALANCE SHEET</b>	<b>0</b>	<b>191,730,804</b>	<b>128,143,838</b>	<b>105,581,060</b>	<b>269,970,385</b>	<b>1,231,098</b>	<b>0</b>	<b>0</b>	<b>696,657,185</b>
<b>TOTAL FOR INTEREST RATE REPRICING RISK</b>	<b>52,839,601</b>	<b>221,104,870</b>	<b>139,290,512</b>	<b>131,678,191</b>	<b>274,618,645</b>	<b>23,827,622</b>	<b>3,062,589</b>	<b>26,391,631</b>	<b>872,813,661</b>

## C. Net position

(In thousands of EUR)	At sight and on demand	Less than 3 months	3 months to 1 year	Between 1 to 5 years	Over 5 years	Undetermined maturity
Balance-sheet sensitivity gap	(32,925,101)	11,709,357	(2,374,667)	1,746,260	23,530,503	(12,826,725)

The actual interest rate risk of the bank is analysed based on more advanced hypotheses.



## 9.5. Market risk and ALM

We refer to the chapter “Risk Management” of the management report for further information.

### 1. Treasury and Financial Markets

Within Belfius, the Treasury and Financial Markets Services department is the central point of entry to the financial markets. The department does not negotiate any positions on its own account; all transactions are based on customer transactions only. Transactions made by external or internal customers, for instance liquidity and balance sheet management belonging to the last category, are hedged overall within a restricted framework of limits that complies with Belfius’ risk policies. As a result, the various market risks can be hedged within an acceptable period of time and access to the financial markets remains guaranteed. The VaR figures stated below reflect the limited residual positions.

- The risk on flow management activities includes general interest rate, foreign exchange, equity prices, credit spread and other risks (inflation, CO<sub>2</sub>). These risks are managed within Value at Risk limits and other appropriate risk limits.
- Cash and Liquidity Management (CLM) – only banking – is reviewed by means of Value at Risk limits (VaR) and interest rate sensitivity limits.
- The spread risk of the investment portfolio and TFM-customers activities are managed with spread limits.

The VAR limits were significantly reduced in order to bring them in line with the reduced risk appetite of the bank.

VaR (99% 10 days)	2012				2013			
	IR <sup>(1)</sup> & FX <sup>(2)</sup> (Trading and Banking) <sup>(3)</sup>	EQT <sup>(4)</sup> Trading	Spread Trading	Other risks <sup>(5)</sup>	IR <sup>(1)</sup> & FX <sup>(2)</sup> (Trading and Banking) <sup>(3)</sup>	EQT <sup>(4)</sup> Trading	Spread Trading	Other risks <sup>(5)</sup>
(In thousands of EUR)								
By activity								
Average	8,308	1,305	11,982	2,087	5,951	1,246	10,711	1,634
EOY	6,351	1,593	14,002	1,592	4,843	837	10,468	1,551
Maximum	14,074	3,926	17,903	4,532	10,347	2,603	14,517	2,287
Minimum	4,957	606	7,825	1,503	3,392	643	9,120	1,120
Global								
Average		23,682				19,543		
EOY		23,538				17,700		
Maximum		30,359				24,180		
Minimum		17,893				15,197		
Limit		41,000				41,000		

(1) IR: interest rate risk.

(2) FX: forex risk.

(3) without ALM.

(4) Eqt : equity risk.

(5) Inflation and CO<sub>2</sub> risk.

## 2. ALM-interest rate and equity risk

ALM is managed under the direct decision and control authority of the ALCo.

The described 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 9.4. "Interest-rate repricing risk: breakdown by remaining maturity until next refixing interest rate").

### A. Net economic value - sensitivity

The Value at Risk (VaR) is a measure of the potential change in market value, with a probability of 99% and over a period of 10 days.

(In thousands of EUR)	2012		2013	
	Interest rate	Equity	Interest rate	Equity
Banking companies ALM <sup>(1)</sup>				
Sensitivity	129,000		103,000	
VaR (99%, 10 days)		300		800
Insurance				
Sensitivity	95,000		65,000	
Limited VaR (99%, 10 days)		51,000		37,000

(1) Treasury excluded.

### B. Income sensitivity: shares

The Earnings at Risk (EaR) measures the potential loss on the accounting result over one year (with a probability of 90%).

(In thousands of EUR)	31/12/12	31/12/13
Bank		
Acquisition cost	13,000	24,000
Market value	2,000	2,000
Earnings at risk	0	0
Insurance		
Acquisition cost	850,000	826,000
Market value	870,000	888,000
Earnings at risk	(18,000)	(10,000)

## 3. Bond portfolio

### A. Outstanding nominal amounts

(In thousands of EUR)	31/12/12	31/12/13
Bank <sup>(1)</sup>	22,834,000	19,625,139
Insurance	13,343,000	12,046,503

(1) Bonds of the Side portfolio and ALM Management.

### B. Interest-rate sensitivity

The interest rate risk of the bond portfolio of the bank is hedged for the interest rate risk, or is managed through the ALM policy (in ALM portfolio). Therefore it has a very limited sensitivity to changes of interest rates on the Side portfolio.

The sensitivity to 1% interest-rate increase of the bond portfolio of the insurance companies amounted to EUR -6.9 mio at the end of 2013.

## C. Credit-spread sensitivity

This calculation estimates the sensitivity of the bond portfolio after one basis point spread widening.

(In thousands of EUR)	31/12/12	31/12/13
Bank <sup>(1)</sup>	(20,452)	(19,711)
Insurance	(11,286)	(9,285)

(1) Bonds of the Side portfolio and ALM Management.

## 9.6. Liquidity risk

The management of the liquidity risk has been reviewed in the light of the financial and liquidity crisis.

All other assets and liabilities are split over the different periods, even if the maturity date is less than 7 days.

