

A close-up photograph of a woman's face, looking slightly upwards. Sunlight filters through the leaves of trees in the background, creating a dappled light effect across her face and hair. The background is a soft-focus landscape with green trees and a blue sky with light clouds.

Annual report

2014

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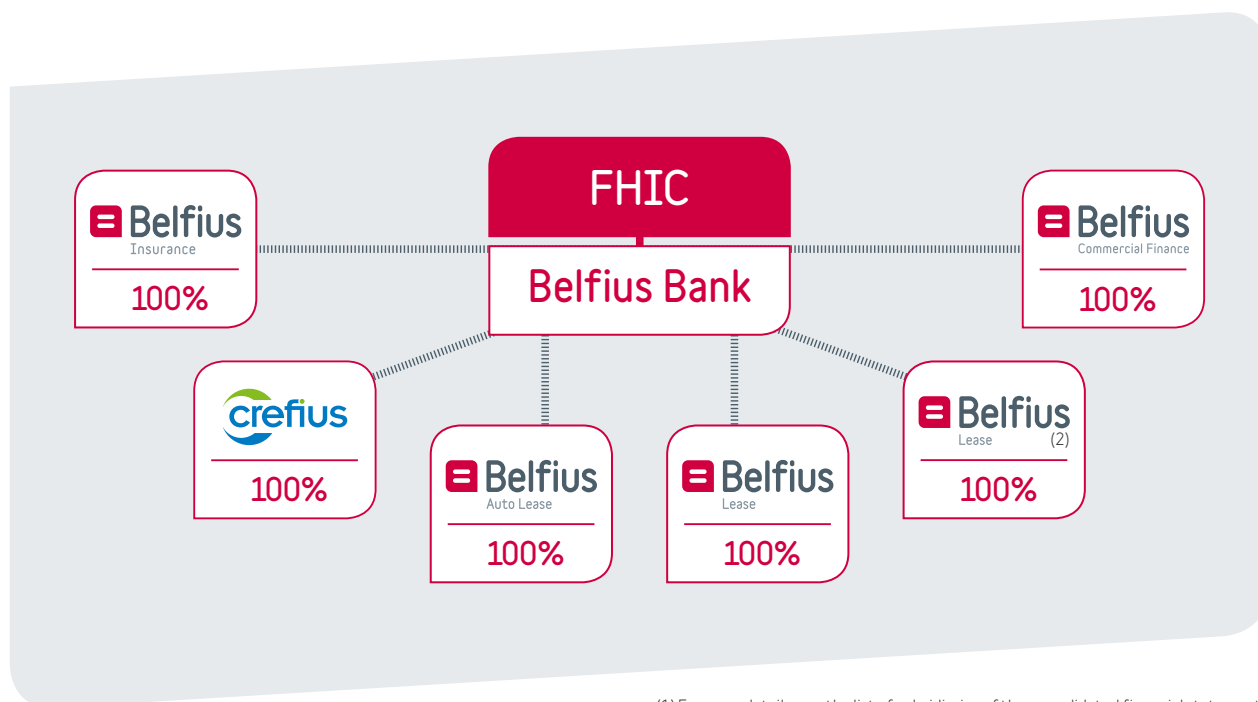
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Profile of Belfius Bank

Belfius 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. At the end of 2014, total consolidated balance sheet amounted to EUR 194 billion.

Simplified Group structure⁽¹⁾



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

(2) Belfius Lease Services operates under the same brand (logo) as Belfius Lease.

Our main commercial subsidiaries

1. Belfius Insurance

Insurance company marketing life and non-life insurance products, savings products and investments for individuals, the self-employed, liberal professions, companies and the public and social sector. At the end of 2014, total consolidated balance sheet of Belfius Insurance amounted to EUR 27 billion⁽¹⁾.

2. Crefius

Company granting and managing mortgage loans. At the end of 2014, total balance sheet of Crefius amounted to EUR 35 million⁽²⁾.

3. Belfius Auto Lease

Company for operational vehicle leasing and car fleet management, maintenance and claims management services. At the end of 2014, total balance sheet of Belfius Auto Lease amounted to EUR 234 million⁽²⁾.

4. Belfius Lease

Company for financial leasing and renting of professional capital goods to the public sector. At the end of 2014, total balance sheet of Belfius Lease amounted to EUR 615 million⁽²⁾.

5. Belfius Lease Services

Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions. At the end of 2014, total balance sheet of Belfius Lease Services amounted to EUR 1,699 million⁽²⁾.

6. Belfius Commercial Finance

Company for financing commercial loans to debtors, debtor insolvency risk cover and debt recovery from debtors. At the end of 2014, total balance sheet of Belfius Commercial Finance amounted to EUR 665 million⁽²⁾.

Our staff members

At the end of 2014, Belfius' operations give employment to 6,941 staff members, and there are approximately 4,100 persons working in the bank's and insurer's independent networks.

Our activities

Commercial activities are essentially organised around two client markets.

1. Retail and Commercial Business

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

Belfius Bank is among the top 4 leading banks in Belgium and serves its approximately 3.5 million customers through 746 points of sale, internet and mobile banking applications, a contact centre and a large number of automatic self banking machines, which makes the bank a 24-hour-a-day operation.

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 networks, whilst also relying on Corona Direct, a direct insurer active via the internet and "affinity partners"⁽³⁾.

2. Public and Wholesale Business

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

Our ratings

As at 1 April 2015	Long-term rating	Outlook	Short-term rating
Fitch	A-	Negative	F1
Moody's	Baa1	Stable	Prime-2
Standard & Poor's	A-	Negative	A-2

(1) For more details, see the annual report 2014 of Belfius Insurance.

(2) Total IFRS balance sheet before consolidation adjustments.

(3) Affinity partners are external parties with which Corona collaborates and which offer Corona insurance products.

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.

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.

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.

100%
Belgian bank
and insurer

Operationally efficient

Belfius is making every effort to boost efficiency by simplifying its structures and processes and by enabling the departments 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.

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.

Key figures

Consolidated statement of income

(In millions of EUR)

	2013	2014
INCOME	1,834	2,071
EXPENSES	(1,424)	(1,448)
GROSS OPERATING INCOME	410	623
Cost of risk	109	(59)
Impairments on (in)tangible assets	(1)	(5)
NET INCOME BEFORE TAX	518	560
Tax expense	(73)	(100)
NET INCOME AFTER TAX	445	460
Non-controlling interests	0	(2)
NET INCOME GROUP SHARE	445	462

Consolidated balance sheet

(In millions of EUR)

	2013	2014
TOTAL ASSETS	182,777	194,407
of which		
Loans and advances due from banks and central banks	31,569	33,472
Loans and advances to customers	87,722	87,158
Investments held to maturity	0	2,835
Financial assets measured at fair value through profit or loss	5,512	6,100
Financial assets available for sale	28,074	25,087
Derivatives	23,190	31,130
TOTAL LIABILITIES	176,156	186,481
of which		
Due to banks	29,236	21,408
Customers borrowings and deposits	61,625	66,514
Financial liabilities measured at fair value through profit or loss	8,461	9,167
Debt securities and subordinated debts	28,077	29,999
Derivatives	28,602	38,165
TOTAL EQUITY	6,621	7,927
of which		
Core shareholders' equity	7,343	7,804
Gains and losses not recognised in the statement of income	(738)	119

Ratios

	2013	2014
Return on equity (ROE)	6.1%	6.0%
Return on assets (ROA)	0.22%	0.24%
Cost-income ratio (C/I ratio)	77.6%	69.9%
Asset quality ratio	2.36%	2.33%
Coverage ratio	53.6%	56.0%
Liquidity Coverage Ratio (LCR)	120% ⁽¹⁾	122%

(1) Pro forma.

Solvency ratios	2013	2014
CET 1- ratio Phased-in ⁽¹⁾	13.8%	14.7%
CET 1- ratio Fully Loaded ⁽¹⁾	11.5%	13.2%
Total capital ratio Phased-in ⁽¹⁾	15.1%	16.1%
Total capital ratio Fully Loaded ⁽¹⁾	12.5%	14.3%
Solvency I-ratio ⁽²⁾	185%	205%
Solvency II-ratio ⁽²⁾	223%	248%

(1) For the determination of the Common Equity Tier 1 capital under Basel III, the regulatory authority asks Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation. This is commonly known as "Danish compromise - pro forma figures for 31 December 2013.

(2) Before dividend.

Management report

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Jozef Clijsters

Marc Raisière

Message from the chairmen

Management
report

Consolidated financial
statements

Non-consolidated
financial statements

2014 was undeniably a pivotal year for Belfius, during which the pertinence and the sustainable nature of our strategic plan were both confirmed.

Last year, we performed strongly in all areas.

Some examples.

Our net consolidated profit not only rose for the third consecutive year, to reach EUR 462 million, but the net profit from our commercial activities also increased by 25%, to EUR 580 million, despite a difficult market. Belfius Bank realised EUR 363 million net profit, a robust increase of 47%, and, with EUR 217 million, Belfius Insurance equalled its historically high contribution of 2013.

Last year, Belfius invested EUR 16.2 billion in the Belgian economy: total investments by individual customers and SMEs rose to EUR 96 billion, we opened 98,000 new active current accounts, rising cross-selling ratios clearly evidence the increasing success of our bank-insurance strategy. At the end of 2014 our innovative Belfius application for smartphone and tablet had almost 350,000 active users, more than double the number a year previously. Finally, Belfius scored 93.7% for the overall satisfaction of its active customers. Our aim, to achieve a score of 95% next year, is therefore ambitious but realistic.

Belfius will leave its historical legacy behind by 2016.

In 2014, we further reduced our historic Legacy, and we will leave it behind by 2016. All the Dexia bonds guaranteed by the public powers were repaid to Belfius at the beginning of 2015. Our commitments vis-à-vis Europe have come to an end. Our good performance in terms of de-risking in combination with retained earnings are reflected by a strengthening of our solvency and liquidity position, confirmed by our success in stress tests performed by the European Central Bank. At the end of 2014, the Basel III "Phased-in" CET 1 ratio was 14.7%, the "Fully Loaded" ratio was 13.2% and the Liquidity Coverage Ratio was 122%. The Solvency II ratio of Belfius Insurance was 248% at the end of 2014 and hence was more than double the required level.

Belfius' strengths: solidity and strong customer relations.

Thanks to a unique set of strengths, we have every confidence in the sustainability of our results. Within a difficult macro-economical context, Belfius is however strongly aware of some challenges, such as the persistence of low interest rates, the early redemption of mortgages, new banking taxes, all confirm the necessity to a further disciplined cost control.

As the largest integrated bank and insurance company in Belgium, Belfius has a strong presence all over the country. We are 100% Belgian and all decisions are taken here. Both the banking and insurance arms of the business are firmly supported by dynamic commercial teams, strong and growing solidity and experienced, crisis-resistant management and staff teams, as well as strong governance led by independent specialists.

We have a valuable brand and are known for our strong focus on and relationship with our customers. As the historical partner of and market leader in the public and social sector, we offer unique expertise and a range of products and services that is second to none. We have developed a local business model for 3.5 million retail and business customers who come to us for our banking and insurance services that combine state-of-the-art digital channels with the option of going for personal advice to 1,000 points of sale.

Our strategy and ambitions are clear:

- To continue developing Belfius as a Belgian bank and insurance company with a business model that focuses exclusively on supporting the Belgian economy and on creating an underlying operating profit. Our model is clear and simple: we manage savings, protect assets, grant loans and guide customers in their projects. The savings deposits collected from customers are reinvested to support the Belgian economy. We are not interested in short-term gains, we do not speculate and we give preference to sustainable operating profit. Our aim is to set an example for the new banking culture requested by the Belgian people.
- Belfius aims to continue investing in a high level of financial and risk management expertise so that we can guarantee

our own solidity and safety of our customers' money and assets at all times.

- Belfius aims to be a bank and insurance company with strong local roots and a social dimension. Our commitment to the community is locally inspired and focused on supporting sport and art, as well as our fellow citizens experiencing difficulties in the area of welfare and well-being. Our employees are actively and selflessly involved with our many initiatives.
- Belfius aims to be the most customer-focused bank and insurance company. We focus fully on customer satisfaction and our aim is to achieve a satisfaction score of 95% among all of our active customers spread across every segment we operate in. By improving our operating efficiency and then reinvesting those efficiency gains in providing an even better service, taken into account the customer segment.

We are convinced of the pertinence and of the sustainable nature of our strategic plan.

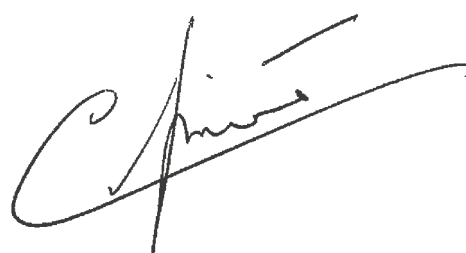
Belfius has made great progress since 2011. Customer satisfaction has become the driving force behind our organisation. We intend to pioneer a new corporate culture, with a clear and straightforward business model. We are focused on the long term. We are working with the Belgian community to develop a strong economy. We have more confidence than ever in the sustainability of our future and we continue to work on the basis of our unique strengths to achieve our ambitions. The outstanding financial and commercial results achieved at Belfius in 2014 reinforce our conviction that we will be able to take this performance forward into the years ahead.

We would like therefore to thank our customers for their loyalty, our staff for their daily commitment and our shareholder for its confidence in us.



Marc Raisière

Chairman of the Management Board



Jozef Clijsters

Chairman of the Board of Directors

A socially engaged bank-insurer

As an organisation with a social dimension

Belfius is moving away from purely financial support toward more general solidarity programmes. As such, it aims to be a “warm” bank and insurance company that operates close to the Belgian community, supporting people and organisations in everything they do.

1. Special Olympics European Summer Games



The Special Olympics European Summer Games were held in and around Antwerp from 9 to 20 September 2014. The Games are for competitors with intellectual disabilities. Some 2,818 participants from 58 countries competed in 10 sports, and took part in various events. The

Special Olympics were the biggest sports event to be held in Belgium in 2014.

Two years of preparations went into the “Games of the Heart”. Belfius was fully behind the event and provided a Chief Financial Officer to the non-profit organisation in charge.

In addition to the CFO, Belfius also sent a large delegation of 750 or more volunteers to the Special Olympics European Summer Games themselves representing 12% of the total of 6,193 volunteers needed – and 28% of the volunteers provided by companies!

2. Belfius for Life



Taking part in the Special Olympics European Summer Games in September created a positive dynamic in-house that resulted in new initiatives in the autumn of 2014. Belfius staff again put their full support behind Music for Life and Viva for Life, two year-end events for two popular public radio stations, Studio Brussel and Vivacité respectively.

They also undertook to raise money for both of these programmes, organising all sorts of events in their free time, ranging from waffle sales and climbing stairs to music performances. In the end, a total of EUR 261,441 was raised – EUR 190,000 more than in comparable year-end programmes in 2011. This joint project by Belfius Bank and Belfius Insurance also gave the corporate culture an enormous boost.



3. Belfius Foundation

3.1. Helping Hands

Belfius employees are closely involved with the Belfius Foundation. In 2014, for example, 25 volunteers offered some of their free time to help guide and advise sixty or so micro-businesses. Altogether, they made approximately 200 visits. Through the "Helping Hands" initiative, the Belfius Foundation also makes resources available for associations in which Belfius employees are active as volunteers.

For the fifth successive year, 10 associations were supported in this way, together receiving EUR 50,000 of funding. 1,154 members of staff voted for their "project of the year", which went to the non-profit organisation Dyadis (an organisation taking care of guide-dogs for disabled persons)

3.2. Colour Your Hospital

Each year, the Belfius Foundation provides a healthy budget designed to make life more pleasant for hospital patients and their families. In 2014, 95 hospitals submitted 175 proposals, with 24 projects receiving financial support totalling EUR 150,000.

3.3. The fight against child poverty: more than 4,000 items of children's clothing

Child poverty was a theme that appeared on the agenda a striking number of times in 2014. In addition to taking part in Music for Life/ Viva for Life, for the fifth year in a row, Belfius staff organised a campaign to benefit the very poorest in society. More than 4,000 items of children's clothing were collected by head office and branch staff. All of these garments went to "NASCI - Child Service Centre" in Brussels.

4. The Belfius Art Collection

For the sixth successive year, Belfius opened its art gallery to the public as part of its "Culture for Everyone" programme. Opening the gallery enabled the general public to view a selection of masterpieces from the bank's Belgian art collection. It also gave them something of an overview of the world inhabited by four major figures in Belgian contemporary art: Leo Copers, Thierry De Cordier, Jan Van Imschoot and Jan Vercruysse, who were showcased as part of "The Fiancés" exhibition, staged in conjunction with the Municipal Museum of Contemporary Art (S.M.A.K.) - Ghent. Belfius also arranged special tours of the exhibits for visitors with poor eyesight. These tours were created in collaboration with the Audioscenic and Culturama non-profit organisations.



Ja, ja für Elise (1994) - Jan Van Imschoot - © Bart Van Leuven

Exhibition
« The fiancés » (2014)
in collaboration
with S.M.A.K.

Belfius, driving force of Belgian economy

➔ Helping hand at Project Brabo 1 NV

Project Brabo 1 is a public-private partnership in Antwerp to build two new tram links to Wijnegem and Mortsel, as well as a tram depot and the ancillary road infrastructure. These facilities will be made available on a long-term contract to the public transport provider, De Lijn, and the Roads and Traffic Agency. The project has been operational since 2012.

In 2014, the infrastructure company, TINC, which is part of TDP (the infrastructure joint-venture between Belfius and Gimv) acquired an additional interest of EUR 8.75 million in the Project Brabo 1 NV project company. Belfius & Gimv form together with industrial partners a consortium which carried out the Brabo 1 project and which in the future will remain responsible for the long-term maintenance.



➔ Belfius connects people, including between Bruges and Knokke soon

Working with a consortium of building partners, TDP and the infrastructure company, DG Infra+ Bis, invested approximately EUR 24.2 million in the "Via A11" public-private partnership in 2014.

This project involves the building of a new road link between Bruges and Knokke and is designed partly to provide a better access road to and from the port of Zeebrugge. The deal includes the design, construction, finance and long-term maintenance of a 13-kilometre stretch of road infrastructure linking the E40 and E35 motorways. The road will be open from the autumn of 2017.