### 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.

### 1. 2012

#### A. Assets

(In thousands of EUR)	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjustment	Impairment	Total
	At sight and on demand <sup>(1)</sup>	Less than 3 months <sup>(1)</sup>	3 months to 1 year	Between 1 to 5 years	Over 5 years	Undetermined 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 measured at fair value through profit and loss	0	10,962	19,154	349,390	1,137,734	3,473,984	5,244	81,167	0	5,077,635
Financial investments	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
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 <sup>(1)</sup>						1,207,713				1,207,713
Other assets <sup>(1)</sup>	144,256	44,278	25,483	14,277	3,748	921,272		6,230	(3,995)	1,155,549
Non-current assets held for sale						25,468			(5,851)	19,617
<b>TOTAL ASSETS<sup>(1)</sup></b>	<b>27,405,235</b>	<b>12,535,768</b>	<b>9,556,491</b>	<b>44,155,775</b>	<b>67,595,765</b>	<b>10,848,579</b>	<b>2,807,579</b>	<b>39,872,081</b>	<b>(1,820,150)</b>	<b>212,957,124</b>
Regular way trade	0	2,605,226	9,182	0	0	0	0	0	0	2,614,408
Foreign exchange derivatives	0	12,088,889	2,146,632	5,939,489	9,876,738	0	0	0	0	30,051,748
<b>CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE</b>	<b>0</b>	<b>14,694,115</b>	<b>2,155,814</b>	<b>5,939,489</b>	<b>9,876,738</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,666,156</b>
<b>TOTAL LIQUIDITY GAP<sup>(1)</sup></b>	<b>27,405,235</b>	<b>27,229,883</b>	<b>11,712,305</b>	<b>50,095,264</b>	<b>77,472,503</b>	<b>10,848,579</b>	<b>2,807,579</b>	<b>39,872,081</b>	<b>(1,820,150)</b>	<b>245,623,280</b>

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated basis" and to note 6.7. "Provisions and other obligations" for a detailed description.

## B. Liabilities

(In thousands of EUR)	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjustment	Total
	At sight and on demand	Less than 3 months	3 months to 1 year	between 1 to 5 years	Over 5 years	Undetermined maturity <sup>(1)</sup>			
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 measured at fair value through profit or loss	0	150,755	455,312	4,866,897	1,245,392	3,459,350	136,544	148,701	10,462,951
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 provisions 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 <sup>(1)</sup>						978,104			978,104
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
<b>TOTAL LIABILITIES<sup>(1)</sup></b>	<b>59,769,759</b>	<b>17,500,652</b>	<b>8,939,929</b>	<b>56,845,057</b>	<b>15,573,192</b>	<b>5,853,756</b>	<b>3,859,956</b>	<b>39,275,361</b>	<b>207,617,662</b>
Core shareholders' equity <sup>(1)</sup>						6,900,670			6,900,670
Gains and losses not recognised in the statement of income <sup>(1)</sup>								(1,580,551)	(1580,551)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,900,670</b>	<b>0</b>	<b>(1,580,551)</b>	<b>5,320,119</b>
Non-controlling interests						19,343			19,343
<b>TOTAL EQUITY<sup>(1)</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,920,013</b>	<b>0</b>	<b>(1,580,551)</b>	<b>5,339,462</b>
<b>TOTAL LIABILITIES AND EQUITY<sup>(1)</sup></b>	<b>59,769,759</b>	<b>17,500,652</b>	<b>8,939,929</b>	<b>56,845,057</b>	<b>15,573,192</b>	<b>12,773,769</b>	<b>3,859,956</b>	<b>37,694,810</b>	<b>212,957,124</b>
Regular way trade	0	2,584,512	15,300	0	0	0	0	0	2,599,812
Foreign exchange derivatives	0	12,013,442	2,110,907	6,202,645	9,970,794	0	0	0	30,297,788
<b>CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE</b>	<b>0</b>	<b>14,597,954</b>	<b>2,126,207</b>	<b>6,202,645</b>	<b>9,970,794</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,897,600</b>
<b>TOTAL LIQUIDITY GAP<sup>(1)</sup></b>	<b>59,769,759</b>	<b>32,098,606</b>	<b>11,066,136</b>	<b>63,047,702</b>	<b>25,543,986</b>	<b>12,773,769</b>	<b>3,859,956</b>	<b>37,694,810</b>	<b>245,854,724</b>

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated basis" and to note 6.7. "Provisions and other obligations" for a detailed description.

## C. Net liquidity gap

(In thousands of EUR)	Breakdown of gross amount and premium/discount					
	At sight and on demand	Less than 3 months	3 months to 1 year	Between 1 to 5 years	Over 5 years	Undetermined maturity
Net liquidity gap	(32,364,524)	(4,868,723)	646,169	(12,952,438)	51,928,517	(1,925,190)

The actual liquidity risk of the bank is analysed based on more advanced hypotheses.

The market value of the derivatives is reported in the column "Fair value adjustment".

The liquidity position of a bank results from the difference between the cashflows of contractual maturities of assets and liabilities and takes into account the hedges via derivatives. This allows a presentation of the liquidity gap.

## 2. 2013

### A. Assets

(In thousands of EUR)	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjustment	Impairment	Total
	At sight and on demand	Less than 3 months	3 months to 1 year	Between 1 to 5 years	Over 5 years	Undetermined maturity				
Cash and balances with central banks	1,445,586						130			1,445,716
Loans and advances due from banks	15,284,291	981,096	3,257,862	10,324,176	198,292	28,263	42,311	23,921	(16,504)	30,123,708
Loans and advances to customers	3,032,896	8,801,313	5,795,349	21,396,048	47,853,214	1,977,472	303,905	57,963	(1,496,599)	87,721,561
Financial assets measured at fair value through profit and loss	0	338,505	5,457	318,847	1,038,132	3,656,579	8,051	146,663	0	5,512,234
Financial investments	0	1,064,293	1,083,583	6,471,145	15,925,880	1,163,680	502,010	1,942,824	(79,264)	28,074,151
Derivatives							1,527,524	21,662,656		23,190,180
Fair value revaluation of portfolio hedge								3,044,509		3,044,509
Investments in associates						169,487				169,487
Tangible fixed assets						1,391,707				1,391,707
Intangible assets and goodwill						199,047				199,047
Tax assets						958,827				958,827
Other assets	69,615	48,941	6,912	12,836	564	786,331	0	122	(2,185)	923,136
Non-current assets held for sale						27,489			(4,330)	23,159
<b>TOTAL ASSETS</b>	<b>19,832,388</b>	<b>11,234,148</b>	<b>10,149,163</b>	<b>38,523,052</b>	<b>65,016,082</b>	<b>10,358,882</b>	<b>2,383,931</b>	<b>26,878,658</b>	<b>(1,598,882)</b>	<b>182,777,422</b>
Regular way trade	0	1,326,229	8,188	0	0	0	0	0	0	1,334,417
Foreign exchange derivatives	0	7,268,551	4,086,720	3,734,417	8,922,811	0	0	0	0	24,012,499
<b>CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE</b>	<b>0</b>	<b>8,594,780</b>	<b>4,094,908</b>	<b>3,734,417</b>	<b>8,922,811</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,346,916</b>
<b>TOTAL LIQUIDITY GAP</b>	<b>19,832,388</b>	<b>19,828,928</b>	<b>14,244,071</b>	<b>42,257,469</b>	<b>73,938,893</b>	<b>10,358,882</b>	<b>2,383,931</b>	<b>26,878,658</b>	<b>(1,598,882)</b>	<b>208,124,338</b>