The A11 project involved the use for the first time in Belgium of a EUR 578 million project bond as the financing instrument, with the European Investment Bank taking a 20% first loss guarantee (also called Project Bond Credit Enhancement). Moody's allocated an A3 rating. Belfius Bank alongside Deutsche Bank and Bayerische Landesbank acted as Arranger and Domestic Paying Agent.



➔ A fair wind blowing for Belwind

In 2014, the infrastructure company TINC acquired a EUR 4.2 million interest in the subordinated debt financing of the Belwind offshore wind project. This wind farm is located 46 kilometres off the Belgian coast and contains 55 wind turbines, each with a capacity of 3 MW. Through the deal, Belfius Bank strengthened its unique position as the only Belgian bank to be playing a significant role in all offshore wind projects.



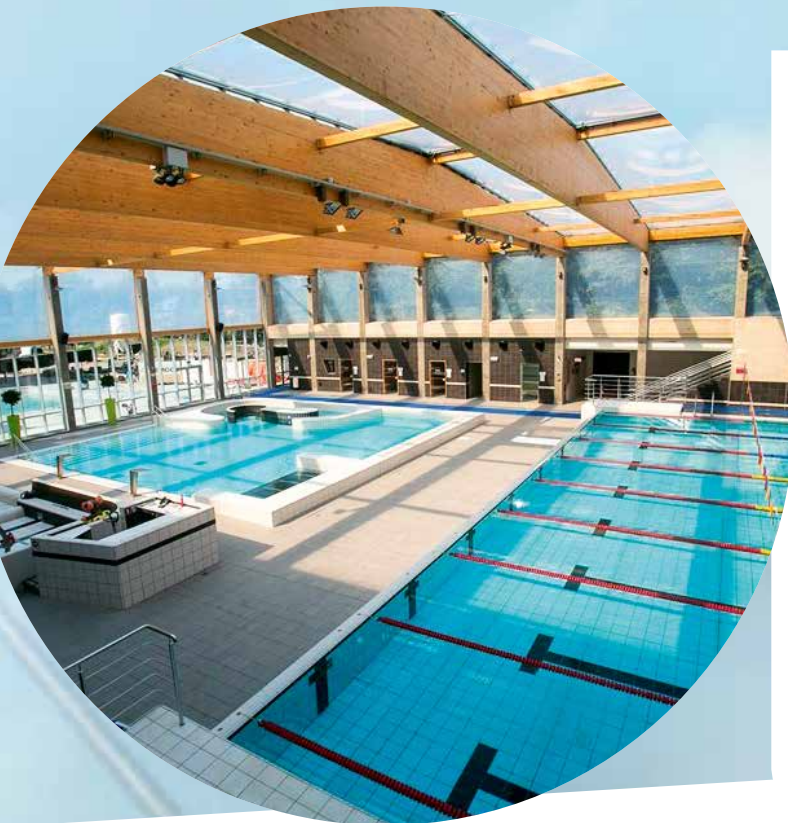
10 out of 10 for schools

Working with the European Investment Bank, Belfius is also organising a project for the schools in the Wallonia-Brussels Federation. EUR 600 million, 200 million of which will come through Belfius Bank, will be made available to modernise and build new schools. The ultimate aim is to create 7,800 new school places in Wallonia by 2017, with a further 15,700 in Brussels.

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).



← "Mijn Zwemparadijs" sports oasis in Beringen

The new swimming pool complex equipped with an indoor pool and an outdoor pool opened in mid-2014. It is built on former mining land in Beringen.

As the contracting authority, the town of Beringen awarded the construction, maintenance and operation (30 years) of the swimming pool to the private Groep Sportoase NV after a tendering and negotiation process. Sportoase represents 50% of the Van Roey Group, which is a client of the Corporate division of Belfius.

At the beginning of 2012, Belfius took care of the structuring and financing of the complex during the construction and operating phase. Two years later, the complex was complete and is a fine example of a business-to-government project (B2G).

The project represents an investment of approximately EUR 18.5 million. Belfius was the only bank providing bank finance.



Human resources

Building upon committed employees, serving the customer

2014 was a pivotal year for Belfius on many fronts. Initiatives that had been launched earlier reached their cruising speed in 2014, which however was also a year during which the focus shifted from the past to the future.

By putting maximum focus on a new culture, enhanced leadership and above all motivated employees, Belfius is arming itself even better to provide its customers with the service they deserve.

Initiatives reach maturity

1. Working flexibly

Belfius Insurance opted resolutely for teleworking in 2014. Since 1 January, 54% of its staff have embraced this new system of structural teleworking. Their reactions are unanimously positive, however working at home means far more than just working elsewhere: it means above all “working differently.”

To support the transition for the staff, their superiors and teams, workshops were organised on such topics as working at home, working in a team and managing teams.

Enshrined in a collective labour agreement as of May 2003, teleworking is a valued possibility at Belfius Bank as well in the quest to optimise the balance between work and private life. Employees waste less time commuting and get more time to concentrate on a project, leading to better results and greater customer satisfaction.

2. Flexible Reward

Belfius Bank launched its new “cafeteria plan” in 2014. This flexible form of remuneration gives employees the opportunity to convert a limited budget into other benefits such as for instance an Internet connection, a PC, an upgrade of their train pass. A recent survey shows that employees are very satisfied about this alternative form of remuneration, which can also be seen from the degree of participation in the meantime amounting to 70%.

A new culture and enhanced leadership as levers for improved service

A new culture does not just happen Programming is needed in order to upgrade the “software of our employees and managers.”

→ An extensive commitment study was conducted in 2014 among all Belfius employees. 67% and 56% of Belfius Bank and Belfius Insurance employees respectively took part in the commitment barometer. The results of the very first Belfius commitment

barometer are positive as regards the bank and insurance. Employees find their work challenging and interesting and are given the autonomy they think is fitting. They believe in the quality of the Belfius products and services which they help to develop, support and sell. And they are proud to be working for Belfius. The commitment barometer also identified the following points that require attention: an even more transparent internal communication, more efficient flow of information, better inter-departmental communication and more supporting leadership, which will help us enrich our leadership initiatives.

- This leadership drive received particular attention in 2014. Quite a number of teams at Belfius Insurance were given advice and support on leadership, while the different supporting pillars of leadership were integrated in defining – and assessing – the objectives of employees, in recruiting, and in the development and growth of employees.
- Our revamped culture is being shaped through active work with the help of a network of internal ambassadors. The ambassadors are also the contact point for their colleagues because they understand and can explain the change processes. The ambassadors cooperate on actions geared to the culture change and set the example in giving feedback.

Belfius Young Community

Some 900 of Belfius's employees are under 36. They launched their own community in the beginning of June 2014.

The Belfius Young Community has three goals, namely to facilitate networking and ensure that employees in their twenties and thirties can find each other more easily; to give young employees a say in the organisation so that their ideas can reach management more smoothly; and to let such young employees leave their mark on the corporate culture.

Continuous training

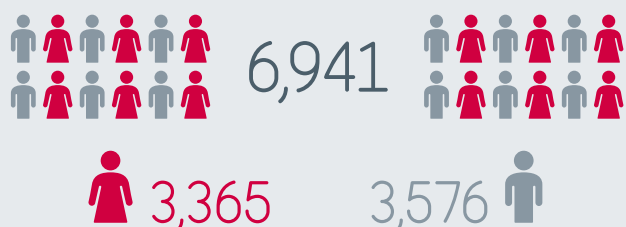
In 2014, Belfius Bank organised more than 31,000 training days. These training courses are geared primarily to arming everyone who stands up for the Belfius brand at the bank to provide the best possible service to our customers.

Chances are moreover created for employees to develop and continue to get satisfaction out of their job. One of these initiatives is the People Explorer, a series of development courses for talented employees.

In addition to the many annually recurrent training initiatives, training courses at Belfius Insurance last year supported in particular the introduction of "working differently" and the leadership path, and were attended nearly 5 days per employee on average.

Key Figures Belfius Bank & Insurance workforce (31 December 2014)

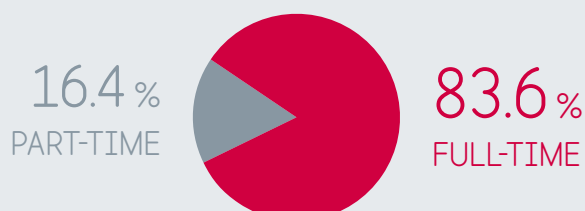
Members of staff



Average age



Contracts



Nationalities





Financial results

Preliminary notes to the consolidated financial statements

1. Changes to the scope of consolidation

In 2014, Belfius Funding merged with Belfius Financing Company⁽¹⁾. Belfius Insurance purchased the real estate company Immo Malvoz in line with her investing policy of her technical reserves.

A detailed overview of the changes in scope of consolidation during 2014 can be found in the "Notes to the consolidated financial statements" of the annual report.

2. Fundamentals of the consolidated financial statements

The consolidated financial statements of Belfius are prepared in accordance with all IFRS as adopted by the EU. The consolidated financial statements are prepared on a going-concern basis.

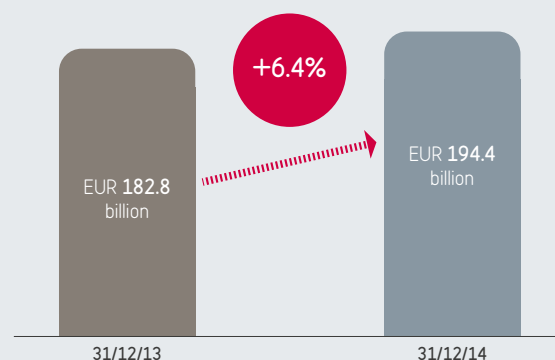
Analysis of the consolidated balance sheet

As at 31 December 2014, the balance sheet total amounted to EUR 194.4 billion, an increase of EUR 11.6 billion or 6.4% compared to 31 December 2013. The increase of the balance sheet total principally reflects the increase of the fair value of derivatives and the bonds classified in AFS mainly following the further decrease of the long term interest rate in spite of the tactical de-risking in the "Side" - portfolio.

1. Assets

Loans and advances due from banks and central banks increased 6%, or EUR 1.9 billion, to EUR 33.5 billion in 2014. The increase of cash collateral by EUR 4.9 billion as a consequence of the impact of the general decrease of interest rates on the fair value of the derivatives compared to the end of 2013 was partially offset by reduction of the government guaranteed bonds issued by Dexia Crédit Local (DCL) with EUR 3 billion.

Evolution of the balance sheet total



(1) Belfius Funding and Belfius Financing Company are both funding vehicles, issuing long term bonds (sold by points of sale) as well as short term bonds (Commercial Paper). The companies were merged in order to simplify the group structure.

At the end of 2014, **loans and advances to customers** amounted to EUR 87.2 billion. This decrease of EUR 0.6 billion, or 0.6%, compared to previous year, is essentially explained by the sale of financial assets previously classified as loans following the tactical de-risking policy. Commercial loans remained stable compared to 2013.

Financial assets available for sale decreased by EUR 3 billion to EUR 25.1 billion as at 31 December 2014. This is due to (i) sales following the tactical de-risking policy though largely compensated by an increase of the fair value of the remaining portfolio and (ii) the reclassification of mainly Italian government bonds for EUR 2.8 billion book value at the moment of reclassification to investments held to maturity.

The positive fair value of **derivatives** increased by EUR 7.9 billion to EUR 31.1 billion (+34.2% compared to the end of 2013) following the general low interest rates.

2. Liabilities

In 2014, **liabilities due to banks** further decreased with 26.8%, or EUR 7.8 billion, and amounted to EUR 21.4 billion at the end of the year. In 2014, EUR 10 billion of a total of EUR 13.5 billion in Longer-Term Refinancing Operations (LTRO) was repaid to the ECB. By the end of 2014, the total outstanding amount to the ECB (LTRO and Targeted Longer-Term Refinancing Operations (TLTRO)) stood at EUR 5 billion.

At the end of 2014, **customer borrowings and deposits** amounted to EUR 66.5 billion, up EUR 4.9 billion compared to 2013 mainly related to deposits from commercial customers (EUR +4.1 billion) and an increase of cash collateral received of EUR 133 million.

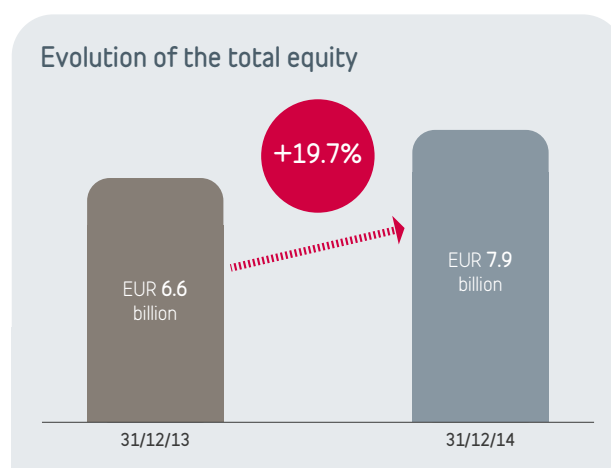
Debt securities rose by EUR 1.9 billion to EUR 29.1 billion as at 31 December 2014. The EUR 2.1 billion decrease of savings certificates due to maturity date and limited renewals was more than offset by new issues, for an amount of EUR 3.3 billion, of Belgian covered bonds (Belgian Pandbrieven) backed by mortgage and public loans.

The negative fair value of **derivatives** increased by EUR 9.6 billion to EUR 38.2 billion (+33.4% compared to end 2013), following the general low interest rates.

3. Equity

As at 31 December 2014, **total equity** amounted to EUR 7.9 billion, against EUR 6.6 billion as at 31 December 2013. 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.

The **core shareholders' equity** rose by EUR 461 million to EUR 7.8 billion due to the net income for the period 2014.



Consolidated balance sheet

(in millions of EUR)

	31/12/13	31/12/14
TOTAL ASSETS	182,777	194,407
Of which		
Loans and advances due from banks and central banks	31,569	33,472
Loans and advances to customers	87,722	87,158
Financial assets available for sale	28,074	25,087
Derivatives	23,190	31,130
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Debt securities	27,184	29,113
Derivatives	28,602	38,165
TOTAL EQUITY	6,621	7,927
Of which		
Core shareholders' equity	7,343	7,804
Gains and losses not recognised in the statement of income	(738)	119

Gains and losses not recognised in the statement of income improved by EUR 0.8 billion from EUR -0.7 billion at year-end 2013 to EUR +0.1 billion at the end of 2014. This positive evolution essentially results from the general improvement of the fair value of the credit risk of the investment portfolio and is reflected by a strong improvement of the available-for-sale reserve on securities. Tactical de-risking and the low interest rates also had a positive impact.

Analysis of the consolidated statement of income

1. Net income group share

In 2014, Belfius posted a **net income group share** of EUR 462 million, against EUR 445 million in 2013. The bank's contribution to consolidated net income amounted to EUR 245 million and the insurer EUR 217 million⁽¹⁾.

The income mainly resulting from a good commercial activity and strict cost control, will serve to further strengthen the equity base of Belfius.

2. Income

In 2014, **total income** amounted to EUR 2,071 million, or EUR 237 million more than in 2013. The net interest income increased to EUR 2,051 million mainly due to an improvement of the interest margin on the commercial balance sheet by means of a sound pricing strategy and a reduction of the financing cost of Belfius.

Following the low interest rate environment, customers are drawn more towards off-balance sheet products, resulting in an increase of net fee and commission income to EUR 447 million at the end of 2014.

(1) For a more detailed analysis of the consolidated statement of income of Belfius Insurance we refer to the annual report 2014 of Belfius Insurance

Net income on investments positively amounts to EUR 41 million at the end of December 2014. In 2013, net income on investments was still influenced by the capital gain from the repurchase of profit shares (EUR 61 million).

3. Expenses

In 2014, **total expenses** were EUR 1,448 million (or a slight rise of EUR 24 million compared with 2013). In 2013 expenses were positively influenced by one-off's. The underlying expenses, without those one-off elements, decreased from EUR 1,477 million in 2013 to EUR 1,404 million in 2014.

4. Gross operating income

The **gross operating income** was EUR 623 million at the end of 2014, up EUR 213 million on year-end 2013.

5. Cost of risk

The **cost of risk** (impairments on tangible and intangible fixed assets included) had a negative impact of EUR 64 million on net income before tax in 2014; still to be considered as a rather low yearly cost of risk compared to historical averages. The increase of the cost of risk of EUR 171 million compared to 2013 is mainly due to exceptional elements in the impairments on loans and provisions for credit commitments in 2013.

6. Net income before tax

For the year 2014, **net income before tax** amounted to EUR 560 million, up EUR 42 million compared to 2013.

Consolidated statement of income		
(In millions of EUR)		
	31/12/13	31/12/14
INCOME	1,834	2,071
Of which		
Net interest income	1,917	2,051
Net fee and commission income	375	447
Net income on investments	155	41
EXPENSES	(1,424)	(1,448)
GROSS OPERATING INCOME	410	623
Cost of risk	109	(59)
Impairments on (in)tangible assets	(1)	(5)
NET INCOME BEFORE TAX	518	560
Tax expenses	(73)	(100)
NET INCOME AFTER TAX	445	460
Non-controlling interests	0	(2)
NET INCOME GROUP SHARE	445	462

7. Tax expense

Tax expense (including deferred taxes recorded in the profit and loss accounts) amounted to EUR 100 million in 2014.

8. Net income group share

Belfius **net income group share** amounted to EUR 462 million for 2014, compared to EUR 445 million in 2013.

9. Dividend

No dividend will be distributed to shareholders on the 2014 result to strengthen the capital ratios.

10. Solvency

The Common Equity Tier 1 capital ratio⁽¹⁾ (CET 1 ratio) was 14.7% at the end of 2014 against 13.8% (pro forma Basel III calculation) end 2013. This increase is mainly the result of the reinforcement in underlying CET 1 capital which was able to absorb entirely the deduction of several securitisation transactions (these transactions are now no longer included in the total risk weighted assets resulting in a significant decrease of the risk weighted assets) and the tactical de-risking of the "Side"-portfolio.

The Tier 1 capital ratio equals the CET 1 ratio, as Belfius Bank has no supplementary Tier 1 capital.