Management report

Consolidated financial statements

Non-consolidated financial statements

## B. Liabilities

(In thousands of EUR)	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjustment	Total
	At sight and on demand	Less than 3 months	3 months to 1 year	between 1 to 5 years	Over 5 years	Undetermined maturity			
Due to banks	7,012,120	5,849,963	1,844,404	14,287,692	53,403	3,878	182,457	1,651	29,235,568
Customer borrowings and deposits	45,624,702	13,786,894	544,201	912,955	640,423	22,144	93,993		61,625,312
Financial liabilities measured at fair value through profit or loss	0	35,902	144,926	3,145,599	1,268,959	3,651,726	80,447	133,249	8,460,808
Derivatives							2,393,636	26,208,407	28,602,043
Fair value revaluation of portfolio hedge								42,632	42,632
Debt securities		2,371,399	5,669,068	13,285,624	5,553,023		305,050	16	27,184,180
Subordinated debts			108,814	229,964	319,080	222,904	6,754	5,676	893,192
Technical provisions of insurance companies		452,252	1,285,242	5,378,129	10,525,467				17,641,090
Provisions and other obligations						462,146			462,146
Tax liabilities						109,652			109,652
Other liabilities	201,768	1,102,970	30,040	11,896	3,351	549,576	252		1,899,853
<b>TOTAL LIABILITIES</b>	<b>52,838,590</b>	<b>23,599,380</b>	<b>9,626,695</b>	<b>37,251,859</b>	<b>18,363,706</b>	<b>5,022,026</b>	<b>3,062,589</b>	<b>26,391,631</b>	<b>176,156,476</b>
Core shareholders' equity						7,343,222			7,343,222
Gains and losses not recognised in the statement of income								(738,172)	(738,172)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,343,222</b>	<b>0</b>	<b>(738,172)</b>	<b>6,605,050</b>
Non-controlling interests						15,896			15,896
<b>TOTAL EQUITY</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,359,118</b>	<b>0</b>	<b>(738,172)</b>	<b>6,620,946</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>52,838,590</b>	<b>23,599,380</b>	<b>9,626,695</b>	<b>37,251,859</b>	<b>18,363,706</b>	<b>12,381,144</b>	<b>3,062,589</b>	<b>25,653,459</b>	<b>182,777,422</b>
Regular way trade	0	2,546,848	0	0	0	0	0	0	2,546,848
Foreign exchange derivatives	0	7,233,867	4,238,386	3,786,898	8,931,288	0	0	0	24,190,439
<b>CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE</b>	<b>0</b>	<b>9,780,715</b>	<b>4,238,386</b>	<b>3,786,898</b>	<b>8,931,288</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,737,287</b>
<b>TOTAL LIQUIDITY GAP</b>	<b>52,838,590</b>	<b>33,380,095</b>	<b>13,865,081</b>	<b>41,038,757</b>	<b>27,294,994</b>	<b>12,381,144</b>	<b>3,062,589</b>	<b>25,653,459</b>	<b>209,514,709</b>

## C. Net liquidity gap

(In thousands of EUR)	Breakdown of gross amount and premium/discount					
	At sight and on demand	Less than 3 months	3 months to 1 year	Between 1 to 5 years	Over 5 years	Undetermined maturity
Net liquidity gap	(33,006,202)	(13,551,167)	378,990	1,218,712	46,643,899	(2,022,262)

The actual liquidity risk of the bank is analysed based on more advanced hypotheses.

More detailed information regarding liquidity is available in the chapter "Risk Management" of the management report.

The liquidity position of a bank results from the difference between the cash flows of contractual maturities of assets and liabilities and takes into account the hedges via derivatives. This allows a presentation of the liquidity gap.

The market value of the derivatives is reported in the column "Fair value adjustment".

Belfius' improved liquidity position reduces the use of loans of the central banks.

We notice a general decrease of the assets, mainly due to the de-risking.

## 9.7. Currency risk and exchange rates

### 1. Currency risk

(In thousands of EUR)	31/12/12				
	EUR <sup>(1)</sup>	GBP	USD	Other	Total
Total assets <sup>(1)</sup>	189,799,385	8,067,871	11,342,328	3,747,540	212,957,124
Total liabilities and equity <sup>(1)</sup>	196,925,372	3,456,847	9,453,634	3,121,271	212,957,124
<b>NET ON BALANCE POSITION</b>	<b>(7,125,987)</b>	<b>4,611,024</b>	<b>1,888,694</b>	<b>626,269</b>	<b>0</b>
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
<b>OFF BALANCE SHEET - NET POSITION</b>	<b>6,730,491</b>	<b>(4,508,936)</b>	<b>(2,069,882)</b>	<b>(400,927)</b>	<b>(249,254)</b>
<b>NET POSITION</b>	<b>(395,496)</b>	<b>102,088</b>	<b>(181,188)</b>	<b>225,342</b>	

(1) Due to the application of IAS 19 Revised, the 2012 figures have been adapted. We refer to the "Accounting principles on a consolidated basis" and to note 6.7. "Provisions and other obligations" for a detailed description.

(In thousands of EUR)	31/12/13				
	EUR	GBP	USD	Other	Total
Total assets	169,082,010	6,128,394	5,332,041	2,234,977	182,777,422
Total liabilities and equity	172,641,417	3,287,745	4,641,768	2,206,492	182,777,422
<b>NET ON BALANCE POSITION</b>	<b>(3,559,407)</b>	<b>2,840,649</b>	<b>690,273</b>	<b>28,485</b>	<b>0</b>
Off balance sheet - to receive	10,188,662	598,438	9,112,714	4,066,111	23,965,925
Off balance sheet - to deliver	6,649,276	3,419,921	9,833,533	3,906,781	23,809,511
<b>OFF BALANCE SHEET - NET POSITION</b>	<b>3,539,386</b>	<b>(2,821,483)</b>	<b>(720,819)</b>	<b>159,330</b>	<b>156,414</b>
<b>NET POSITION</b>	<b>(20,021)</b>	<b>19,166</b>	<b>(30,546)</b>	<b>187,815</b>	