The total capital ratio⁽¹⁾ amounted to 16.1% at the end of 2014 against 15.1% (pro forma Basel III calculation) end 2013.

More detailed information is provided in the "Capital management" chapter of this annual report.

(1) Phased-in.

11. Segments reporting

Net income from the commercial businesses at Belfius rose by 25% to EUR 580 million in 2014. Of that figure, Belfius Bank itself was responsible for EUR 363 million, a strong rise of 47% compared to 2013. With EUR 217 million, Belfius Insurance equalled its highest-ever contribution to the overall net income generated by the commercial businesses – and this was achieved despite the negative impact of last year's hailstorms.

The main reasons for the strong increase of net income from the commercial businesses are:

- The strong increase in revenue up to EUR 2,221 million (+13%). This rise was driven in particular by the growth in net interest income (+7%) and net fee and commission income (+20%). This latter stems from the shift in customer preferences towards off-balance sheet products and the broad range that Belfius has to offer in this area. This includes the unique Branch 44 product, which attracted EUR 0.5 billion of investments last year.
- The fall in underlying operating costs (-5%) for these commercial businesses. This reduction was achieved through the continued disciplined implementation of the cost-cutting plan launched in 2013. This firm hand on costs remains in place today in view of the low interest rate environment and rapid digital developments in the financial sector.

The "Side" portfolio continued its controlled rollback and this had a negative effect of EUR 118 million on the net profit at Belfius in 2014.

12. Contributions to the budget of the Belgian State

In 2014, Belfius paid EUR 393 million to the Belgian State in addition to the corporate tax detailed above, under the form of various contributions and taxes.

Contributions to the budget of the Belgian state (other than corporate taxes) (in millions of EUR)		2014
Specific contributions of the financial sector		155
Social security on salaries (employer's part)		135
VAT non deductible		58
Real estate taxes		24
Regional and local taxes		9
Other taxes		12
TOTAL		393



Retail and Commercial Business

One of the four main banks in Belgium

The customer is the focal point for Belfius Bank & Insurance. How can the bank continue to offer an optimum service to the customers of tomorrow so that they remain fully satisfied? This is the objective we put first every minute of every day. The undertaking made by Belfius to its customers in 2014 was that 95% of them would be well satisfied. And all Belfius staff are 100% committed to achieve that goal.

Satisfied customers are in fact the most sustainable and most robust basis for commercial activity in Retail and Commercial Business. Satisfied customers are more loyal to the brand and subscribe to a larger variety of products and services.

Belfius has a unique DNA. Firstly, it is involved more than you would imagine in all of our everyday lives, through its historic leadership in the public and social sector and the social projects which Belfius contributes to funding every single day. Secondly, it is specifically a 100% Belgian bank-insurer, with a vast network of points of sale combining personalised advice and robust digital and mobile services.

This means straight away that the range of products and services, the internal organisation, the operational efficiency and the investments within Belfius Bank are from now on even more closely focused on the added value they represent for the customer.

Notre engagement:

95%
de clients
satisfaits,
on se donne
à 100% pour
y arriver.

Bien plus qu'un slogan : UN ENGAGEMENT.

Notre ambition pour les prochaines années peut se résumer en un mot : votre satisfaction. Bien plus qu'un simple slogan publicitaire, c'est un engagement. Envers vous et toute la société. Cette ambition est profondément ancrée dans tous les projets publics et sociaux que nous aidons à concrétiser chaque jour. Dans les piscines, les pistes cyclables, les centres de soins... La réalisation de tous ces projets nous a appris combien votre satisfaction était importante. Parce que nous ne serons satisfaits que lorsque vous le serez.

Pour en savoir plus : belfius.com/satisfaction

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Belfius
Banque & Assurances

In view of the diversity of the 3.5 million Belfius customers, certain needs have been identified and classified in different customer segments. In the banking sector, customer needs are closely associated with their financial situation. The extremely comprehensive range of products, channels and services offered by Belfius responds perfectly to the requirements of retail customers. For the "Privilege Banking" segment, there are additional needs, including the customer's own account manager at a local level. For wealthier customers, Belfius provides an extended range of services under the "Private Banking" label.

Business Banking, a segment consisting of the self-employed, liberal professions and SMEs with a turnover or balance sheet total of less than EUR 10 million, is not only a key segment for Belfius growth in Retail and Commercial Business, but above all the driving force behind the operation of the Belgian economy and society. At Belfius, Business customers can rely on systematic financial assistance tailored specifically to their professional and private requirements, during the total life cycle, thanks to services of their local and personal Business Banker who will conduct an annual review. In addition, Belfius Bank is the only bank on the Belgian market to collaborate with the European Investment Fund (EIF) to support start-ups. This partnership provides Belfius the opportunity to offer EUR 360 million of loans for a maximum period of three years with the guarantee of the European Investment Fund. Thanks to the intervention of the EIF for half of the guarantee, start-ups get easier access to funding.

Deliberate choice of an integrated omni-channel approach

Customers are increasingly considering and adopting an omni-channel approach to contact Belfius. Belfius wants to respond to this trend with a consistent quality service whatever the channel chosen.

The customer can contact Belfius seven days a week through digital and mobile channels. Mobile channels above all receive great acclaim from customers. Belfius Direct Net, the bank's Internet portal, has 0.9 million active users. The new card reader distributed in 2014 is setting the tone in terms of user-friendliness and security and is the only bankcard reader in Belgium which can also be used for e-ID. With almost 350,000 active users at the end of 2014, Belfius Direct Mobile and Belfius Direct Tablet have achieved exponential growth. The Belfius apps for smartphone and tablet are also gaining the highest satisfaction scores in the banking sector. To reinforce this position as high-tech bank, Belfius launches an R&D programme for Digital Banking. Furthermore, the Contact Center, which receives close to 30,000 calls a month, plays a supporting role.

All Belfius customers can also rely on the personal service provided by a nearby branch. In fact the branch remains the ideal place in which customers can take full advantage of specialised and personalised advice at key times in their life. At the end of 2014, Belfius Bank's distribution networks extended to 746 branches. This means that on average there is a point of sale within seven kilometres,

500 of them operating on the open branch concept. These open branches are divided into three zones: the self-service zone where the ATMs are located, the area for information and services, and finally the zone for 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.

The bank is also developing long-term relationships with customers who find it more difficult to get to a Belfius branch. It has indeed developed the Mobile Banker, by which relationship managers have the necessary technological support via tablet and related software, enabling them to perform banking operations at home, even outside normal banking hours. At the beginning of 2015, 500 relationship managers already had Mobile Banker and 4,600 customers have used this service.

Belfius Insurance also accessible via various distribution channels

Belfius Insurance holds fifth position on the Belgian insurance market.



Through the **Belfius Bank channel**, Belfius Insurance addresses individuals, the self-employed and SMEs in search of solutions (for life and for non-life insurance products) via the 746 Belfius Bank points of sale. 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 332 points of sale, each with exclusive advisers, DVV insurance offers 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 is a fast growing direct insurer. It offers its 181,812 customers directly (e-commerce, phone or mailing) or via its "affinity"⁽¹⁾ partners family, car, home, funeral and other insurances. The strength of Corona Direct rests in its strong customer service and ability to innovate, for instance with its kilometre-linked vehicle insurance.



Since 2012, this multi-channel approach has also involved the **Elantis** brand, which offers mortgage loans through independent brokers.

(1) 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).

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

The Retail and Commercial business line provides a full range of banking products and a varied selection of life and non-life insurance products.

1. 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: white, blue, red, gold and platinum. Customers can also opt for the Belfius Pulse Start pack, which gives free access to a complete series of digital banking services, including personalised advice.

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 cash-flow management).

2. Credit products

Mortgage loans at fixed or variable interest rates and for various terms, remain the leading product in the overall credit range. The bank also markets consumer loan products in the form of car loans, personal loans and green loans. Tailored loans are provided for the Business segment. This includes tax funding, operating capital facilities (particularly Belfius Business Cash+) and investment loans.

The activity surrounding the granting of loans is carefully monitored among others by the code of conduct issued by the "Professional Credit Union".

3. Savings and investment products

Savings and investment products fall into two categories: balance sheet products and off-balance sheet products.

Balance sheet products include classic and online savings accounts, current and term accounts, savings certificates and bonds.

Off-balance sheet products are made up of mandates, mutual funds, shares and (euro)bonds issued by third parties and investment insurance products of Belfius Insurance.



Among investment insurance products, Belfius distinguishes between Branch 21 (life insurance with a capital guarantee and guaranteed minimum return, to which there may be added a variable profit participation), Branch 23 (life insurance without capital guarantee but with a potential higher return via investment funds) and, more recently, Branch 44 (a combination of Branch 21 with a guaranteed minimum return and Branch 23 with a higher potential for increase via investment funds).

4. Insurance products

Belfius Bank also offers its customers all the classic and innovative life and non-life insurance products of Belfius Insurance. The product range includes non-life insurance cover: 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 and credit balance insurance linked to mortgage loans are also offered. By virtue of this complete range, Belfius plays its role as a locally anchored insurer aiming at protecting Belgian families, maintaining their income levels and increasing their assets.

Strong commercial performances in 2014

Despite a persistently difficult macroeconomic climate, the commercial arm of the business performed well, enabling **total customer assets** in 2014 to rise by 2.8% to EUR 96.3 billion.

Total deposits ended 2014 at EUR 60.6 billion, which was a slight fall (-1.5%) compared with the end of 2013. The historically low interest rates tended to make customers less willing to make deposits, which had the result of less capital flowing into long-term investments (down by 25.0% for savings bonds and 11.2% for bonds issued by Belfius). But there was good growth in the funds deposited in current and savings accounts, which reached EUR 7.9 billion (+14.5%) and EUR 35.5 billion (+4.9%) respectively at the end of 2014.

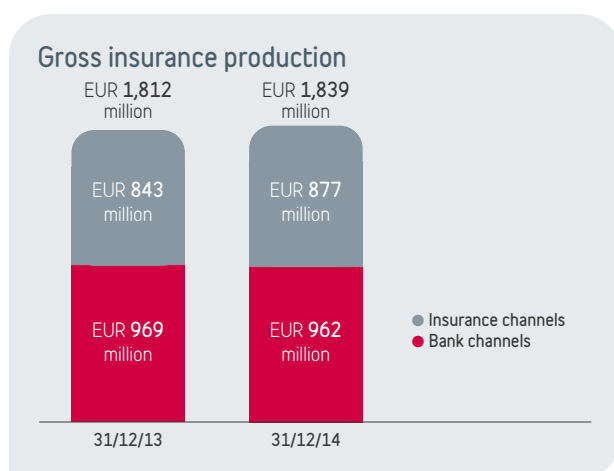
However, this small decline in deposits was amply made up for by the strong performance of **off-balance sheet investments**, which rose by 17.1% in comparison with the end of 2013 to EUR 24.6 billion. This was due to greater customer preference for products with potential higher yields (mutual investment funds, mandates).

Technical life insurance reserves sold through the bank channel were EUR 11.1 billion, which was a slight fall of 0.9% compared with the end of 2013. Investments in Branch 21 life insurance products were placed under pressure by the lower interest rates and the increase in taxes on premiums to 2%. However, this fall was partly offset by the successful new Branch 44 product, Belfius Invest Top Funds Selection.

Retail and Commercial Business (In billions of EUR)			
	2013	2014	Evolution
TOTAL CUSTOMER ASSETS	93.7	96.3	+2.8%
DEPOSITS	61.5	60.6	-1.5%
<i>Savings accounts</i>	33.8	35.5	+4.9%
<i>Savings bonds</i>	8.4	6.3	-25.0%
<i>Bonds issued by Belfius</i>	11.6	10.3	-11.2%
<i>Current accounts</i>	6.9	7.9	+14.5%
<i>Term accounts</i>	0.8	0.6	-24.7%
OFF-BALANCE SHEET INVESTMENTS	21.0	24.6	+17.1%
TECHNICAL LIFE INSURANCE RESERVES	11.2	11.1	-0.9%
<i>Branch 21</i>	10.5	10.2	-3.1%
<i>Branch 23</i>	0.7	0.9	+32.2%

Total loans to customers rose to EUR 34.3 billion at the end of 2014. This increase was in mortgages (+2.9%) and business loans (+2.0%). Mortgage loans, which represent almost two-thirds of all loans granted, amounted to EUR 21.6 billion at the end of 2014, while consumer loans and business loans ended the year at EUR 1.6 billion and EUR 10.1 billion respectively. In 2014 new loans to retail clients amounted to EUR 4.7 billion of which three fourth were mortgage loans. Also EUR 3.3 billion new Business loans were granted in 2014.

Retail and Commercial Business (In billions of EUR)			
	2013	2014	Evolution
TOTAL LOANS TO CUSTOMERS	33.5	34.3	+2.4%
<i>Mortgage loans</i>	21.0	21.6	+2.9%
<i>Consumer loans</i>	1.6	1.6	0%
<i>Business loans</i>	9.9	10.1	+2.0%
<i>Other loans</i>	1.0	1.0	0%



In 2014, **gross production for insurance products** sold to customers of the Retail and Commercial Business line was EUR 1,839 million, compared with EUR 1,812 million in 2013, corresponding to an increase of 1.5%. This evolution was generated mainly by the own channels of Belfius Insurance, which saw an increase of 4.0%. The gross production for insurance products in the bank channels decreased slightly with 0.7%.

Life insurance premiums reached EUR 1,375 million, compared with EUR 1,362 million in 2013. This increase of 1.0% was driven mainly by the success of Classical Life products such as balance due insurance. In 2014 premiums received amounted to EUR 986 million in Belgium and EUR 389 million in Luxembourg via International Wealth Insurer (IWI).

Non-life insurance premiums ended the year at EUR 464 million, a rise of 3.1% compared with the end of 2013. This increase stemmed mainly from higher sales of fire and family policies within the bank channel.

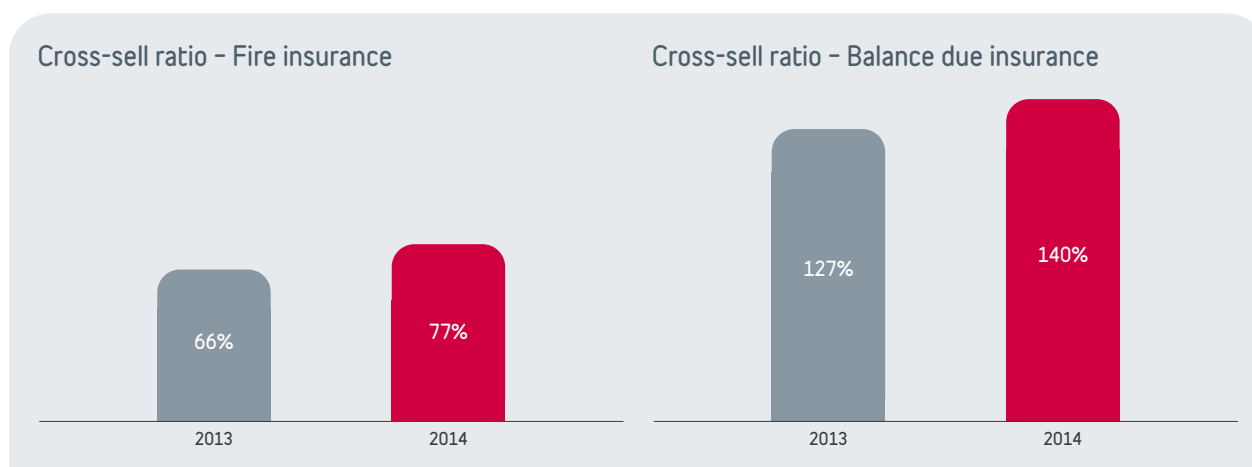
As a result of the active support from sales of policies related to mortgage loans, there was an increase in the cross-sell ratios. Both the ratio for fire insurance and balance due insurance increased, rising respectively from 66% and 127% in 2013 to 77% and 140% in 2014.

Total life insurance reserves for the Retail and Commercial Business line remained almost stable, at EUR 17.9 billion at the end of 2014, despite the difficult trading conditions caused by low interest rates and unfavourable taxation. There was a slight shift in the reserves for each product. Branch 23 reserves rose by 11.1%, whereas Branch 21 and 26 reserves fell by 2.8%.

Retail and Commercial Business (In billion of EUR)			
	2013	2014	Evolution
LIFE INSURANCE RESERVES	17.9	17.9	0%
Branch 21 and 26	14.3	13.9	-2.8%
Branch 23	3.6	4.0	+11.1%

Estimated at 13% for savings accounts and 12% for mortgage loans, the Belfius Bank market share remains stable overall. Belfius Insurance has a market share of almost 7% on the Belgian market (8% for life and 5% for non-life insurances)⁽¹⁾.

(1) Data for 2013 (Assuralia). Data for 2014 are not yet available.



Public and Wholesale Business

Management
report

Consolidated financial
statements

Non-consolidated
financial statements

Preferred partner of the public and social sectors and Corporate Banking challenger

In its Public and Wholesale Business commercial activities, Belfius offers a comprehensive range of banking and insurance products and services aimed essentially at two complementary groups of customers: entities in the public and social sectors (Public and Social Banking), and medium-sized and large companies (Corporate Banking).

The Public and Social Banking segment, which has a total of some 12,000 customers, works on behalf of local public authorities (municipalities, provinces, police zones, Public Centres for Social Welfare, etc.), supra-local public entities (intermunicipal companies, etc.) and entities working at a community, regional or federal level, as well as a wide range of other organisations linked to the public sector. Also part of this segment are entities linked to healthcare (hospitals, retirement homes), education (universities, schools) and housing, as well as other customers such as foundations, social secretariats and pension funds.

Belfius aims to remain a leading provider in the public and social sector in Belgium and to provide answers for societal challenges such as the funding of sustainable projects through its unique projects and services like the Smart Cities & Sustainable Development project, which is designed to support official bodies in Belgium in the context of intelligent projects focusing in particular on energy

efficiency, mobility and urban development. This initiative is based on an exclusive partnership with the European Investment Bank (EIB). Through this programme, local authorities in Belgium are able to benefit from loans at preferential rates, totalling EUR 400 million, half of which is provided by the EIB and half by Belfius Bank. More than 50 files have already been treated and 10 cities have been nominated for the "Smart City Award". In December 2015, the most innovative, environmental friendly and integrated in the public life will be designated by a jury of experts.



Smart Cities



Providing customers with guidance in their budget-related challenges (European and regional standards) is also an important part of the work in which Belfius invests a great deal of resources for its clients.

The segment Corporate Banking works on behalf of approximately 6,000 medium-sized and large companies (representing some 2,700 separate commercial groups) with an annual turnover or balance sheet total exceeding EUR 10 million.



In the Corporate sector, Belfius is uniquely positioned with a presence in 4 out of every 10 companies in Belgium in that category. Indeed, its unique and in-depth knowledge of public institutions enables it to be the preferred partner of companies that work with public authorities by offering them a range of products and services geared to this Business-to-Government (B2G) market. In addition, through its range of total, integrated banking solutions, Belfius continues to innovate in order to meet the needs of its customers. For example, there is Xpenditure⁽¹⁾, a European first which uses a mobile application and online platform to digitise and process out-of-pocket expense claims automatically. Then there's Twikey⁽²⁾, the first product on the Belgian market to provide an electronic solution for managing mandates, helping to manage European direct debits and enabling mandates to be created, signed and stored online in total security. Belfius also offers solutions that provide assistance for Belgian companies in developing their international business, such as cash management and trade finance.

Finally, the development of the sale of insurance products provides a further growth factor for Belfius. This leads to even greater satisfaction, both for public and social customers through the wide range of non-life insurance products, as well as for corporate customers, with products such as group insurance policies.

A "hub-and-spokes" distribution network for customers

The commercial network of the Public and Social Banking includes 38 relationship managers spread across three regions. Customers in this segment demanding a local service are handled by the network of Belfius Bank branches. The commercial network of Corporate Banking includes 45 Corporate Bankers, spread across six regions.

In these two segments of the business, the relationship manager acts as the central point of contact or "hub" in the commercial relationship with the customer. He or she is the sole contact and maintains a relationship of trust with the customer throughout the relationship. Corporate Bankers can also at any time call on in-house experts, known as "spokes", for the various product lines. This might be for matters of investments, loans, insurance, leasing, electronic banking or cash management. This "hub-and-spokes" approach is at the heart of our Public and Wholesale Business customer service model.

Highly specialised products and services providing high added value for customers

First and foremost, the product range includes classic banking products such as short-term and long-term loans, cash flow and investment management, electronic banking services, financial market products, a very wide range of insurance products via Belfius Insurance and various finance or operational leasing solutions through the subsidiaries of Belfius Lease and Belfius Auto Lease.

Customers in the Public and Social Banking segment also benefit from a highly specific range of products and services, such as social accounts, cash flow advance solutions, active debt management and long-term financing solutions geared to their specific requirements, whether in the form of credits or long-term bonds.

(1) In collaboration with Cardwise SA.

(2) In collaboration with Twikey SA.

Every year, Belfius also conducts numerous studies offering its customers considerable added value, into the development of local, municipal and provincial finances, etc., complete with individual details for each local authority. The social sector is also another core concern for Belfius, with studies relating to the way hospitals (MAHA) and retirement homes (MARA) are funded. Over the years, these much appreciated studies have become genuine reference management tools for its customers.

For Corporate Banking customers, specific services include providing tailored solutions linked to the financing of debts on public authorities (B2G), international cash management solutions (in particular via the network of Connector banks) and asset finance solutions (leasing, car leases and commercial finance), as well as expertise in terms of funding projects and structure financing.

The development of a dedicated network contributed to the success of B2G. In 2014, Belfius took part in important events like the "Salon des mandataires". Belfius also organised meetings between political and corporate representatives. These actions translate into the fact that 23% of the new credit production was related with B2G.

With the aim of providing real added value to its customers, Belfius is constantly making adjustments to its range of products and services so that it can respond precisely and practically to changes in customer requirements in ways that match their specific characteristics.

Belfius distributes a range of publications aimed specifically at businesses, including a series of white papers. It organises various events based on the topic of Working Capital and also publishes a comprehensive online report about the potential and specific features that public procurement contracts represent for companies.

Also in 2014, Belfius Bank again confirmed its central role in the Debt Capital Markets business for Belgian customers in the (semi-) public and corporate sectors, further strengthening its presence in that particular market. For the second consecutive year, Belfius has been awarded the "Finance House of the Year" trophy by NYSE Euronext, in recognition of the strategic role played by the bank in a constantly growing market.

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

In 2014, Belfius remained true to its main mission of being a bank "that belongs to the community and works on behalf of the community", continuing more than ever to play its role in the financing of the Belgian economy. This commercial dynamic saw Belfius Bank sign new funding agreements to the public and social sectors totalling EUR 2.7 billion, as well as granting EUR 5.5 billion of new loans to companies in 2014 and the implementation of many local initiatives. Through its debt capital markets business, Belfius also participated in over 80% of the (semi-)public sector issues.

Despite the continuing difficult economic environment, Belfius continued to support local authorities. It can also claim to be the only bank that responded systematically to all of their applications for finance. Working in this way, the bank fully plays its role as their partner by reinvesting the savings deposited by Belgians in numerous projects delivering significant added value for the community (public buildings, schools, crèches, hospitals, road network, etc.).

Belfius Bank fully plays its role by reinvesting the savings deposited by Belgians in numerous projects delivering significant added value for the community, such as wind farms and fire brigade zones all over the country ...



Commercial performance in 2014

At 31 December 2014, **total customer assets** were EUR 27.3 billion, an increase of 5% compared with the end of 2013. **Deposits** rose by 10.6%, from EUR 18 billion to EUR 19.9 billion. The decline in **off-balance sheet assets** reflects a move to balance sheet products for a more attractive risk-return ratio, according to the analysis made by clients in collaboration with their Belfius banker.

Public and Wholesale Business (In billions of EUR)	2013	2014	Evolution
TOTAL CUSTOMER ASSETS	26.0	27.3	+5.0%
<i>Deposits</i>	<i>18.0</i>	<i>19.9</i>	<i>+10.6%</i>
<i>Off-balance sheet assets</i>	<i>8.0</i>	<i>7.4</i>	<i>-7.5%</i>

Total outstanding loans were down slightly (-2.5%), to EUR 42.2 billion. This decline was due to increased competition encountered on the Public and Social Banking market. Outstanding loans to the Corporate Banking segment were up slightly to EUR 8.8 billion at the end of December 2014. **Off-balance sheet commitments** fell by EUR 1.3 billion over the year to EUR 15 billion at the end of December 2014, reflecting the active management, in partnership with customers, of unused lines of credit.

Public and Wholesale Business (In billions of EUR)	2013	2014	Evolution
OUTSTANDING LOANS	43.3	42.2	-2.5%
<i>Public and Social Banking</i>	<i>34.7</i>	<i>33.4</i>	<i>-3.7%</i>
<i>Corporate Banking</i>	<i>8.6</i>	<i>8.8</i>	<i>+2.3%</i>
OFF-BALANCE SHEET COMMITMENTS	16.3	15.0	-8.0%

In the area of **insurance**, the Public and Wholesale Business segment recorded good results, in particular for non-life insurance products.

Non-life insurance premiums increased by 8.1%, to EUR 102 million. This demonstrates the success of the strategy developed for IARD products, i.e. sales via specialised brokers, and is reflected in the increase in premium revenues for occupational accident cover (+19.8%) and property damage cover (+13.4%) products.

Gross premiums received in the Life segment were EUR 253 million, an increase of 1.1% compared with the end of 2013. This is explained by the strong position and expertise enjoyed by Belfius in its niche market. Despite the constant reduction of local authority room to manoeuvre and pressures on public finances, Belfius PubliPension (a "first-pillar" pension product) continues to respond to customer needs.

Public and Wholesale Business (In millions of EUR)	2013	2014	Evolution
TOTAL PREMIUMS RECEIVED	344	355	+3.0%
<i>Life</i>	<i>250</i>	<i>253</i>	<i>+1.1%</i>
<i>Non-life</i>	<i>94</i>	<i>102</i>	<i>+8.1%</i>

Risk management

Highlights 2014

1. Introduction

The environment in which the banks have to work continued to be very challenging in 2014. The economic recovery that began in the spring of 2013 was still very fragile, both in Belgium and in the euro-zone, resulting in the economy all but stagnating during the course of 2014. One striking feature of this was that in general the downturn affected the so-called core countries. In fact, the economy in both Germany and France even contracted slightly. By contrast, in many of the peripheral countries, with the exception of Italy and Greece, where business also shrank, the rate of growth picked up. The growth figures in Spain, Portugal and Ireland were even strikingly high. These countries have also had to implement the most radical economic adjustment programmes in order to crank up their competitive edge – and these measures now seem to be bearing their first fruit. In parallel with the weak economic growth, the recovery in the European employment market has also been modest. Expectations are that unemployment in the eurozone over the coming years will only fall slightly and will still be above its pre-crisis levels in 2016. Although there continue to be significant differences between the member states, the gap is closing as the result of an improvement in the situation in the countries most seriously affected.

Globally though, the recovery continues. Although world growth during the first half of the year was placed under pressure by a number of specific factors that weighed down on private consumption, the pace of business picked up again in the second half of the year. All in all, world growth achieved the same level of growth in 2014 as it did in 2013. Developments tended to occur at different rates in various parts of the globe. Once again, the emerging countries as a whole continued to record the highest growth figures, although several countries had to contend with a steady and sometimes even sharp slowdown in their economy. For example, in the second half of the year, China slumped to its lowest level since the big recession. The economy in Russia appears to have stagnated completely, partly as the result of worsening relations with EU countries in particular, leading among other things to mutual economic sanctions.

The development process to create a risk management model tailored to Belfius Bank was continued in 2014 and, since the beginning of the year, risk management operates according to a new organisation structure. Risk management is no longer organised by risk type (market risk, credit risk, operational risk, etc.), but by business segment. This means that there is now a single point of contact for

each type of risk per business segment. This enables the Risk Department to fulfil its ambition to challenge the individual business segments by being close to the business itself, by detecting risks proactively and in time, by identifying opportunities that may lower the cost of risk and, if necessary, by making adjustments to the bank's commercial strategy.

During a substantial part of the year, this new organisation model demonstrated its worth in the context of the ECB's Comprehensive Assessment – Asset Quality Review (AQR) and the stress test associated with it. On 26 October 2014, exactly one year after the exercise was announced, the European Central Bank (ECB) revealed the final results of this Comprehensive Assessment. The outcome was positive across the board for Belfius Bank, which passed both the AQR and stress test with flying colours. This outstanding result aptly illustrated the relevance of the Belfius strategy. The focus on expanding the commercial franchise caused the operating result to rise and hence also equity capital. The implementation of a tactical de-risking programme also meant that the Legacy portfolios weighed down the bank less heavily.

Since it was first established, Belfius has made considerable efforts in a difficult business climate to reduce its Legacy commitments – consisting of a portfolio with various types of bonds, a portfolio of off-balance sheet loans and exposure to the former parent company and its subsidiaries – so that the risk related to this Legacy could also be reduced tactically and effectively.

In the context of a difficult macroeconomic situation, the bank nevertheless remains alert for a number of challenges, including the continuing low interest rate which among others leads to a greater need of liquidity for cash collateral and an important refinancing wave of mortgage loans, the new bank taxes and a further strengthening of the regulatory framework.

2. Comprehensive Assessment – Asset Quality Review (AQR)

On 26 October 2014, the ECB and the national supervisory bodies (including the NBB), rounded off a large-scale exercise – known as the "Comprehensive Assessment" – which took the form of a far-reaching assessment of the financial strength of the major banks in the eurozone. The aim of this exercise was threefold: to increase transparency by improving the quality of the information available about the banks' situation, to remedy banking methods by identifying the measures required to improve solvency and, finally, to reinforce trust in European credit institutions.

This exercise was conducted along two main, complementary, lines. While the Asset Quality Review (AQR) focused mainly on auditing the value of assets in the accounts at 31 December 2013, the main aim of the stress tests consisted of determining the ability of credit institutions to absorb economic and macroeconomic shocks over a period of three years. Two main scenarios were used for the stress tests. The first, called the “baseline scenario”, was based on the economic outlook drawn up under the direction of the European Commission at the end of 2013. This scenario equated to a difficult situation for the banks, taking account of the gloomy outlook in terms of economic growth, as well as other shocks. The second scenario, so-called “adverse scenario”, simulated a serious deterioration in the economic situation and in no way constituted a forecast as to future events. In order to determine whether the institutions subjected to the Comprehensive Assessment should implement corrective measures, a minimum threshold for the solvency ratio, calculated in terms of base capital (Common Equity Tier 1, or CET 1), was set at 8%, both for the quality assessment of the assets and for the baseline scenario of the stress test, and at 5.5% for the adverse stress test scenario.

As reported in its press release dated 26 October 2014, Belfius Bank passed the ECB’s Comprehensive Assessment with flying colours:

- After the AQR on the balance sheet at 31 December 2013, the CET 1 capital ratio of Belfius was 13.5%. This was based on a thorough examination of the books with an analysis of more than 50% of the weighted risk volume. The adjustments required by the ECB were restricted to 0.35% of the CET 1 capital ratio and were attributed virtually in their entirety to minor adjustments to the valuation models for financial instruments. The regulatory adjustments for credit risks on a total portfolio in excess of EUR 100 billion amounted to just EUR 15 million.
- After application of a highly unfavourable stress scenario, the CET 1 ratio in 2016 in the context of these stress tests was still 7.30%, which was 1.80% above the 5.50% benchmark. This could be translated at the time into a capital buffer after stress test of EUR 1.13 billion.

This result demonstrated the relevance of the strategy applied at Belfius: on the one hand, the focus on developing the commercial franchise caused the operating result – and hence equity capital – to rise. On the other hand, tactical de-risking caused the risk-weighted volume of the Legacy portfolio to fall. Consequently, Belfius Bank has a solid base for the future, enabling it to continue its strategy on customer satisfaction.

Governance

Risk Governance at Belfius is essentially built along two main lines:

- Risk committees;
- Strategic risk appetite.

Details of Risk Governance at Belfius Bank are set out below. Risk Governance for Belfius Insurance is a similar process and is detailed in the annual report of Belfius Insurance.

In line with the strategic risk appetite, this section also focuses on the stress tests and the Recovery Plan.

1. Risk committees

The presence of an effective Risk Governance structure is considered as the central cornerstone to sound risk management. Such a set-up ensures a two-way process of risk management instructions and feedback enabling senior management to execute its management and supervisory obligations.

1.1. Risk committees on a strategic level operating within the Management Board



The Risk Policy Committee (RPC) surveys the definition and the implementation of the bank’s principal risk management and measurement policies, processes and methodologies, and supervises their validation status. Its prime responsibility is to provide a risk policy that is commensurate with the risk tolerance and strategy (“Risk Appetite”) of the bank that complies with regulatory requirements and is in line with best practices.

The Risk Appetite Committee (RAC) surveys Belfius Bank’s risk appetite, capital adequacy and capital allocation. It manages the bank’s economic capital and stress test framework, ensures the adequacy of this framework against the nature and complexity of the bank’s risk profile and business composition and supervises its practical implementation.

The Basel III Steering Committee surveys Belfius Bank’s Basel III status and ensures an overall smooth project organisation. It validates the business and methodological choices, the planning, the simulations, the impact analyses and the final results.

In addition to these three committees, two functional areas also report to the Management Board without a separate committee being set up for them. These two areas deal with credit-related topics and non-financial risks. For the credit-related items, a set of tactical/operational committees have been set up, focusing on risk management issues on the one hand and on performing and non-performing loans on the other.

1.2. Risk committees on tactical/operational level

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

The committees that are part of the tactical/operational level are committees on which the Risk Department generally sits, usually in conjunction with Finance and the commercial business lines. The focus is on guidelines, transactions and risks on counterparties. The Risk Department has a right of veto in many of 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 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 day-to-day operating and commercial decisions.

The bank's risk appetite consists of a series of quantitative elements (target ratios) and qualitative elements (statements) that are designed to express the risk levels and types that are not tolerated and not targeted. This is for the purpose of achieving the aims of the business strategy. The quantitative 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 also includes 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 there are discrepancies, propose measures to the Management Board to ensure the limits are respected.

3. Stress tests

Stress tests are designed to measure the bank's sensitivity in terms of the losses to be expected, weighted risks, liquidity needs or equity capital requirements in scenarios featuring significant unexpected shocks on the financial markets and/or in the bank's own financial situation at Belfius.

In 2014, along with 123 European banks, Belfius took part in EBA stress tests in the EU. The stress exercise commenced in April and was monitored by Belgian and European supervisory teams. Various departments at Belfius (Risk, Finance, IT, Legal, etc.) were closely involved, as was management. The ECB published the results of these stress tests in October, confirming the fact that Belfius is strong enough to withstand the extreme external crises tested for.

Belfius itself also sets out extremely severe scenarios to conduct its own internal stress testing. As such, the bank developed an alternative and very tough macroeconomic scenario designed to anticipate the bank's main weaknesses and to simulate how Belfius might be affected under these circumstances. These stress tests were submitted to the Management Board as well as to the Board of Directors.

4. Recovery Plan

Within the framework of the guidelines of the National Bank of Belgium, Belfius drew up at the end of 2013 an initial Recovery Plan. This plan provides for a set of recovery measures that would be taken to restore the bank's long-term viability in the event of a significant deterioration in this financial situation due to severe general macroeconomic or individual stress scenarios. In the context of the new Banking Law of 25 April 2014 and the Bank Recovery and Resolution Directive (BRRD of 15 May 2014) of the European Union, this plan should be updated annually.

Credit risk

1. Methodology

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

For 2015, the ECB has notified the banks that it will be conducting a "Model Quality Review" (MQR). This exercise, conducted by the regulator as an extension of the Asset Quality Review (AQR), demonstrates the growing attention paid by the supervisory bodies to models used in relation to calculating the banks' equity capital.

The model life cycle can be divided into three blocks: the development and approval of the model, the monitoring of its use and the maintenance of the model. The Model Manager is the focal point in the process of the development and the maintenance of the model and he/she consults frequently with the commercial business lines and credit departments. Controls on the other hand are carried out by various authorities within the organisation (Validation, Rating Committee, Quality Control, Internal 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 quantitative and qualitative information with regard to the target audience (financial data, economic, regulatory and institutional context, information about the number of defaults, etc.).
- Defining, developing and extensively testing the 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. Formal validation of the model is carried out by the "Validation" direction, an autonomous direction which provides an independent and objective function within the Risk Department.