### 2. Exchange rates

		31/12/12		31/12/13	
		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.2735	1.2452	1.5415	1.3946
Canadian dollar	CAD	1.3169	1.2910	1.4648	1.3769
Swiss franc	CHF	1.2074	1.2040	1.2273	1.2292
Koruna (Czech republic)	CZK	25.1095	25.1541	27.3630	26.0349
Danish krone	DKK	7.4608	7.4448	7.4603	7.4577
Euro	EUR	1.0000	1.0000	1.0000	1.0000
Pound sterling	GBP	0.8137	0.8115	0.8335	0.8504
Hong Kong dollar	HKD	10.2451	10.0216	10.6896	10.3217
Forint	HUF	291.1000	288.1549	297.1150	298.0004
Shekel	ILS	4.9388	4.9687	4.7741	4.7900
Yen	JPY	114.2150	103.4577	144.7000	130.3038
Mexican peso	MXN	17.1702	16.9718	18.0222	17.1202
Norwegian Krone	NOK	7.3530	7.4658	8.3781	7.8690
New Zealand dollar	NZD	1.6041	1.5869	1.6729	1.6300
Swedish krona	SEK	8.5982	8.6794	8.8819	8.6648
Singapore dollar	SGD	1.6146	1.6074	1.7411	1.6679
Turkish lira	TRY	2.3575	2.3108	2.9654	2.5672
US dollar	USD	1.3220	1.2921	1.3785	1.3307

## 9.8. Insurance risks

More detailed information regarding insurance risk is available in the chapter "Risk Management" of the management report.

## X. Significant changes in scope of consolidation and list of subsidiaries and affiliated enterprises of Belfius Bank

### 10.1. Significant changes in scope of consolidation

#### 1. As at 31 December 2012

During the second quarter, Dexia Auto Lease Luxembourg was sold and 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. As at 31 December 2013

As from the first quarter the participation in Belfius Insurance became 100%.

The companies Coquelets, North Light and Pole Star were purchased.

The company Sepia is again included in the consolidation scope.



## 10.2. Acquisitions and disposals of consolidated companies

### 1. Main acquisitions

#### A. Year 2012

On 29 June 2012, LFB SA and Legros Renier - Les Amarentes Seigneurie de Loverval SA have been acquired. It concerns investments in companies specialised in retirement homes.

#### B. Year 2013

On 27 June 2013, Coquelets SA has been acquired. It concerns an investment in a company specialised in retirement homes.

The assets and liabilities acquired were as follows:

	2012		2013
	LFB	Legros	Coquelets
(In thousands of EUR)			
Cash and cash equivalents	3	1	7
Loans and advances due from banks	496	588	196
Tangible fixed assets	16,613	20,971	17,384
Other assets	6	5	34
Customer borrowings and deposits	(8,018)	(7,016)	(11,623)
Other liabilities	(129)	(238)	(706)
<b>NET ASSETS</b>	<b>8,971</b>	<b>14,311</b>	<b>5,292</b>
Purchase price (in cash)	8,971	14,311	5,292
Less: cost of the transaction	0	0	0
Less: cash and cash equivalents in the subsidiary acquired	(3)	(1)	(7)
<b>NET CASH OUTFLOW THROUGH ACQUISITION</b>	<b>8,968</b>	<b>14,310</b>	<b>5,285</b>

### 2. Main disposals

Nil

### 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 2012 and at 31 December 2013.

## 10.3. Subsidiaries, equity accounted enterprises, affiliated enterprises and enterprises in which the group holds rights representing at least 20% of the issued capital

### 1. Fully-consolidated subsidiaries

Name	Head office	% of capital held <sup>(1)</sup>	Business code
Audit en Ingénierie Sociale Consulting SA	Route du Creton F-18110 Vasselay	99.99	30
Belfius Asset Finance Holding SA	Boulevard Pacheco 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	20, rue de l'Industrie L-8399 Windhof	100	49
Belfius Funding NV	Luna Arena Herikerbergweg 238 NL-1101 CM Amsterdam Zuidoost	100	49
Belfius Immo SA	Boulevard Pacheco 44 B-1000 Bruxelles	100	31
Belfius Insurance SA	Avenue Galilee 5 B-1210 Bruxelles	100	28
Belfius Insurance Invest SA	Avenue Galilee 5 B-1210 Bruxelles	100	21
Belfius Insurance Services Finance SA	20, rue de l'Industrie L-8399 Windhof	100	21
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	27
Copharma Industries Unlimited <sup>(2)</sup>	International Financial Services Centre 6 George's Dock IRL-Dublin 1	15.41	47
Coquelets SA	Avenue Galilee 5 B-1210 Bruxelles	100	31
Corona SA	Avenue de la Métrologie 2 B-1130 Bruxelles	100	28
Corona Invest SA	Avenue de la Métrologie 2 B-1130 Bruxelles	100	21
Crefius SA	Boulevard Pacheco 44 B-1000 Bruxelles	100	6
Delp Invest SCRL	Namur Office Park 2, avenue des Dessus de Lives B-5101 Loyers	93.69	21
Dexia Secured Funding Belgium SA	Boulevard Pacheco 44 B-1000 Bruxelles	10	49
Dublin Oak Ltd <sup>(3)</sup>	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 <sup>(2)</sup>	International Financial Services Centre 6 George's Dock IRL-Dublin 1	100	47
Eurco Re Ltd <sup>(2)</sup>	International Financial Services Centre 6 George's Dock IRL-Dublin 1	100	27

(1) Percentage of capital held by holding company

(2) The subsidiaries of Belfius Insurance in Ireland are in liquidation.

(3) Subsidiaries liquidated end 2013

Name	Head office	% of capital held <sup>(1)</sup>	Business code
Eurco Rück AG <sup>(3)</sup>	Beethovenstrasse 49 CH-8002 Zürich	99.98	27
Ibro Holdings Unltd <sup>(2)</sup>	International Financial Services Centre 6 George's Dock IRL-Dublin 1	100	47
International Wealth Insurer SA	2, rue Nicolas Bové L-1253 Luxembourg	99.99	25
Legros-Renier Les Amarentes Seigneurie de Loverval SA	Avenue Galilee 5 B-1210 Bruxelles	100	31
LFB SA	Avenue Galilee 5 B-1210 Bruxelles	100	31
Mercurius Funding SA	Boulevard Pacheco 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 <sup>(1)</sup>	Reason for exclusion	Business code
Atrium 1 SA	rue des Colonies 40 B-1000 Bruxelles	0	non-significant	21
Atrium 2 SA	rue des Colonies 40 B-1000 Bruxelles	0	non-significant	21
Belfius Fiduciaire SA	Boulevard Pacheco 44 B-1000 Bruxelles	100	non-significant	23
Belfius Part SA	Boulevard Pacheco 44 B-1000 Bruxelles	100	non-significant	10
Boonefaes Verzekeringen NV	Sint-Walburgapark 1 B-8360 Veurne	98.67	non-significant	30
Bureau Laveaux & Martin BVBA	Ravensteinstraat 2 b3 B-9000 Gent	100	non-significant	30
Caring people SA	Avenue de la Métrologie 2 B-1130 Bruxelles	100	non-significant	30
Dexia Public Facilities Financing US SA	Boulevard Pacheco 44 B-1000 Bruxelles	100	non-significant	10
DVV Kantoor Eke BVBA	's Gravendreef 1 B-9810 Nazareth	99.99	non-significant	30
Fynergie SA	Boulevard Pacheco 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 Pacheco 44 B-1000 Bruxelles	100	non-significant	31
Sci St-Mesmin Immobilier	route du Creton F-18110 Vasselay	100	non-significant	32
Service Communal de Belgique SC	Avenue Louise 106 B-1050 Bruxelles	63.59	in liquidation	47
Shop Equipments SA	Boulevard Pacheco 44 B-1000 Bruxelles	100	non-significant	31
VDL - Interass NV	Brusselsesteenweg 346C B-9090 Melle	100	non-significant	30

## 3. Joint subsidiaries consolidated by the proportional method

Nil

(1) Percentage of capital held by holding company

(2) The subsidiaries of Belfius Insurance in Ireland are in liquidation.

(3) Subsidiaries liquidated end 2013

#### 4. Non-consolidated joint subsidiaries

Name	Head office	% of capital held <sup>(1)</sup>	Reason for exclusion	Business code
Arlinvest NV	Hamiltonpark 24-26 B-8000 Brugge	49	non-significant	16
Domaine 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	48.51	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

#### 5. Affiliated companies accounted for by the equity method

Name	Head office	% of capital held <sup>(1)</sup>	Business code
Auxiliaire de participations SA	Avenue Britsiers 5 B-1030 Schaerbeek	39.70	10
Aviabel SA	Avenue Louise 54 B-1050 Bruxelles	20	26
Ecetia Finances SA	Rue Sainte-Marie 5 B-4000 Liège	27.99	43
Erasmus Gardens SA	Avenue Hermann-Debroux 42 B-1160 Bruxelles	50	31
Isabel SA	Boulevard de l'Impératrice 13-15 B-1000 Bruxelles	24	39
North Light SA <sup>(2)</sup>	Avenue Saint-Lazarus 4-10 B-1210 Bruxelles	60	31
Pole Star SA <sup>(2)</sup>	Avenue Saint-Lazarus 4-10 B-1210 Bruxelles	60	31
Promotion Leopold SA	Avenue Louise 416 B2 B-1050 Bruxelles	35.5	31
Sepia SA	Avenue Galilee 5 B-1210 Bruxelles	50	25
Société Espace Léopold SA	Avenue Louise 416 B2 B-1050 Bruxelles	50	31
TEB Participations SA (ex Ecetia Participations)	Rue Sainte-Marie 5 B-4000 Liège	20.57	10

#### 6. Affiliated companies not accounted for by the equity method

Name	Head office	% of capital held <sup>(1)</sup>	Reason for exclusion	Business code
Arkafund NV	Alfons Gossetlaan 30 B-1702 Groot-Bijgaarden	25	non-significant	21
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
DG Infra + SA	Boulevard Pachéco 44 B-1000 Bruxelles	21.80	non-significant	10
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

(1) Percentage of capital held by holding company

(2) Companies in which the share in capital is 60%, but the representation in the Board of Directors is only 50%, therefore these companies are accounted for by the equity method.

Name	Head office	% of capital held <sup>(1)</sup>	Reason for exclusion	Business code
Imsol NV	Molenbergstraat 2 B-2000 Antwerpen	40	non-significant	31
Inframan SA	Boulevard Pacheco 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
Rabot Invest NV	Heistraat 129 B-2610 Antwerpen	25	non-significant	32
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
Syneco ASBL	Place l'Ilon 13 B-5000 Namur	20	non-significant	47
TEB Immobilier SA (ex Ecetia Immobilier)	Rue Sainte-Marie 5 B-4000 Liège	20.49	non-significant	31
Vlabo Invest NV	Pater Damiaanstraat 5 B-3130 Betekom	43.05	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 <sup>(1)</sup>	Business code
Belfius Aéroport SCRL	Avenue Georges Lemaitre 58 B-6041 Gosselies	25.16	4
Belfius Antwerpen Berchem CVBA	Grote Steenweg 456 B-2600 Berchem	26	4
Belfius Antwerpen Zuidrand CVBA	Kioskplaats 49 B-2660 Hoboken	25.16	4
Belfius Auderghem-Boisfort SCRL	Boulevard du Souverain 282 B-1160 Bruxelles	26	4
Belfius Basilix SCRL	Boulevard de Smet de Nayer 2A B-1090 Bruxelles	26	4
Belfius Binche Mariemont SCRL	Route de Mons 333 B-7130 Binche	25.83	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	25.16	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	25.32	4
Belfius Dilbeek-Lennik CVBA	Ninoofsesteenweg 117 B-1700 Dilbeek	26	4

(1) Percentage of capital held by holding company

Name	Head office	% of capital held <sup>(1)</sup>	Business code
Belfius Druivenstreek CVBA	Stationsplein 17 B-3090 Overijse	26	4
Belfius Durmevallei CVBA	Marktpllein 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	25.49	4
Belfius Etterbeek SCRL	Rue des Champs 6 B-1040 Bruxelles	26	4
Belfius Famenne-Semois SCRL	Rue des Ardenes 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 1 <sup>er</sup> 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 21c 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	25.16	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	25.63	4
Belfius Leeuw en Zoniën CVBA	Steenweg op Alseberg 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 Rocourt	26	4
Belfius Limburg Centrum CVBA	Dorpsstraat 1A B-3530 Houthalen-Helchteren	26	4
Belfius Louise SCRL	Place Stéphanie 8 B-1050 Bruxelles	25.16	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	25.48	4

(1) Percentage of capital held by holding company

Management  
reportConsolidated  
financial statementsNon-consolidated  
financial statements