1.2. The main control mechanisms

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

- Independent Quality Control on the ratings models, defined in accordance with the statutory guidelines, ensures correct usage of the ratings models, operational efficiency and the retention of an audit trail in the rating process.
- 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, particular emphasis was on the implementation of this stress test methodology and the conducting of stress test exercises.
- Internal Audit carries out a regular 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, Internal 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 credit 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 rules and other instruments, aimed at strictly controlling credit risks, such as those established in the Risk Appetite Framework.

Belfius Bank has defined credit limits and delegations of competences for various types of credit risks which are monitored quarterly and moreover assessed each year by the Risk 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. In addition to individual credit limits, Belfius Bank also uses a number of portfolio guidelines that are monitored every quarter.

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 regular 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.

When granting credits to medium-sized 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 the form of interest margins but also, *inter alia*, the operational costs and losses which might be statistically expected on credits. RAROC is expressed as a percentage and in practice is tested in advance when issuing the credit to see whether the required RAROC level (target rate) is achieved. In this regard, RAROC is an instrument for differentiating the risks and for directing the risk-return combinations in an optimal way.

Belfius Bank is convinced more than ever that being close to the customer provides significant added value, regardless of the segment in which the customer operates. This strategy was continued in 2014 through the regionalisation of credit and risk committees and the further delegation of decision-making powers to a selection of employees. This resulted in the greater involvement of the various commercial teams in the decision-making process, as well as stronger monitoring of the use of the delegated powers mentioned above.

The bank monitors the evolution of the solvency of its borrowers throughout the whole credit lifecycle. The different portfolios of the Retail and Commercial Business for which risk management relies on a portfolio approach are reviewed periodically. Customer ratings, using an individualised approach, are also updated periodically, in line with the bank's choice to apply AIRB (Advanced Internal Rating Based) models. The economic review process of credit applications was strengthened further in 2014. As a result, any signs of risk can be detected in time and subsequently monitored. In any event, loans to larger clients or customers with a changed risk profile are reviewed at least annually and discussed in a credit committee.

3. Fundamentals of credit risk in 2014

3.1. Banking activities in Retail and Commercial Business

The macroeconomic climate continued to be fairly uncertain in 2014. Against this background, lending to the Retail and Commercial Business business line – one of the bank core segments – remained at a high level as part of a stable lending policy, albeit added with some specific emphases.

Demand for consumer credit remained stable in 2014. The criteria used for allocating loans remained unchanged in the main and in line with the "Responsible Lending" charter that is part of the Belgian Financial Sector Federation (Febelfin).

As far as the production of mortgage loans is concerned, 2014 can be divided into two separate periods. During the first half of the year, the market for mortgage loans fell. In these difficult circumstances, Belfius was able to maintain its position in this market. The decision taken by the new Flemish government in the summer of 2014 to quickly wind down the housing bonus, resulted in a sharp increase in demand for housing loans in the second half of the year. In addition, the historically low interest rates also led to an unprecedented wave of early repayments. The bank succeeded in refinancing the vast majority of these loans internally and hence retained the customers.

In this exceptional market environment, the Risk Department conducted sustained internal monitoring on the potential risk segments of mortgage loans (combinations of longer repayment terms, higher financing ratios and higher charge-income ratios). The bank also took measures to keep production in these niches within limits. In the meantime the cost of risk remains under control despite a slight rise that originates from the market and loan allocation conditions in the years preceding the financial crisis. Since then, the allocation policy has been gradually adjusted to take account of the changing market circumstances.

The home loans portfolio was examined thoroughly during the Asset Quality Review. The results of this analysis indicate that the portfolio is being monitored and managed adequately.

The bank's project to have lending decisions for business loans taken by local teams working close to the customer was extended further in 2014. After all, this strategy also contributes towards gaining better knowledge of the customer and his situation. What's more, numerous tests indicate that the risk remains well under control. As a result, it can be seen that fine-tuning the decision-making logic and stronger monitoring by the Risk Department in exercising the delegation mentioned above is clearly bearing fruit.

Despite the fluctuations in the economy, the overall profitability and strength of Belgian SMEs are fairly good. Also – and for the first time since the beginning of the economic crisis in 2007, the annual increase in the number of bankruptcies came to a halt. In 2014, according to Graydon, 11,294 companies were forced to cease trading, which was 8.2% fewer than a year earlier. But the reduction in the number of bankruptcies is no cause for celebration, because more businesses went bankrupt in December 2014 compared to December 2013. It was also interesting to note that more established and larger companies went bankrupt than before. Approximately 19% of bankruptcies were among companies existing for more than 20 years. Furthermore, an increase was noticed in the number of bankruptcies among firms employing over 100 employees. These trends were also visible in the portfolio of business lending at Belfius. However, taken overall, the cost of risk for business loans continues to be at an acceptable risk/return level and within the boundaries set. It should also be noted that the portfolio of business loans at Belfius was subjected to extensive screening by the ECB as part of the Asset Quality Review – passing with a positive assessment as a result. Belfius therefore intends to keep supporting the production of business loans, particularly in relation to start-ups and by encouraging short-term loans. At the same time, of course, the risks in this market segment must be kept under control. A continuous improvement of the process of warning lights will constantly receive our full attention.

3.2. Banking activities in Public and Wholesale Business

Once again in 2014, the Public and Wholesale Business business line played a very important role in financing the Belgian economy.

As a locally based relationship bank, Belfius Bank naturally continued to be a leading partner for local authorities and Social Profit organisations. As was the case for other participants operating in the economy, this sector struggled to cope with the weak economic situation in 2014. But despite the continuing negative factors affecting the situation, the Public Business loans portfolio maintained its very low risk profile.

The legislative side of the sixth round of state reforms was completed at the beginning of 2014, continuing the re-arrangement of Belgium's institutional structure of past decades. As a result of this state reform, various powers were also transferred amounting to approximately EUR 18.7 billion or 4.6% of GDP. The funding for regions and communities was also modified. Against this background, the government subsector should make a sound contribution to remedying Belgian public finances. As a result, this state reform has had a significant influence on public finance, more specifically on the distribution of receipts and expenditure across the various levels of government. In view of the contributions made towards sorting out public finance, a substantial budget consolidation was required in all of the regions and communities, except for the Brussels Capital Community, in order to achieve or maintain the well-balanced budget targets. The recent coalition agreements for the new legislative term expiring in 2019 take into account this budget context.

As for the other governmental levels, the municipalities were faced in 2014 with a number of structural developments that slowed down the growth dynamic of the majority of the funding sources, while also contributing to a speeding up of their spending. These included pension reform, the structural changes to the fire-fighting services and the increasing demand for social aid. This meant that it was no easy task for the majority of the municipalities to get their budgets to balance for 2014. The limited rise in staffing and operating expenditure indicates that the municipalities are working hard to keep their spending under strict control. In fact the early years of the current term of office differs from the past because the number of employees active in the municipalities is falling for the first time – albeit in limited numbers. Local taxes have also risen, while investments have been reduced. The indebtedness of the municipalities remains stable and their financial charges have fallen as the result of the historically low interest rates. In the future, municipalities will have to look continuously for ways of delivering qualitative services while keeping their budget balanced at the same time. In the current uncertain situation, the quality of the way municipalities are managed – as well as their long-term strategic and financial view – will be of decisive importance for their ability to deal with this challenge successfully.

The economic and social importance of hospitals in Belgium remains significant, but the growth in employment in that area is decreasing under the pressure of cost-cuttings. Indeed, the wages bills grew faster than the increase in turnover, caused partly by a higher seniority, the continued implementation of the social accord and pension charges. As a result of this, the financial status of hospitals is under pressure. More and more of them are struggling with losses that are usually limited, although our in-depth analyses show that they still have sufficient financial leeway to accommodate these losses. This means that the consolidation, restructuring and “professionalisation” that have been typical features in the Belgian hospital sector in recent years, have not been in vain. However, the hospital sector remains a focus of attention from a risk management point of view for Belfius that will monitor closely in particular the potential developments in the area of hospital funding.

In the corporate segment, Belfius is a major challenger in the Belgian banking landscape.

The credit profile of the Corporate Banking lending portfolio remained fairly stable during 2014, which also meant that the cost of risk was contained at an acceptable level and within the limits set.

Yet 2014 saw profitability under pressure in many companies, particularly those that focus on manufacturing and/or international trade. The persistent overall problem of the cost competitiveness of Belgian companies was an important cause, although the negative effect of the political crisis in Ukraine and Russia also played a major role in a number of cases. The import ban on meat, vegetables and fruit imposed by Russia affects our food industry and the European sanctions on so-called “dual-use goods” is also hurting other sectors. Thus far, no credit impact has been detected in the Belfius portfolio as a result of the sanctions that Russia has taken against Belgian companies.

Belfius continued to monitor a number of vulnerable sectors particularly closely in 2014. For example, between 2012 and 2014, the sustainable energy sector in Belgium saw some 2,700 jobs lost as a result of the halt in green investments. Credit production in this segment came almost to a standstill in 2014. However a change in the energy policy could potentially breathe new life into this sector. In the meantime, the problem files already identified are being monitored with the appropriate attention as part of the existing watchlist process. In the shipping industry, the bank continues to focus exclusively, as it has done in previous years, on shipping companies and other shipping-related businesses that have a commercial relationship with the bank and a clear link with the Belgian economy. Any connections with shipping companies that do not meet these criteria will be reduced further. Finally, the commercial property sector is also being watched closely, despite its usually good performance. The bank's acceptance standards for these customers have been adjusted to enable any market corrections to be absorbed.

3.3. Insurance

Belfius Insurance controls the credit risk arising from investments of its reserves in collaboration with the Risk Department 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 Risk Department 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 granting mortgage loans that meet specific allocation rules, from specialist mortgage loan analysis teams and an acceptance committee.

A significant part of the Belfius Insurance investment portfolio is invested in Belgium. Belfius Insurance has since completed its programme of structural de-risking and continued its risk management in line with the risk profile set by its Board of Directors.

As for the mortgage loan activity of Belfius Insurance, after two years of strong growth, the activity stabilised in 2014. Mortgage loan production by the DVV insurance agent network and the broker network via its credit subsidiary Elantis brought outstanding mortgage loans at Belfius Insurance to EUR 5,123 million at the end of 2014.

The credit portfolio was strictly monitored. There was no significant increase in mortgage payment arrears in 2014.

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

The detection of changing credit risks by means of an efficient and performant 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 and guidelines, 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 a Watchlist Committee which, if necessary, decides on the appropriate risk measures.

During the course of 2014, the European Banking Authority (EBA) refined and clarified its guidelines on Forbearance. In practical terms, Forbearance boils down to the granting of concessions to borrowers in financial difficulties. These concessions may take the form of modifications to the loan contract or refinancing. The introduction of Forbearance as a general and uniform reporting concept is designed to enable the EBA to examine the quality of credit portfolios and hence also the risk profile of all European banks in a better and more structured way.

The Forbearance guidelines were transposed into a Belfius guideline in 2014 and also integrated into the bank's risk and financial reporting. Specific criteria were established for each business segment. These provide a practical interpretation of the concepts of "financial difficulties" and "concession". When granting a concession, the bank is always led by a number of mainly business-related and economic factors. The fact that concessions such as these are allowed is one of the watchlist indicators in the business sectors at Belfius. At the end of 2014, an amount of EUR 729 million in loans at Belfius complied with the Forbearance definition. Appropriate specific or collective impairments were recorded in relation to this volume of Forbearance loans via the usual risk processes.

As a counterparty's solvency is weakening, indicators may be activated which will take the counterparty concerned towards default status. Depending on the seriousness of the indicators, which show the degree of probability of the counterparty's default, Belfius uses the terms D1 or D2 status. These indicators are described in the Default guidelines, which were adjusted in 2014 in order to take the Forbearance concept into account. The Default committee within the Risk Department 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 impairment 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 active 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 Business, 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 Business and Public and Wholesale Business, aligned to hedging credit risks which are latent in the credit portfolios concerned (but have not yet reached default status) and which are essentially defined from a watchlist perspective. This methodology was further adjusted and refined during the course of 2014. In addition to this collective impairment, other collective impairments are constituted in the same logic to hedge credit risks which might emerge in certain well-described subportfolios, as a result of circumstances or developments specific to them. These subportfolios 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.

With regard to the Legacy portfolio, all assets are also analysed on a regular basis and any presenting signs of deterioration in the credit quality are placed under Special Mention. Among the most obvious signs of deterioration in the credit quality are a downgrade in ratings of more than 3 levels since the purchase of the asset, a devaluation of over 25% in the market price, a structural deterioration in financial capacity of the issuer and/or liquidity, of the asset a

downgrading in the quality of any guarantors, a reduction in the value of sureties, a suspicion of fraud and/or a significantly negative development in the sector of activity. The next step is to place assets on the Watch List when structural problems are identified that may have a serious impact on issuer's solvency. This category may involve specific actions to reduce risks and/or to restructure.

If the repayment schedule is restructured, the case is classified under assets subject to "Forbearance". If the contractual cash flow receipts are not complied with and/or in the event of certain default in the short term, the case is placed in default and a specific provision is set aside. Upstream of the specific provisioning process, for dossiers with a credit quality lower than AA-, collective provisions are made for each rating level based on any history of default and loss of ratings agencies.

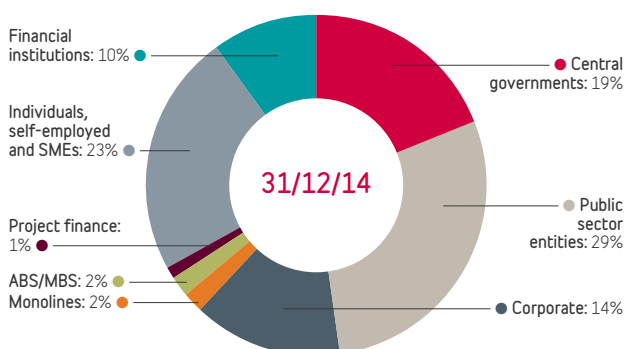
4. Exposure to credit risk (MCRE)

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

- the net carrying amount for balance sheet assets other than derivatives (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, Belfius Insurance included.

Breakdown of credit risk by counterparty⁽¹⁾

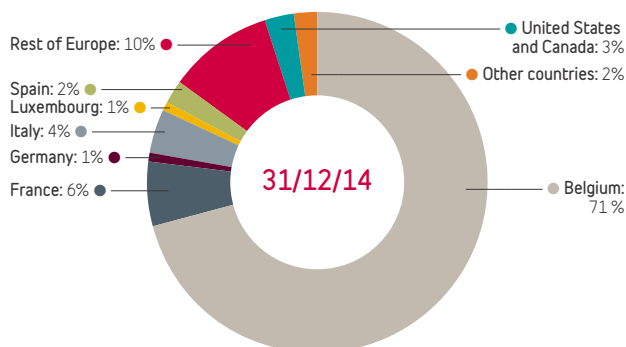


(1) The counterparty is the "final" counterparty, i.e. after settlement of any guarantees recognised under the Basel II regulations (substitution principle).

As at 31 December 2014, the credit risk exposure reached EUR 168 billion, a small increase of 2% compared to last year. The credit risk exposure on public sector entities and the institutions that receive guarantees of these public sector entities (29% of the total) and the segment of individuals, self-employed and SMEs (23%) constitute the two main categories. Due to the increase in activities, the latter

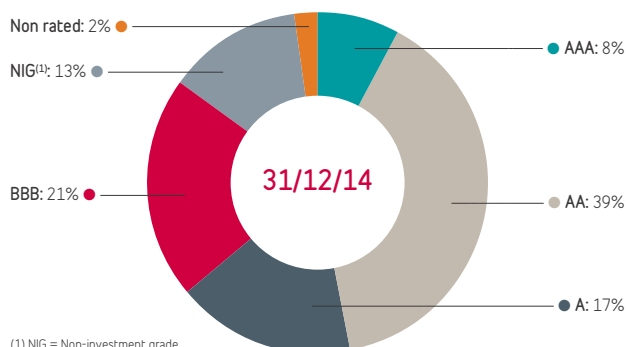
category grew in 2014 with 3.5%. The relative proportion of the segments central governments, corporates and financial institutions were respectively 19%, 14% and 10%. The Belfius risk on monolines (2% of the total) is predominantly an indirect risk arising from credit guarantees provided by Belfius Bank and reinsured with monolines on bonds issued by issuers principally active in infrastructure and public utilities projects. Due to the tactical de-risking the credit risk exposure to ABS/MBS decreased with one third which resulted in a proportional share of 2%.

Breakdown of credit risk by geographical region



As at 31 December 2014, Belfius positions were mainly concentrated in the European Union (95% or EUR 159 billion). 71% of total credit risk exposure was in Belgium. The further reduction of funding granted to the Dexia Group resulted in a fall of risk in France by 7%, thus reducing the relative proportion of that country to 6%. The credit risk exposure on Spain reduced with 28% to EUR 3.8 billion and is mainly on financial institutions (77%), primarily covered bonds. While the total credit risk exposure on Portugal decreased with 36% to EUR 0.2 billion, the exposure on Greece was taken almost to zero. The risk on counterparties in Italy (EUR 6.1 billion) is essentially composed of government bond portfolio (79%). In view of the de-risking on US banks and asset-backed securities, credit risk in the United States and Canada fell with 2% to the amount of EUR 4.7 billion.

Breakdown of credit risk by internal rating

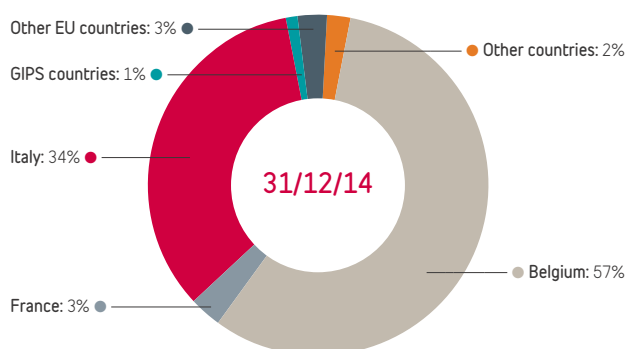


(1) NIG = Non-investment grade.