Name	Head office	% of capital held <sup>(1)</sup>	Business code
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 Nivelles 30 B-1480 Tubize	26	4
Belfius Noord-Limburg CVBA	Hertog Janplein 45 B-3920 Lommel	25.63	4
Belfius Nord Picardie SCRL	rue de la Station 39-41 B-7700 Mouscron	26	4
Belfius Pays de Mons SCRL	Avenue Jean d'Avesnes 9 B-7000 Mons	26	4
Belfius Regio Aalst CVBA	Stationsstraat 4 B-9300 Aalst	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	Marktplaats 36 B-9520 St.-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 Région Huy-Andenne SCRL	Avenue du Bosquet 41 b11 B-4500 Huy	26	4
Belfius Region Liège Airport SCRL	Chaussée du Roi Albert 50 B-4431 Ans	26	4
Belfius Regio Noord-Antwerpen CVBA	Antwerpsesteenweg 49 B-2950 Kapellen	26	4
Belfius Région Spa-Pays de Herve SCRL	Place du Marché 22 B-4651 Battice	26	4
Belfius Regio Oostende-Oostkust CVBA	Monnikenwerf 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 St.-Niklaas	25.66	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 Scheldeland CVBA	Kalkendorp 21 B-9270 Laarne	25.83	4
Belfius Sille & Dendre SCRL	Grand Place 72 B-7850 Enghien	26	4

(1) Percentage of capital held by holding company

Name	Head office	% of capital held <sup>(1)</sup>	Business code
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
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	25.16	4
Belfius Vallée de la Woluwe SCRL	Place Dumon 22 B-1150 Bruxelles	25.16	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	27. Captive reinsurance
2. Private savings bank	28. General insurance
3. Government credit institution	29. Financial product agency and broking
4. Banking agency	30. Insurance agency and broking
5. Leasing	31. Real estate (proprietary portfolio)
6. Home loans	32. Real estate agency (third party)
7. Development capital	33. Health and welfare
8. Consumer credits	34. Computer business
9. Other lending activities	35. Banking associations
10. Investment company	36. Other associations
11. Stock broking	37. Sewage, road cleaning and maintenance and waste management
12. Variable capital investment company	38. Recreation
13. Mutual funds	39. Telecommunications
14. Fund manager	40. Transportation
15. Factoring	41. Other services
16. Infrastructure and construction financing	42. Energy
17. Other specific financing	43. Economic development
18. Financial market administration	44. Water
19. Asset and portfolio management, financial advisory services	45. Book publishing and multimedia
20. Financial engineering, consultancy, financial research	46. Research and development
21. Other professional services in financial sector	47. Other service activities
22. Guarantee company	48. Production, management, distribution of computerized payment media
23. Trust company	49. Financing
24. Foreign currency exchange	50. Merchant banking
25. Life insurance	
26. Non-Life insurance	



## XI. Litigation

We refer to the chapter “Risk Management”, Litigation.

## XII. 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 2013. The exposure of Belfius Bank on Belgian Government bonds can be found in the chapter “Risk Management” of the management report.

### 1. Related parties transactions

(In thousands of EUR)	Directors and key management personnel <sup>(1)</sup>		Subsidiaries	
	31/12/12	31/12/13	31/12/12	31/12/13
Loans <sup>(2)</sup>	1,152	652	7,547	6,723
Interest income	34	23	213	159
Deposits <sup>(2)</sup>	2,380	1,576	4,557	5,426
Interest expense	(29)	(13)	(28)	(20)
Net commission	0	0	113	179
Guarantees issued and commitments provided by the Group <sup>(3)</sup>	0	0	6,815	6,587
Guarantees and commitments received by the Group	0	2,000	0	0

(In thousands of EUR)	Associates		Joint ventures in which the entity is a venturer	
	31/12/12	31/12/13	31/12/12	31/12/13
Loans <sup>(2)</sup>	280,992	371,897	18,717	22,585
Interest income	11,237	11,197	773	839
Deposits <sup>(2)</sup>	142,004	142,261	11,953	19,752
Interest expense	(2,052)	(1,532)	(37)	(15)
Net commission	21,443	16,253	31	41
Guarantees issued and commitments provided by the Group <sup>(3)</sup>	61,148	44,059	3,239	3,888
Guarantees and commitments received by the Group	65,572	66,082	28,965	28,965

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

(2) Transactions with related parties are concluded at general market conditions.

(3) Unused lines granted.

No impairments were recorded on loans given to related parties.

### 2. Key management compensations

(In thousands of EUR)	31/12/12	31/12/13
Short-term benefits	5,767	3,237
Post-employment benefits	8	28
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. Dexia Real Estate Capital Markets

Dexia Real Estate Capital Markets (DRECM) was sold by Belfius in July 2010 to Dexia Holdings, Inc. (Delaware). In July 2011, DRECM was sold by Dexia Holdings, Inc. to its parent, Dexia Crédit Local SA.

Although DRECM is no longer a related party to Belfius, an overview of the remaining engagements of Belfius towards the former activities of DRECM is presented.

#### 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 representations and warranties in respect to some aspects of corporate standing and on some characteristics of the Commercial Mortgage Loans to certain CMBS trusts. Under the Mortgage Loan Purchase Agreement, a loan seller would be obligated under the reps and warranties to repurchase a loan if there was a material breach of the reps and warranties or a material document defect that can not be remedied, or cured, within a certain period of time (usually 90 days with extensions possible), so long as the repurchase demand was made in a

timely manner. Given the fact that this is a kind of operational ongoing obligation of DRECM and DRECM is a non-rated entity, rating agencies required a larger first loss tranche (economically expensive for DRECM) or a counter guarantee from a rated entity. In this context Belfius Bank as a successor of Artesia Banking Corporation 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 Holdings 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 two repurchase demands are outstanding (and being contested by DRECM), no previous transactions have led to any repurchases, and DRECM is sufficiently capitalised to meet its contractual obligations.

## XIII. 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 18,112 million as at 31 December 2013 compared to EUR 21,112 million as at 31 December 2012.

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 2013 EUR 36.1 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 2013 EUR 34.3 million is still outstanding under class A2 while class A1 has been repaid.

Dexia Secured Funding Belgium SA (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 has been called on 25 September 2012 and DSFB-3 has been called on 25 August 2009.

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 2013 EUR 1,250 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 2013, EUR 3,295 million is still outstanding.

The DSFB transactions have been fully subscribed by Belfius Bank and by Caisse Française de Financement Local.

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 2013. 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 3,506 million, and the Class E notes where the balance has decreased to EUR 77.6 million. There is hence EUR 3,984 million outstanding under Penates-1 as at 31 December 2013.

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 Aasf/DBRS AAAsf, currently A+sf/Aa1sf/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 5,574 million. There is hence EUR 6,614 million outstanding under Penates-4 as at 31 December 2013.

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, among others, 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 2013.

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 are still at their initial amount and the Class A notes balance decreased to EUR 2,026 million. There is hence EUR 2,950 million outstanding under Mercurius-1 as at 31 December 2013.

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, among others, with the European Central Bank.

# Belfius Bank SA

## Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2013

To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2013, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

### Report on the consolidated financial statements – Unqualified opinion

We have audited the 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. The consolidated balance sheet shows total assets of 182,777,422 (000) EUR and the consolidated statement of income shows a consolidated profit (group share) for the year then ended of 444,998 (000) EUR.

### Board of directors' responsibility 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 (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### 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 (ISA). 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 statutory 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 group'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 of 31 December 2013, 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.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Diegem, 3 April 2014

### The statutory auditor

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

Frank Verhaegen

Bernard De Meulemeester

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Management  
report

Consolidated  
financial statements

Non-consolidated  
financial statements



# Non-consolidated financial statements (BE GAAP)

as at 31 December 2013

Balance sheet (after appropriation)	208
Off-balance sheet	210
Statement of income (presentation in list form)	211
Approbation account	212
Statutory auditor's	214



# Balance sheet (after appropriation)

<b>Assets</b>			
(In thousands of EUR)		31/12/12	31/12/13
I.	Cash in hand, balances with central banks and post office banks	1,964,152	561,748
II.	Treasury bills eligible for refinancing with central banks	105,939	63,725
III.	Loans and advances to credit institutions	27,004,743	16,603,114
	A. Repayable on demand	19,916,285	14,996,113
	B. Other loans and advances (with agreed maturity dates)	7,088,458	1,607,001
IV.	Loans and advances to customers	64,255,204	63,075,793
V.	Debt securities and other fixed-income securities	50,478,405	45,066,918
	A. Issued by public bodies	7,073,077	7,098,846
	B. Issued by other borrowers	43,405,328	37,968,072
VI.	Shares and other variable-yield securities	56,798	90,952
VII.	Financial fixed assets	2,518,841	2,533,332
	A. Participating interests in affiliated enterprises	1,987,528	1,992,810
	B. Participating interests in other enterprises linked by participating interests	151,192	160,693
	C. Other shares held as financial fixed assets	29,121	28,829
	D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	351,000	351,000
VIII.	Formation expenses and intangible fixed assets	32,579	49,418
IX.	Tangible fixed assets	733,312	693,225
X.	Own shares	0	0
XI.	Other assets	3,155,168	2,461,075
XII.	Deferred charges and accrued income	27,332,822	16,030,790
<b>TOTAL ASSETS</b>		<b>177,637,963</b>	<b>147,230,090</b>

<b>Liabilities</b>			
(In thousands of EUR)		31/12/12	31/12/13
I.	Amounts owed to credit institutions	39,998,983	28,516,788
	A. Repayable on demand	9,294,937	6,287,146
	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	30,704,046	22,229,642
II.	Amounts owed to customers	83,553,102	76,697,765
	A. Savings deposits	28,294,636	29,743,712
	B. Other debts	55,258,466	46,954,053
	1. Repayable on demand	17,895,522	18,020,069
	2. With agreed maturity dates or periods of notice	37,362,944	28,933,984
	3. As a result of the rediscounting of trade bills	0	0
III.	Debts evidenced by certificates	13,606,156	14,394,299
	A. Debt securities and other fixed-income securities in circulation	11,787,595	12,740,827
	B. Other	1,818,561	1,653,472
IV.	Other liabilities	3,259,846	2,750,829
V.	Accrued charges and deferred income	28,744,729	16,331,576
VI.	A. Provisions for liabilities and charges	283,664	249,044
	1. Pensions and similar obligations	956	680
	2. Taxation	8,703	9,503
	3. Other liabilities and charges	274,005	238,861
	B. Deferred taxes	0	0
VII.	Fund for general banking risks	988,737	988,737
VIII.	Subordinated liabilities	1,154,879	1,180,761
<b>CAPITAL AND RESERVES</b>		<b>6,047,867</b>	<b>6,120,291</b>
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	226	224
XII.	Reserves	2,380,343	2,452,769
	A. Legal reserve	327,607	334,049
	B. Reserves not available for distribution	2,344	2,344
	1. In respect of own shares held	0	0
	2. Other	2,344	2,344
	C. Untaxed reserves	26,167	26,167
	D. Reserves available for distribution	2,024,225	2,090,209
XIII.	Profits (losses (-)) brought forward	0	0
<b>TOTAL LIABILITIES</b>		<b>177,637,963</b>	<b>147,230,090</b>

Management  
reportConsolidated  
financial statementsNon-consolidated  
financial statements

# Off-balance sheet

(In thousands of EUR)	31/12/12	31/12/13
I. Contingent liabilities	24,761,155	21,614,608
A. Non-negotiated acceptances	279,375	95,138
B. Guarantees serving as direct credit substitutes	22,662,626	19,827,526
C. Other guarantees	1,710,384	1,599,251
D. Documentary credits	108,674	92,693
E. Assets charged as collateral security on behalf of third parties	96	0
II. Commitments which could give rise to a risk	26,191,840	21,545,862
A. Firm credit commitments	527,441	263,371
B. Commitments as a result of spot purchases of transferable or other securities	1,274,495	495,083
C. Undrawn margin on confirmed credit lines	23,989,904	20,787,408
D. Underwriting and placing commitments	400,000	0
E. Commitments as a result of open-ended sale and repurchase agreements	0	0
III. Assets lodged with the credit institution	93,644,093	96,265,797
A. Assets held by the credit institution for fiduciary purposes	0	0
B. Safe custody and equivalent items	93,644,093	96,265,797
IV. Uncalled amounts of share capital	31,323	33,110