At the end of 2014, 85% of the total credit risk exposure had a rating "investment grade". As a consequence of the tactical de-risking (see further) and the net increases of the rating, the

credit risk exposure with a rating “non-investment grade” fell with EUR 1.6 billion during 2014, reducing the proportional share of this category from 15% in 2013 to 13% in 2014.

Breakdown of the government bond portfolio by geographical region



At the end of 2014, total outstanding MCRE to government bonds amounted to EUR 15.4 billion, against EUR 14.1 billion at the end of 2013. This increase can be explained by the evolution of the market value of these bonds. More than half of the portfolio (57%) remains invested in Belgian government bonds. The relative proportion of Italian government bonds also remained stable at 34%. The relative proportion combined of Greece, Ireland, Portugal and Spain which was 13% in 2011, was not more than 1% at the end of 2014.

5. The credit risk on the investment portfolio

5.1. Bond part of the historical investment portfolio

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

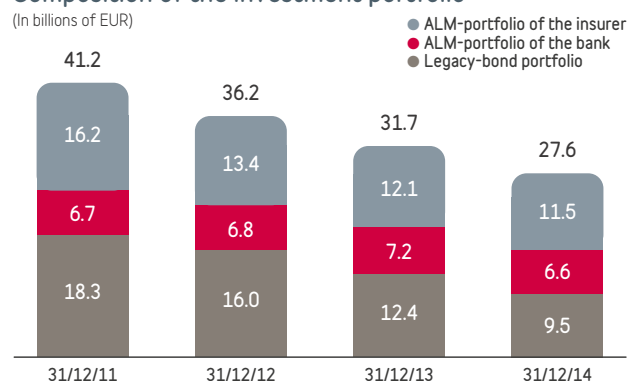
- the historical investment portfolio, known as the Legacy bond portfolio, a portfolio in run-off;
- the bank's ALM portfolio in the context of the bank's liquidity management;
- the insurance company ALM portfolio, necessary to manage the insurance company's technical reserves.

At the end of December 2014, the **total investment portfolio** was EUR 27.6 billion⁽¹⁾, of which EUR 9.5 billion for the Legacy bond portfolio, EUR 6.6 billion for the bank's ALM portfolio and EUR 11.5 billion for the insurer's ALM portfolio. Compared to the end of December 2013, the portfolio total fell by EUR 4.1 billion, or -13%. Since the end of 2011, the total investment portfolio fell by almost EUR 13.6 billion or 33%, as a result of tactical de-risking especially in the Legacy bond portfolio and the peripheral government bonds and the natural amortisation of the portfolio.

(1) Notional amounts

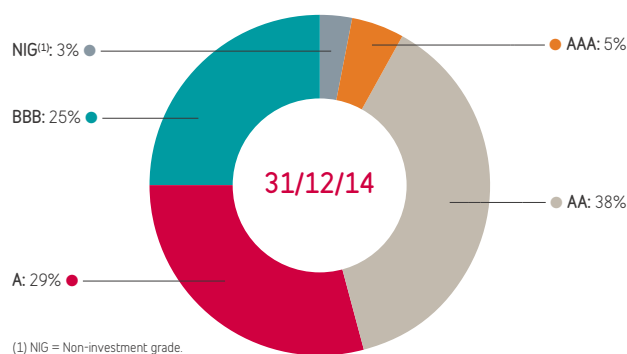
Composition of the investment portfolio

(In billions of EUR)



The investment portfolio had an average term of 11.6 years. With an average rating of A- the portfolio remained of very good credit quality: 97% of the portfolio was investment grade.

Breakdown of the investment portfolio by rating



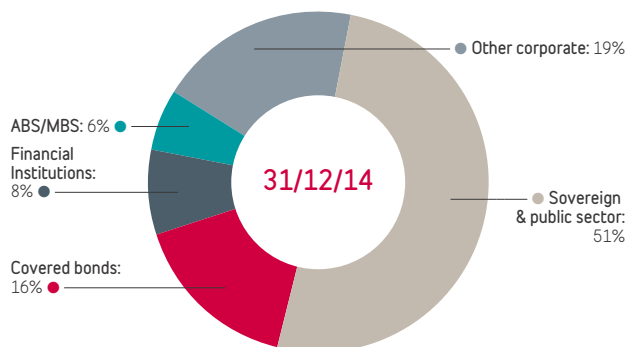
(1) NIG = Non-investment grade.

At the end of December 2014, the positions of the total investment portfolio were above all concentrated in the European Union. The relative proportion of Belgium was 29% at the end of December 2014 compared to 26% a year ago. At the end of 2014, France and the United Kingdom represented 10% and 14% respectively. The relative proportion of the GIPS countries is 29% of which 17% for Italy and 11% for Spain. The relative proportion of the United States represents 6% of the portfolio.

As a consequence of de-risking, the relative composition of the asset classes had also changed at the end of 2014. The relative proportion of government and local public sector bonds rose to more than half (51%) of the total portfolio. The tactical de-risking also caused the relative proportion of covered bonds and that of financial institutions to decrease respectively from 19% end 2013 to 16% end 2014 and from 9% to 8%. The proportion of asset-backed securities decreased to 6% at the end of 2014, from 9% a year earlier. The proportional share of project finance and bonds issued by utility companies rose from 17% to 19%.

The majority of the remaining ABS portfolio (EUR 1.7 billion) consisted of MBS (91%), 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 (7%), principally US Student Loans ABS.

Breakdown of the investment portfolio by asset class



Within the investment portfolio the **Legacy bond portfolio** was further reduced in 2014 by 23.5% to EUR 9.5 billion as at 31 December 2014. The EUR 2.9 billion reduction was mainly the result (75%) of tactical sales within the intensive de-risking. Tactical de-risking (EUR 2.2 billion) in the Legacy bond portfolio was above all practiced in the segments of ABS and MBS (34%) and financial institutions & covered bonds (50%), causing the outstanding of these segments to reduce with 41% respectively 34%.

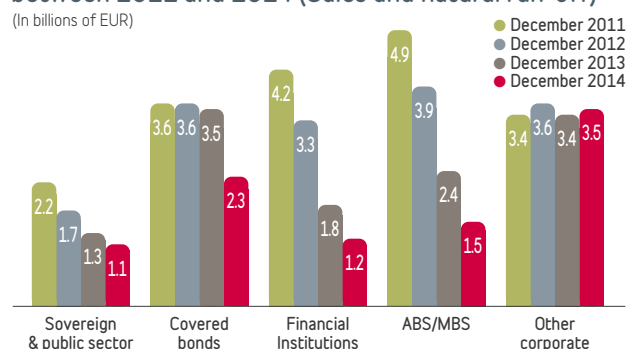
This reduction was achieved with a limited negative impact on net income, but also involved a fall of weighted risks by EUR 1.4 billion and had a positive impact on the negative AFS reserve.

The Legacy bond portfolio has an average term of 13.9 years. With an average rating of A- the portfolio remains of very good credit quality; 94% of the portfolio is investment grade.

The intensive tactical de-risking of the past years gave rise to a reduction of the Legacy bond portfolio by almost one half (-48%) since 2011, the strongest falls being recorded in the segments financial institutions (-72%), ABS & MBS (-70%), government bonds and local public sector (-50%) and covered bonds (-37%). Exposure to project finance and bonds issued by public utilities hardly changed.

Tactical de-risking of the Legacy portfolio between 2011 and 2014 (Sales and natural run-off)

(In billions of EUR)



The **bank's ALM bond portfolio** decreased in 2014 with 9% (EUR 0.6 billion) to EUR 6.6 billion as at 31 December 2014. Government bonds represent the major part of the portfolio (87%), covered bonds constituting some 10%. 99% of the portfolio has a rating "investment grade".

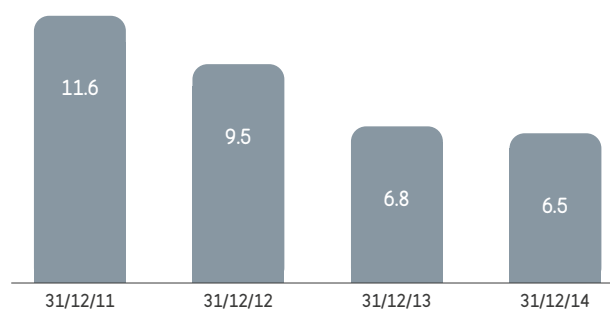
The **insurer's ALM bond portfolio** fell in 2014 by EUR 0.6 billion (-5%) to EUR 11.5 billion as at 31 December 2014. The falls mainly recorded in the segments asset-backed securities (-29%), financial institutions (-19%) and covered bonds (-11%), while the segment government bonds, representing two thirds of the ALM bond portfolio remained stable. 98% of the portfolio has a rating "investment grade".

5.2. Credit guarantees part of the historical investment portfolio

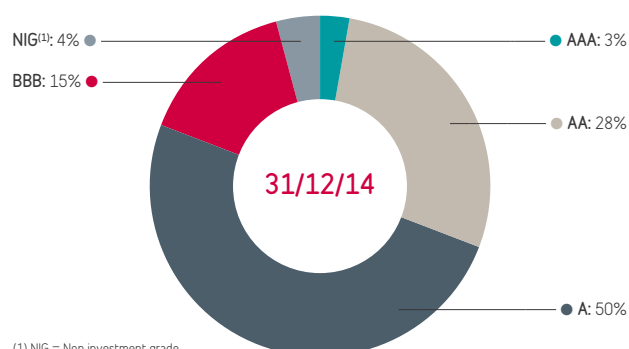
At the end of 2014, the credit guarantees part of Belfius' historical investment portfolio was EUR 6.5 billion, down 4% on the previous year. It related essentially to Credit Default Swaps and financial Guarantee issued on a corporate/public bond portfolio (64%), ABS (33%) and covered bonds (2%). The good quality of the underlying bond portfolio, additional protection against credit risk incorporated in the bond itself and hedged by Belfius and the protections purchased by Belfius from various monolines (US reinsurance companies, essentially Assured Guaranty) mean the portfolio is 96% investment grade. Since the end of 2011, the credit guarantees portfolio has been reduced by EUR 5.1 billion or 44%.

Evolution of the credit guarantees part of the investment portfolio (2011-2014)

(In billions of EUR)



Breakdown of the credit guarantees part of the investment portfolio by rating



6. Reduction of funding to the Dexia Group

The funding to the Dexia Group was reduced to virtually zero during the course of 2014 and the first two months of 2015.

On 31 December 2013, Dexia funding was still EUR 13.5 billion, of which EUR 13.4 billion was in bonds issued by Dexia Crédit Local (DCL) with the guarantee from the Belgian, French and Luxembourg governments. In December 2014, EUR 2.9 billion was repaid. This means that at the end of 2014, funding to Dexia was still EUR 10.6 billion, of which EUR 10.5 billion was in government-guaranteed bonds.

Funding to Dexia fell further at the beginning of 2015, with EUR 5.25 billion maturing in both January and February 2015. As a result, funding to Dexia was reduced to an amount below EUR 100 million from mid-February 2015. It concerns a loan to Dexia Crediop (EUR 3.8 million) for which Dexia Crediop has made a deposit of the same amount with Belfius, the co-financing of a loan (EUR 55.6 million) granted by DCL to a very creditworthy British real estate company, that technically passes through the accounts of DCL, and EUR 0.5 million auto leasing financing for Dexia SA.

7. Derivative transactions with Dexia Group

The former Dexia Bank (now Belfius Bank) was, during the period she was still part of the Dexia Group, the “competence centre” of derivatives (mostly include interest rate swaps) of the Dexia Group: this meant that all Dexia entities through the former Dexia Bank covered their market risks with derivatives at Dexia Bank, and this largely under the standard contractual terms related to cash collateral. The former Dexia Bank covered these derivative positions systematically externally with the result that these derivatives broadly twice the off-balance sheet (notional) and on the balance sheet (fair value) are: once relative to Dexia and once for the hedging. The outstanding notional amount of derivatives with Dexia amounted to about EUR 55 billion at the end of 2014, a decrease of EUR 11 billion compared to the end of 2013.

8. Asset quality

At the end of 2014, the amount of impaired loans and advances to customers was EUR 2.1 billion, which is almost a stabilisation (+2%) compared to previous year. In 2014, a small increase of EUR 26 million of specific impairments was recorded on loans and advances to customers. All these developments enabled the asset quality ratio to be improved to 2.33% and the coverage ratio to be strengthened to 56.0% at the end of 2014.

Collective impairments on loans and advances to customers also posted a net fall of EUR 26 million in 2014. This resulted *inter alia* from reversals of impairments as a part of tactical de-risking.

(In millions of EUR, except where indicated ⁽¹⁾)	2013	2014
Gross outstanding loans and advances to customers	89,218	88,655
Impaired loans and advances to customers	2,107	2,065
Specific impairments on loans and advances to customers	1,130	1,156
Asset quality ratio ⁽²⁾	2.36%	2.33%
Coverage ratio ⁽³⁾	53.6%	56.0%
Collective impairments on loans and advances to customers	367	341

(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.

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;
- credit spreads (specific interest rate risk) and liquidity;
- inflation
- foreign-exchange rates;
- equity prices;
- commodity prices;
- and their related risk factors like volatility or correlation for example.

The 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 as the result of movements in credit spreads even if the credit quality (rating) 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.

The 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.

The 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.

The 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. Risk management

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

- An efficient organisation fostering an accurate identification, analysis and reporting of the different risks Belfius Bank is bearing, as well as a continued training of people in order to remain up to date with the latest evolutions in theories, regulatory issues, metrics or market changes.
- A robust limit framework with differentiated limits by activity or risk factor that is respected by all of the parties involved in market activities. On top of the VaR limits or P&L triggers, several other metrics have been identified as key controlling tools in the risk management process:
 - limits on notional amounts;
 - limits on maturities;
 - limits on type of products;
 - limits on sensitivities (known as "Greeks": delta, etc.);
 - stress tests.

- Finally, this framework is regularly submitted for revision to the TFM Risk Committee in order to be commensurate to the risk appetite defined by the Board of Directors of Belfius Bank.

4. Risk measurement

The Value-at-Risk (VaR) concept is used 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%. The following risks are monitored at Belfius using a VaR computation:

- The interest rate and foreign-exchange rate risk: this category of risk is monitored via 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 non-normal and the behaviour of the observations may be non-linear).
- The equity risk: general and specific equity risks are measured on the basis of a historical VaR with full valuation based on 300 scenarios.
- The spread risk: specific interest rate risk is measured via a historical approach, which applies 300 observed variations on the sensitivities.
- The 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. Back testing

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

The result of the back test is the number of actual market losses greater than their corresponding VaR figures (i.e. "the number of exceptions"). According to this number, the regulators among others will also decide on the multiplier used for determining the regulatory capital base for market risks.

Currently, two types of back testing are processed at Belfius Bank:

- Hypothetical back testing compares the hypothetical results, minus any provisions adjustments and other non-involved risk factors, calculating the VaR over a holding period of one day. The hypothetical results only take account of the day-to-day movement in interest rates and prices, without the intraday changes in positions. In 2014, there were only three exceptions to the hypothetical back testing.

- Real back testing 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 back testing were observed in 2014.

6. Market risk exposure – VaR and VaR limits

To remain in line with the risk appetite adopted by Belfius, the overall average VaR was reduced from EUR 27.2 million in 2011, to EUR 19.5 million in 2013 and to EUR 18.9 million in 2014. This was within a limit that fell from EUR 65 million in 2001 to EUR 41 million in 2013 and to EUR 32 million in 2014.

Value-at-Risk by activity

VaR (99% 10 days) (In millions of EUR)	2013				2014			
	IR ⁽¹⁾ & FX ⁽²⁾	Equity	Spread	Other risks ⁽³⁾	IR ⁽¹⁾ & FX ⁽²⁾	Equity	Spread	Other risks ⁽³⁾
By activity								
Average	6.0	1.2	10.7	1.6	6.2	1.3	10.5	0.9
End of Year	4.8	0.8	10.5	1.6	4.4	1.8	10.1	1.4
Maximum	10.3	2.6	14.5	2.3	9.6	5.7	13.4	1.9
Minimum	3.4	0.6	9.1	1.1	2.3	0.7	8.6	0.6
Global								
Average	19.5				18.9			
End of Year	17.1				17.8			
Maximum	24.2				23.3			
Minimum	15.2				14.0			
Limit	41.0				32.0			

(1) IR: interest rate risk.

(2) FX: forex risk.

(3) Inflation and CO₂ risk.

Evolution of Global VaR in 2014



7. Stress tests – Market risk

Although the VaR is a very 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 always give a clear picture of market exposure. By contrast, stress tests reveal such information by gauging Belfius' vulnerability of the market position to exceptional events and hence by providing additional information about market risks falling outside those encompassed by the VaR. These risks include those associated with extreme price movements and those associated with scenarios not reflected in recent history or implied by the parameters used to compute the VaR. Consequently, Belfius Bank uses stress tests in conjunction with the VaR approach.

The stress testing framework applied at Belfius Bank can be described as follows:

- Sensitivity tests are run on the following risk factors: interest rates, foreign-exchange risk, volatilities, credit spreads, correlation, IR basis (difference between the Eonia rate and the Euribor 3-month rate) and dividends/share prices.
- 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;
 - market movements of 2001;
 - financial crisis of 2008.
- A combined scenario where shocks on interest rates and credit spreads are simultaneously applied.

Balance sheet management

1. Policy on balance sheet management

The ALM risk can be defined as the sensitivity of the whole 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 of the bank 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.

Management of the interest rate, liquidity and solvability 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.

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 on the inter-bank market. Available liquidity 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 under stress scenarios.

Liquidity and Capital Management (LCM) within Finance 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 operational responsibility of the Chief Financial Officer (CFO) and under the general responsibility of the Management Board. The CFO also bears final operational responsibility for managing the interest rate risk contained in the balance sheet via the ALM direction and the ALCo, meaning that total balance sheet management comes under its operational responsibility.

LCM holds committee meetings each week attended by the CFO, the Risk Department, the Treasury Department and the Retail and Commercial Business and Public and Wholesale Business 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 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 department, which ensures that the reports published are accurate, challenges the retained hypothesis and models, realises simulation over stress situations and oversees compliance with limits, as laid down in the Liquidity 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 freed 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 and/or from the ECB;
- the capacity to obtain interbank and institutional funding.