# Statement of income (presentation in list form)

(In thousands of EUR)		31/12/12	31/12/13
I.	Interest receivable and similar income	3,600,357	3,142,120
	<i>of which: from fixed-income securities</i>	1,315,321	1,116,727
II.	Interest payable and similar charges (-)	(2,347,980)	(2,024,606)
III.	Income from variable-yield securities	37,026	12,262
	A. From shares and other variable-yield securities	1,361	722
	B. From participating interests in affiliated enterprises	28,825	3,000
	C. From participating interests in other enterprises linked by participating interests	5,223	7,014
	D. From other shares held as financial fixed assets	1,617	1,526
IV.	Commissions receivable	443,820	518,548
	A. Brokerage and commissions	0	0
	B. Allowances for services of administration, advice and custody	0	0
	C. Other commissions receivable	443,820	518,548
V.	Commissions payable (-)	(444,341)	(440,564)
VI.	Profit (loss (-)) on financial transactions	(581,559)	(121,021)
	A. On trading of securities and other financial instruments	120,960	(70,597)
	B. On disposal of investment securities	(702,519)	(50,424)
VII.	General administrative expenses (-)	(1,254,190)	(1,048,040)
	A. Remuneration, social security costs and pensions	(651,754)	(613,395)
	B. Other administrative expenses	(602,436)	(434,645)
VIII.	Depreciation/amortization of and other write-downs on (-) formation expenses, intangible and tangible fixed assets	(74,437)	(65,140)
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"	(143,107)	(40,839)
X.	Decrease/Increase (-) in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	533,316	123,360
XI.	Utilization and write-backs of provisions for liabilities and charges other than those included in the off-balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	201,643	86,181
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"	(240,342)	(50,761)
XIII.	Transfer from (Transfer to) the fund for general banking risks	0	0
XIV.	Other operating income	996,912	115,080
XV.	Other operating charges	(128,017)	(133,285)
XVI.	Profits (losses (-)) on ordinary activities before taxes	599,101	73,295
XVII.	Extraordinary income	69,594	58,946
	A. Adjustments to depreciation/amortization of and to other write-downs on intangible and tangible fixed assets	26,479	1,838
	B. Adjustments to write-downs on financial fixed assets	1,954	3,976
	C. Adjustments to provisions for extraordinary liabilities and charges	0	0
	D. Gain on disposal of fixed assets	41,161	53,132
	E. Other extraordinary income	0	0
XVIII.	Extraordinary charges (-)	(39,870)	(1,557)
	A. Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets	(39,063)	(519)
	B. Write-downs on financial fixed assets	0	0
	C. Provisions for extraordinary liabilities and charges	0	0
	D. Loss on disposal of fixed assets	(629)	(862)
	E. Other extraordinary charges	(178)	(176)
XIX.	Profits (Losses (-)) for the period before taxes	628,825	130,684
XIXbis.	A. Transfert to deferred taxes (-)	0	0
	B. Transfer from deferred taxes	6,132	0
XX.	Income taxes	0	(1,855)
	A. Income taxes (-)	(3,594)	(2,751)
	B. Adjustment of income taxes and write-back of tax provisions	3,594	896
XXI.	Profits (Losses (-)) for the period	634,957	128,829
XXII.	Transfer to untaxed reserves (-)	0	0
	Transfer from untaxed reserves	11,909	0
XXIII.	Profit (Losses (-)) for the period available for approbation	646,866	128,829

# Approbation account

(In thousands of EUR)	31/12/12	31/12/13
A. Profits (Losses (-)) to be appropriated	646,866	128,829
1. Profits (Losses (-)) for the period available for approbation	646,866	128,829
2. Profit (Losses (-)) brought forward	0	0
B. Transfers from capital and reserves	0	0
1. From capital and share premium account	0	0
2. From reserves	0	0
C. Appropriations to capital and reserves	646,866	128,829
1. To capital and share premium account	0	0
2. To legal reserve	32,343	6,441
3. To other reserves	614,523	122,388
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 <sup>(1)</sup>	0	0
2. Director's entitlements <sup>(1)</sup>	0	0
3. Other allocations <sup>(1)</sup>	0	0

(1) Only applicable to Belgian limited liability companies.



# Belfius Bank SA

## Statutory auditor's report to the shareholders' meeting on the annual accounts for the year ended 31 December 2013

To the shareholders

As required by law and the company's articles of association, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the annual accounts together with our report on other legal and regulatory requirements. These annual accounts comprise the balance sheet as at 31 December 2013 and the income statement for the year then ended, as well as the summary of accounting policies and other disclosures.

### Report on the annual accounts – Unqualified opinion

We have audited the annual accounts of Belfius Bank SA ("the company"), prepared in accordance with the financial reporting framework applicable in Belgium, which show total assets of 147,230,090 (000) EUR and a profit for the year of 128,829 (000) EUR.

### Board of directors' responsibility for the preparation of the annual accounts

The board of directors is responsible for the preparation and fair presentation of annual accounts 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 annual accounts 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 annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts 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 annual accounts. 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 annual accounts of Belfius Bank SA give a true and fair view of the company's net equity and financial position as of 31 December 2013 and of its results 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 annual accounts, as well as 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.

As part of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statements, which do not modify the scope of our opinion on the annual accounts:

- The directors' report includes the information required by law, is consistent with the annual accounts and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.
- 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 results proposed to the general meeting is in accordance with the relevant requirements of the law and the company's articles of association.
- There are no transactions undertaken or decisions taken in violation of the company's articles of association or the Companies Code that we have to report to you.

Diegem, 3 April 2014

### The statutory auditor

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

Frank Verhaegen

Bernard De Meulemeester

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# Additional information

## Addresses of Belfius Bank and Belfius Insurance's main subsidiaries and branch<sup>(1)</sup>

### 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](http://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](http://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](http://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](http://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](http://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](http://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](http://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 (IWI)**

**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.lu](http://www.iwi.lu)

#### **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 Complaints

### Company name and legal form

Belfius Bank SA

### 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 0403.201.185

### FSMA number

19649 A

### Website

[www.belfius.be](http://www.belfius.be)

[www.belfius.com](http://www.belfius.com)

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 – RT 15/14

Boulevard Pachéco 44

B-1000 Brussels

E-mail: [claim@belfius.be](mailto: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 – RT 15/14

Boulevard Pachéco 44

B-1000 Brussels

E-mail: [mediation@belfius.be](mailto: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](mailto: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](mailto:info@ombudsman.as)



## Contact

For further general info over Belfius Bank & Insurance, feel free to surf [www.belfius.com](http://www.belfius.com).

Got a question about Belfius Bank's results or strategy? Then please e-mail [financialcommunication@belfius.be](mailto: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](https://facebook.com/Belfius)



[twitter.com/Belfius](https://twitter.com/Belfius)



[LinkedIn.com/company/Belfius](https://LinkedIn.com/company/Belfius)



[YouTube.com/BelfiusBe](https://YouTube.com/BelfiusBe)