2.3. Consolidation of the liquidity profile

During 2014, Belfius Bank continued its efforts to improve and to diversify its liquidity profile by:

- stabilising its funding surplus within the commercial balance sheet;
- continuing to obtain long-term funding from institutionals with the issue, amongst others, of covered bonds backed by quality loans. In addition to the pandbrievan programme in place since 2012, Belfius Bank introduced in 2014 a programme also enabling it to use public sector loans as guarantee of covered bonds;
- collecting short and medium-term (CP/CD/EMTN) deposits from institutional customers;
- continuing to downsize the Legacy portfolio.

Belfius Bank was able to reduce its dependency on the European Central Bank, with outstanding LTRO funding falling from EUR 13.5 billion at the end of 2013 to EUR 3.5 billion at the end of 2014. At the same time, Belfius participated in the new ECB TLTRO funding programme in an amount of EUR 1.5 billion with the purpose to finance investments in projects from SMEs, etc.

The National Bank of Belgium (NBB) regulatory liquidity ratio at one month is broadly respected.

The Liquidity Coverage Ratio⁽¹⁾ (LCR) introduced within the framework of the Basel III reforms will become a mandatory ratio for European banks on 1 October 2015 (at a level of 60%). The NBB has already indicated that it has the intention for the Belgian banks to require a LCR ratio of 100% from that date.

The LCR ratio is calculated monthly by Belfius since end 2013 and from then is taken into account in the set-up of its funding plan, which integrates the strategy for diversification of funding sources. Belfius Bank closed the year 2014 with an LCR ratio at 122%.

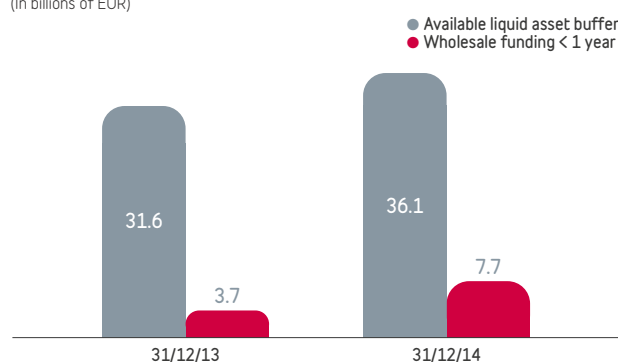
2.4. Liquidity reserves

At the end of 2014 Belfius Bank had solid and quickly mobilisable liquidity reserves of EUR 36.1 billion. These reserves consist of EUR 2.0 billion in cash, EUR 23.9 billion in ECB eligible bonds, EUR 8.7 billion in other assets also available from the ECB and EUR 1.5 billion in other liquid bonds.

These assets represent almost 5 times the bank's unsecured (senior unsecured) institutional funding with a remaining maturity of less than one year.

Liquides assets vs unsecured funding need < 1 year

(In billions of EUR)



(1) The Liquidity Coverage Ratio (LCR) refers to the ratio between the stock of high quality liquid assets and the total net cash outflow over the month and is based on Belfius' current interpretation of the European regulation.

Assets (In billions of EUR)	31/12/14	Liabilities (In billions of EUR)	31/12/14
COMMERCIAL ASSETS	73	COMMERCIAL LIABILITIES	80
LIQUIDITY MANAGEMENT	12	LONG-TERM WHOLESALE FUNDING	21
ALM Bonds	7	LT Subordinated Funding	1
Money market & other short term wholesale assets	5	LT Senior Unsecured Funding	5
		Covered Bonds	6
		LT Secured Funding	4
		ECB: (T)LTRO	5
		SHORT-TERM WHOLESALE FUNDING	11
		ST Unsecured Funding	4
		Repo	7
		ECB (MRO)	0
CASH COLLATERAL	24	CASH COLLATERAL	10
GROUP CENTER⁽¹⁾	5	GROUP CENTER⁽¹⁾	12
SIDE	21	SIDE	1
Dexia Group	10	Dexia Group	1
Legacy	11		
NON CASH⁽²⁾	36	NON CASH⁽²⁾	36
BANK PERIMETER	171	BANK PERIMETER	171
CORRECTION INTRAGROUP TRANSACTIONS	(3)	CORRECTION INTRAGROUP TRANSACTIONS	(1)
BELFIUS INSURANCE AND OTHER SUBSIDIARIES	26	BELFIUS INSURANCE AND OTHER SUBSIDIARIES	24
BELFIUS CONSOLIDATED	194	BELFIUS CONSOLIDATED	194

(1) Group Center 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.

2.5. 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 above.

2.5.1. Funding sources

Belfius Bank has a historical stable volume of commercial funding that comes mainly from its RCB and PWB customers.

Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 5.0 billion in ECB funding (LTRO and TLTRO) and EUR 6.3 billion from covered bonds (EUR 4.5 billion in mortgage loans and EUR 1.8 billion in public loans) as at 31 December 2014.

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

2.5.2. Allocation of funding sources

Commercial deposits are used to issue commercial loans.

Belfius Bank also has a historical bond portfolio, including an ALM portfolio for liquidity management purposes, with high-value liquid assets and a historical bond portfolio (Legacy bond portfolio) that was built up between 2003 and 2008.

Historically by taking out derivative contracts to cover the interest rate risk of its activities, Belfius Bank has an outstanding position in derivatives for which collateral must be posted and received (cash & securities collateral). Against the background of historical low interest rates, in net terms Belfius Bank posts more collateral than it receives.

The loan-to-deposit ratio, which indicates the proportion between commercial assets and liabilities, was 92% at the end of 2014.

2.6. Encumbered assets

According to the current Belfius' interpretation of the EBA guideline on the matter, the encumbered assets at Belfius Bank level amount to EUR 54 billion end 2014 and represent 31% of total bank group balance sheet and collateral received under securities format, which amounts to EUR 176 billion (EUR 172 billion assets and EUR 4 billion collateral received).

The strategy for growth and diversification of wholesale funding sources has a direct impact on asset encumbrance of the bank.

Since the set up of the first covered bond programme in 2012 the bank has issued covered bonds for a total amount of EUR 6.3 billion. End 2014, the assets encumbered for this funding source are composed of commercial loans (Public and Mortgage) and amount to EUR 8.5 billion. A few years ago the bank also securitised public loans through securitisation vehicles called DSFB 2 & 4. The amount of assets encumbered for these structures are EUR 4.1 billion.

The bank is also collecting funding through repo markets and other collateralised deposits. The total amount of assets used as collateral for this activity amounts to EUR 15.1 billion, of which EUR 6.6 billion is linked to the ECB funding of EUR 5.0 billion end 2014. It is worth mentioning that ECB funding decreased from EUR 13.5 billion end 2013 to EUR 5.0 billion end 2014; this contributed to the general decrease of the balance sheet encumbrance notwithstanding the issuance of covered bonds detailed above.

The balance of encumbered assets is mainly linked to collateral pledged for the derivatives exposures for EUR 23.6 billion, under the form of cash or securities. A significant part of collateral pledged is financed through collateral received from other counterparties with whom the bank concluded derivatives in the opposite direction.

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 concluded within the framework of a coverage (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 hedging derivatives.

An interest rate sensitivity limit defines the maximum sensitivity allowed for bank balance sheet interest rate risk and measures the Basis-Point-Value (BPV), 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 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 803 million/% as at 31 December 2014 (against EUR 103 million/% as at 31 December 2013), excluding positions of insurance companies and pension funds of Belfius Bank.

4. Foreign exchange risk

Although Belfius uses the euro as its reporting currency, part of its assets, liabilities, income and expenses are also generated in several other currencies. The elements (BGAAP) of the profit & loss accounts which are generated in foreign currencies were systematically and on an ongoing basis converted in euro when they are realised.

The net positions in such profit & loss accounts elements are relatively limited.

5. Equity risk

5.1. Equity risk measures

The major part of the equity risk is in the insurance perimeter (see the annual report of the insurance company), 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 investment committees of those funds following the delegation given by the ALCo at Belfius Bank. They contain factors relating to interest rate, inflation and equity risk.

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 at Belfius Bank (for the insurance business, see the Belfius Insurance annual report) is based on the following elements:

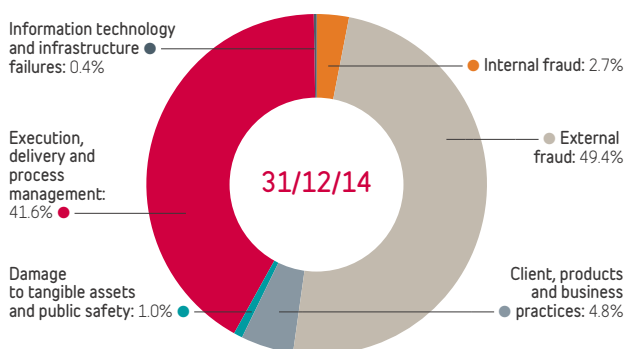
2.1. Decentralised responsibility

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.

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 regarding operational risk management, whatever the approach adopted for capital calculation ("Standardised Approach" or "Advanced Measurement Approach").

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



For the period 2012-2014, average annual losses were EUR 6.9 million.

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 avoiding or limiting risks in the future. This is developed under the responsibility of line management.

The main areas of operational loss were due essentially to incidents associated with external fraud (cybercrime with various separate minor incidents) and incidents in relation to execution, delivery and process management. Other categories remain limited in number and amount.

The greatest financial impact resulting from operational incidents is in the bank's 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.

2.4. Securing information and business continuity

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

In the area of the information security, the end of 2013 saw the beginning of the business rollout of a major project in the context of Identity & Access Management (IAM): ensuring that employees have proper access to this information at all times. After an initial phase in 2014, this rollout will be staged further across 2015.

Belfius outsources its ICT infrastructure to IS4F, a subsidiary of IBM. As part of the proper management of the way information is secured, the existing governance process in this area was reinforced in 2014 with the establishment of a Security Steering Committee chaired by the Chief Risk Officer (CRO). In addition, the realisation of existing projects is monitored closely by way of a security roadmap.

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 if necessary 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.

(1) Information or data which is of value to the company and which needs to be protected accordingly.

2.5. Managing insurance policies

The possible financial impact of Belfius' operational risks are also limited to a maximum level by taking out insurance policies, principally covering professional liability, fraud, theft and interruption of business. This is standard practice in financial institutions.

2.6. 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 coordinates fraud policy and consists of participants from Audit, Compliance and ORM.

Each year, a fraud report is submitted to the Management Board and Audit Committee from which any corrective measures required are taken.

2.8. Calculating regulatory capital requirements

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

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).

Profit consists mainly of the operating profit from the underlying businesses, including net interest and commission income. Income from the insurance business is not included because this is considered prudentially as third-party business (under the Danish Compromise).

The total regulatory capital for each business line is used to calculate the total capital requirements for operational risk in the form of 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 contracts for which a fall in mortality would result in an increase in the expected payouts (e.g. pension contracts).
- Morbidity or disability risk relates to the risk of loss or disadvantageous movement in expected benefits attributable to changes in the level, 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 contracts, 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 contracts 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 completely managed in the Health module.

2. Managing the insurance risk

The Risk and Underwriting Committee of Belfius Insurance gives advice about strategy in the area of the underwriting and reserving of the insurance companies within Belfius Insurance and the resulting policy, in particular with regard to the following points:

- types and characteristics of the insurance business that Belfius Insurance is 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.
- 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.

On the proposal of the Reinsurance Committee, Belfius Insurance has implemented a revised reinsurance program during 2014 to provide an adequate match between the reinsurance cover and the risks, and this in an even more optimal way.

Underwriting risk Life: scenario that corresponds to a decrease of⁽¹⁾

	31/12/13	31/12/14
(In millions of EUR)	Impact on available financial resources before taxes	Impact on available financial resources before taxes
5% in mortality	5.6	9.3
10% in costs	45.9	43.1
10% in the redemption rate	(24.0)	(22.3)

(1) Impact for Belfius Insurance SA.

Underwriting risk Non-Life: scenario that corresponds to⁽¹⁾

	31/12/13	31/12/14
(In millions of EUR)	Impact on pre-tax income	Impact on pre-tax income
A decrease of 10% in administrative costs	5.1	4.7
An increase of 5% in claims made	(19.2)	(16.0)

(1) Impact for Belfius Insurance SA and Corona SA.

3. Sensitivities

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 results in a negative impact on equity capital in the event of a reduction in the redemption rate. A fall in the redemption rate then has a negative impact on economic capital.

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 inevitably to a rise in the fair value of the technical reserves and to a fall in equity capital.

Lower administrative costs result in a higher result while an increase of claims leads to a lower result.

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 for Belfius Insurance SA and Corona SA the evolution since 2004 of the sum at the end of each year, of the total incurred claims cost per year of occurrence.

Claims development (excluding reinsurance and internal costs)

(In thousands of EUR)											
Year of settlement	Year of occurrence										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Estimation at the end of the year of occurrence	220,006	236,074	236,347	264,980	283,747	331,940	379,086	368,410	366,403	365,717	415,043
1 year later	201,226	220,780	220,842	252,578	285,478	315,687	380,915	365,547	350,316	324,605	
2 years later	192,969	211,463	212,356	238,903	276,021	303,138	379,076	355,180	334,313		
3 years later	190,228	208,809	203,851	230,875	266,177	302,495	373,584	350,249			
4 years later	186,994	202,227	203,874	227,911	266,535	300,257	373,857				
5 years later	182,405	197,559	201,336	230,685	266,017	299,417					
6 years later	180,903	194,354	201,281	228,322	266,829						
7 years later	181,611	199,111	199,194	226,390							
8 years later	181,985	196,897	197,581								
9 years later	180,934	197,455									
10 years later	179,647										

(In thousands of EUR)											
Actual estimation	179,647	197,455	197,581	226,390	266,829	299,417	373,857	350,249	334,313	324,605	415,043
Cumulative payments	(163,190)	(177,097)	(169,206)	(195,502)	(218,514)	(256,628)	(287,050)	(274,870)	(247,048)	(215,983)	(195,142)
Actual provisions	16,456	20,358	28,375	30,888	48,316	42,789	86,807	75,380	87,266	108,622	219,901

(In thousands of EUR)											
Provisions (after 2004)											765,156
Provisions (before 2004)											87,351
Internal costs											31,417
Accepted deals											29,842

TOTAL **913,757⁽¹⁾**

(1) Claims reserves 31 December 2014 - note 6.6.3.

Capital management

Solvency

Belfius reports on its solvency on consolidated level in line with the CRR IV/CRD IV regulations. The regulations issued by the European Parliament on 26 June 2013 consist of a set of regulations (CRR IV – EU 575/2013) and a directive (CRD IV – 213/36/EU), these regulations are the European conversion of the texts of the Basel committee (the Basel III accords). These European regulations were supplemented further by the publication in the Belgian Official Gazette on 15 May 2014 of the national options from the National Bank of Belgium (NBB) in accordance with the regulations of 4 March 2014. These national options relate mainly to the transitional period from Basel II to Basel III. The CRR IV/CRD IV regulations and the national options are applicable as from 1 January 2014.

The reporting obligation under CRR IV/CRD IV was applicable as from 31 March 2014 and is in line with the COREP guidelines established by the European Banking Authority (EBA) and the NBB.

Belfius is required to comply with the required solvency ratios that calculate the ratio of regulatory own funds and the total risk weighted assets.

The accent is on the Common Equity Tier 1 capital ratio (CET 1 ratio) which emphasises more stable and stronger forms of capital and tighter capital requirements. The CET 1 ratio presents the ratio of the CET 1 capital and the total risk weighted assets. From a regulatory point of view, as described in CRR IV (pillar 1), the CET 1 ratio should minimally reach 4% in 2014 and 7% in 2019 (at the end of the transition period as described in CRR IV/CRD IV).

The total capital ratio presents the ratio between the total regulatory own funds and the total risk weighted assets. From a regulatory point of view (pillar 1) this ratio should minimally reach 8% in 2014 and 10.5% in 2019 (at the end of the transition period as described in CRR IV/CRD IV).

Belfius also has to comply with the regulatory solvency ratios as described in CRD IV (pillar 2). In the beginning of 2015 the European Central Bank (ECB) has finalised its “Supervisory Review and Evaluation Process” (SREP) based on the methodology of the NBB.

1. Regulatory own funds

Regulatory own funds consists of:

- Common Equity Tier 1 capital (CET 1 capital) including:
 - subscribed capital,
 - additional paid-in capital,
 - reserves,
 - retained earnings (including profit for the current year⁽¹⁾),
 - conversion differences,
 - non-controlling interests,
 - remeasurement of defined benefit plans,
 - remeasurement of available for sale reserve on securities,
 minus:
 - intangible fixed assets,
 - dividends to be paid,
 - net positions retained in own shares,
 - goodwill, and
 - certain investments in CET 1 capital instruments in entities from the financial sector;
- additional Tier 1 capital including capital instruments that meet specific conditions, minus investments in similar instruments in other entities from the financial sector;
- Tier 2 capital, consisting of the calculated regulatory usable value of subordinated long-term debts, minus investments in similar instruments in other entities from the financial sector.

In accordance with IFRS accepted by the European Commission:

- the fair value reserves related to gains and losses on cash flow hedges on financial instruments and the changes in the value of own credit standing are excluded from regulatory own funds;
- additional regulatory value adjustments due to the requirements for more prudent regulatory valuation of available for sale assets are deducted from CET 1 capital;
- other elements such as deferred tax assets are also taken into consideration.

(1) If the conditions described in CRR IV/CRD IV are fulfilled.

The NBB has given Belfius permission to apply article 49 of the CRR and hence to cease deducting the holdings by Belfius Bank of capital instruments of Belfius Insurance from the regulatory own funds, but rather to include it in the total risk exposure by applying a weighting of 370% (the so called “Danish Compromise”).

At the end of 2013, the Basel II regulations were still applicable and Belfius reported the following regulatory capital:

Basel II

(In millions of EUR)	31/12/13
Tier 1 capital	6,570
TOTAL REGULATORY CAPITAL	7,052

For the purpose of comparability, the figures for 2013 have been restated to the CRR IV/CRD IV regulations, which are applicable as from 1 January 2014.

For regulatory reporting purposes, the insurance group included in Belfius is not consolidated and is thus treated as a financial fixed asset. As a result, there are significant differences between the equity in the consolidated annual report and the regulatory calculations:

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

(In millions of EUR)	01/01/14	31/12/14
ACCOUNTING CORE SHAREHOLDERS' EQUITY	7,343	7,804
Transformation of the insurance group in a financial fixed asset	319	98
Non-controlling interests	0	0
Base for the regulatory core own funds	7,662	7,902

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

Regulatory own funds

(In millions of EUR)	01/01/14	31/12/14
COMMON EQUITY TIER 1 CAPITAL (CET 1 CAPITAL)	7,282	7,276
BASE FOR THE REGULATORY CORE OWN FUNDS	7,662	7,902
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME:	(119)	(38)
Remeasurement defined benefit plans	125	99
Remeasurement available-for-sale reserve on securities and frozen fair value adjustments of reclassified financial assets	(1,411)	(815)
Other reserves	0	(10)
Filter on the fair value reserves related to gains and losses on cash flow hedges on financial instruments	0	10
Transitional measures	1,167	678
DEDUCTIONS AND PRUDENTIAL FILTERS:	(262)	(589)
Deferred tax assets on losses carried forward	(284)	(291)
Investments in securitisation positions	0	(244)
Changes in the value of own credit standing	(15)	(24)
Value adjustments due to the requirements for regulatory prudent valuation	0	(79)
Intangible fixed assets	(86)	(80)
Goodwill	(104)	(104)
Transitional measures	227	233
TIER 2 CAPITAL	689	705
Tier 2 capital instruments	489	477
Excess of provisions IRB	25	39
Transitional measures	175	190
REGULATORY OWN FUNDS (AFTER APPROBATION OF PROFITS)	7,970	7,981

At the end of 2014, the base for the regulatory core own funds amounted to EUR 7,902 million, an increase of EUR 240 million compared with 1 January 2014. This increase stems mainly from the profit generated in 2014 in the banking group.

CET 1 capital amounted to EUR 7,276 million, compared with EUR 7,282 million on 1 January. The significant increase in CET 1 capital results from the year-end profit and the improvement in the remeasurement in the reserves of securities available for sale of EUR 107 million (including transitional measures). However, this increase in CET 1 capital is mainly offset by the new deduction of the investments in securitisation positions of EUR 244 million and the additional deduction for regulatory prudent valuation of EUR 79 million.

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

Tier 2 capital increased from EUR 689 million to EUR 705 million. This increase was mainly the result of the increase in the excess of the IRB provision, being the difference between the booked provisions and the calculated expected losses on portfolios treated in the internal rating based method in credit risk.

At the end of 2014, total regulatory own funds was EUR 7,981 million, compared with EUR 7,970 million at 1 January 2014.

2. Total risk-weighted assets

The total risk-weighted assets include the credit risk, market risk and operational risk. Each of these risks is detailed in the section on "Risk management" in this annual report. There are also risk-weighted assets that stem from the Danish Compromise whereby the equity capital instruments held in Belfius Insurance are no longer deducted from the regulatory capital, but instead are included in the total risk items via a weighting of 370%.

(In millions of EUR)	01/01/14	31/12/14	Evolution
Credit risks	42,902	39,564	-7.8%
Market risks	1,434	1,105	-22.9%
Operational risks	2,502	2,741	+9.6%
Danish Compromise	6,100	6,102	0%
TOTAL RISK-WEIGHTED ASSETS	52,939	49,512	-6.5%

At the end of 2014, total risk-weighted assets at Belfius were EUR 49.5 billion, compared with EUR 52.9 billion on 1 January. This was a fall of EUR 3.4 billion (-6.5%).

The sharp fall of EUR 3.3 billion (-7.8%) in credit risks can be attributed mainly to the fact that some investments in securitisation positions are no longer included in the total risk-weighted assets, but are deducted from the capital (see above). The fall was also due to the overall reduction in Belfius Bank's risk profile resulting from further tactical de-risking in the Legacy portfolio (mainly exposure to US, Spanish and Italian banks, Italian and Spanish ABS/RMBS and Spanish

covered bonds). However, this fall was offset partly by an increase in the credit risks as a result of the new risk weighting for Corporate and SMEs and the more conservative higher estimate of the expected loss in the event of default (Loss Given Default - LGD) of the Italian government.

Market risks fell by EUR 0.3 billion (-23%), mainly as the result of a fall in market positions in our client flow management business caused by a falling average VaR.

Operational risks rose by EUR 0.2 billion (+9.6%) as a result of the increase in the gross operating profit over the past 3 years.

3. Solvency ratios

At the end of 2013, the Basel II regulations were still applicable. On 31 December 2013, Belfius reported the following ratios:

Basel II

	31/12/13
Tier 1 Ratio	15.4%
CAD ratio	16.5%

For the purpose of comparability, the figures below have been restated to the CRR IV/CRD IV regulations, taking account of the transitional measures, as set out in these regulations and the applicable national regulations.

Basel III (Phased-in)

	01/01/14	31/12/14
Common Equity Tier 1 capital ratio (CET 1 ratio)	13.8%	14.7%
Tier 1 capital ratio (T 1 ratio)	13.8%	14.7%
Total capital ratio (CAD ratio)	15.1%	16.1%

The CET 1 ratio increases with 94 basis points compared to 1 January 2014 and amounts to 14.7%. This increase is attributable mainly to the strengthening of the underlying CET 1 capital that was thus able to fully absorb the deduction of capital of a number of investments in securitisation positions (these investments are no longer weighted in the total risk weighted assets which show a significant decrease) and also to the tactical de-risking within the "Side" portfolio.

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

At the end of 2014, the total capital ratio was 16.1%, which was an increase of 106 basis points compared with the end of 2013.

Excluding the effect of the transitional measures, in accordance with the "Fully Loaded" CRR IV/CRD IV regulations, the solvency ratios end 2014 amounted to a CET 1 ratio of 13.2% and a total capital ratio of 14.3%, compared to 11.5% and 12.5% at 1 January 2014 (pro forma)

Capital adequacy

As required by Pillar 2 of the Basel regulation, Belfius disposes of an internal mechanism for the quarterly monitoring of main risk appetite and capital adequacy ratios. This mechanism was further developed in 2014 to allow a monthly monitoring.

1. Economic capital

The economic capital is defined as the potential deviation of Belfius's economic value from its expected economic value, and this within a given interval of confidence and time horizon. The confidence threshold (99.94%) chosen for scenarios involving losses in value corresponds to the bank's required debt rating at a horizon of one year (A-rating for 2014).

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 correlation matrix.

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

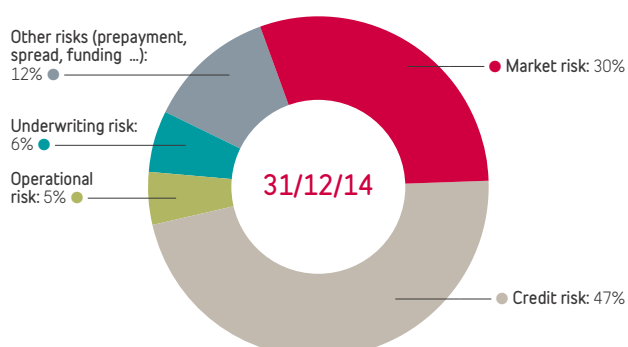
The economic capital is a central element in the context of Belfius' risk appetite.

2. Economic capital adequacy

The Management Board, which acts as the Risk Appetite Committee (RAC), is responsible for managing the capital level and allocation process and has authority in all matters relating to economic capital. The RAC analyses 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 5,761 million at the end of 2014 (against EUR 5,360 million at the end of 2013).

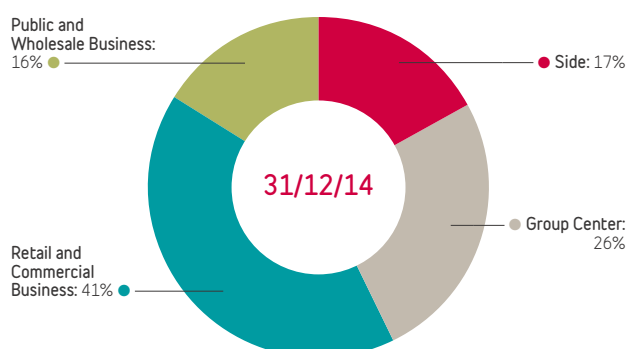
Breakdown of economic capital by type of risk



In 2014, the distribution between the main categories of risks remained stable: credit risk represented approximately 47% 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 30%, underwriting risk 6%, operational risk 5% and other risks (prepayment, spread, funding ...) 12%.

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 17% of the economic capital at Belfius; the Retail and Commercial Business and Public and Wholesale Business represented 41% and 16% respectively of Belfius' economic capital; the balance was made up of 26% allocated to the Group Center (mainly for the Belfius' general balance sheet management in terms of interest and liquidity risk).

Breakdown of economic capital by business line



Corporate Governance

Composition of the Management Board and the Board of Directors

1. Management Board

1.1. Composition

At the end of the 2014 financial year, the Management Board of Belfius Bank consisted of six members, namely:

Chairman	Marc Raisière
Members	Dirk Gyselinck
	Eric Hermann
	Dirk Vanderschrick
	Johan Vankelecom
	Luc Van Thielen (until 30 December 2014)

Mr Marc Raisière has been in office as Chairman of the Management Board since 1 January 2014.

On 30 April 2014, the director's mandate of Mr Dirk Gyselinck was renewed by the Shareholders Meeting for a period of maximum 4 years to end at the close of the Annual Shareholders Meeting in 2018.

On 17 December 2014, the Board of Directors acknowledged the resignation of Mr Luc Van Thielen as a director and member of the Management Board of Belfius Bank. He exercised his mandate as director and member of the Management Board until 30 December 2014.

On 29 January 2015, the Board of Directors co-opted Mr Olivier Onclin as a director to replace Mr Luc Van Thielen provisionally, and appointed Mr Olivier Onclin as a member of the Management Board. These appointments took effect from 1 February 2015.

1.2. Remit

The Board of Directors has delegated all of its management powers to the Management Board set up 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 general policy set by the Board of Directors. It passes on relevant information to the Board of Directors to enable it to take informed decisions. It formulates the proposals and opinions of the Board of Directors with a view to the definition or improvement of the bank's general policy and strategy.

The members of the Management Board are required to carry out their duties in complete objectivity and independence and to take care of the interests of the different stakeholders. 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 a robust structure suited to the bank's organisation, including surveillance measures, with a view to guaranteeing the effective and prudent management of the bank in accordance with banking law.

In principle, the Management Board meets once per week.

1. Board of Directors

1.1. Composition

At the end of the 2014 financial year, the Board of Directors consisted of fifteen members, six of whom were members of the Management Board (cf. table on the following page).

Mr Jozef Clijsters has been Chairman of the Board of Directors since 1 January 2014. The Shareholders Meeting held on 30 April 2014 confirmed his new mandate as director. His mandate will end at the close of the Annual Shareholders Meeting in 2016.

During 2014, Messrs Serge Wibaut and Luc Van Thielen resigned as directors, and performed their mandates until 29 September 2014 and 30 December 2014 respectively. Mr Olivier Onclin was co-opted as director to replace Mr Luc Van Thielen from 1 February 2015. The definitive appointment of Mr Olivier Onclin as director will be submitted to the approval of the Shareholders Meeting.

Board of Directors (Financial year 2014)	Main function	Non-executive director	Member of the Management Board	Independent director	Audit Committee	Nomination Committee	Remuneration Committee	Risk Committee	Mediation Committee
Jozef Clijsters ⁽¹⁾	Chairman of the Board of Directors of Belfius Bank SA	★				■	■		★
Marc Raisière	Chairman of the Management Board of Belfius Bank SA		★						
Dirk Gyselinck	Member of the Management Board of Belfius Bank SA Responsible for Public and Wholesale Business Treasury & 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 Business		■						
Johan Vankelecom	Member of the Management Board of Belfius Bank SA Chief Financial Officer, Responsible for Finance Reporting, Research, Liquidity & Capital Management, Financial Communication & Participations, Asset & Liability Management, Tax (and Legal from 1.1.2015)		■						
Luc Van Thielen	Member of the Management Board of Belfius Bank SA Chief Operations Officer, Responsible for IT, Operations, Facility Management et Organisation (until 30 December 2014)		■						
Marie-Gemma Dequae	Senior advisor to the Federation of European Risk Management Associations (FERMA)	■		■	■				
Wouter Devriendt ⁽²⁾	Independent advisor to the Federal Holding and Investment Company (FHIC)	■						■ (4)	
Carine Doutrelepont	Lawyer and professor at the Université Libre de Bruxelles	■		■		■	■		
Pierre Francotte	Past-CEO Eurocler and professor at the Solvay Brussels School of Economics and Management	■		■	■ (5)			■	
Guy Quaden	Honorary Governor of the National Bank of Belgium	■		■	★				■
Chris Sunt	Lawyer	■			■				
Lutgart Van den Berghe	Executive director at Guberna and extraordinary professor at the Vlerick Business School	■	■			★	★		
Rudi Vander Venet ⁽³⁾	Professor in Financial Economics and Banking at the University of Ghent	■	■					★	
	★ Chairman (1) Member of the Risk Committee until 11 March 2014. (2) Member of the Nomination and Remuneration Committee until 11 March 2014 (3) Member of the Audit Committee until 19 November 2014. (4) From 12 March 2014. (5) From 19 November 2014.								

Management report

Consolidated financial statements

Non-consolidated financial statements

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. Remit

The Board of Directors defines and supervises strategy and objectives as well as risk policy, including the level of risk appetite, on proposal or recommendation of the Management Board.

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 2014, the Board of Directors met 14 times.

2.3. Conflict of interests

If a director, directly or indirectly, has a conflicting financial interest in a decision or an operation to be decided by the Board of Directors, he must inform the other directors before the Board of Directors deliberates. His declaration, including the reasons for his conflicting financial interest must be mentioned in the minutes of the meeting of the Board of Directors at which the decision is taken.

At its meeting on 1 April 2015, the Board of Directors examined the proposal to indemnify the directors of Belfius Bank against any financial consequences arising from a liability action. In accordance with Article 523 of the Company Code, each director informed the other directors of his/her conflict of interests, as he/she is the direct beneficiary of the proposed indemnity. An extract from the minutes of the Board of Directors in relation to this item on the agenda is reproduced below.

Minutes of the meeting of the Board of Directors of Belfius Bank held on 1 April 2015 – Proposal to indemnify the directors of Belfius Bank against the financial consequences arising from a liability action

The Board of Directors takes note of the general policy proposal to indemnify the Board of Directors and staff members of Belfius Bank against the financial consequences arising from a liability action, namely:

Belfius Bank undertakes irrevocably to indemnify unconditionally and irrevocably all those who have been exercising or will exercise the mandate of director of the bank as of 9 February 2012, insofar as the law allows, for actions, proceedings and claims introduced against them, and for any liability (including any objective liability, but excluding any intentional wrong), loss, costs, expenses (including reasonable judicial costs) or any damage associated therewith, insofar as the action, proceedings or claim, from any viewpoint whatsoever, are in keeping with any act or negligence in the exercise of their mandate or any other function which they have exercised since 20 October 2011 as Director and at the request of the Bank. This guarantee would only be applicable if and insofar as the Director does not have the benefit of a guarantee or indemnification

from a third party (for instance an insurance company) and it would not impact the bank's right of action against third parties for its own loss or damage.

The Management Board is in charge to implement this general policy. It is also responsible to grant the same guarantee to all or to specific staff members who were in service on 9 February 2012 or who entered into service thereafter, only for acts or negligence committed since 20 October 2011 as staff members of the bank. The Management Board must report regularly to the Board of Directors on the application of this general policy and the costs arising therefrom for the company.

The Board of Directors observes that market practice shows that indemnification of directors and staff members against the financial consequences arising from a liability action may be in the corporate interest. This is also the case for Belfius Bank. We are seeing an exponential increase in regulations applicable to financial institutions and an undeniable corporate evolution, which considerably increases the risk of liability action.

Furthermore, the insurance market does not allow such a risk to be sufficiently covered, not to mention the possible cost of such insurance. Moreover, as a systemic bank, Belfius Bank needs to recruit qualified directors and staff members and it must be able to retain their services.

Hence it is in the bank's corporate interest to indemnify its Directors and its staff members, insofar as the law allows and when the costs and compensation associated with their liability are not covered by an insurance policy.

The compliance of the indemnity proposal in its current form with Belgian law has been confirmed by external legal opinion.

The proposal therefore is for the Board of Directors to approve a general policy to indemnify directors and staff members and to instruct the Management Board to execute this general policy.

The Management Board should be instructed to grant the same guarantee to all or to specific employees who were in service on 9 February 2012 or who entered into service thereafter, only for acts or negligence committed since 20 October 2011 as staff members of the bank.

The Board of Directors is of the opinion that the Management Board must report regularly to the Board of Directors on the application of this general policy and the costs arising therefrom for the company.

Each director informs the other directors of their conflict of interest, in accordance with Article 523 of the Company Code, given that he or she is a direct beneficiary of the proposed exemption.

The auditor is also informed in writing by each director, in accordance with Article 523 of the Company Code.

The Chairman of the Board of Directors proposes that they firstly deliberate and vote on the indemnity to be granted to executive directors, Jozef Clijsters included (namely in favour of Marc Raisière, Dirk Gyselinck, Dirk Vanderschrick, Johan Vankelecom, Eric Hermann, Olivier Onclin and Jozef Clijsters), that they then deliberate and vote on the indemnity to be granted to independent non-executive directors and, finally, to deliberate and vote on the indemnity to be granted to non-executive directors who are not classified as independent directors.

1. Indemnity in favour of executive directors

The Chairman of the Board of Directors, Jozef Clijsters, and the members of the Management Board, Marc Raisière, Dirk Gyselinck, Dirk Vanderschrick, Johan Vankelecom, Eric Hermann and Olivier Onclin leave the meeting. They take part neither in the deliberations nor in the voting on this item on the agenda.

The directors present (Chris Sunt, Lutgart Van den Berghe, Guy Quaden, Pierre Francotte, Rudi Vander Vennet, Wouter Devriendt, Marie-Gemma Dequae and Carine Doutrelepon represented by proxy by Guy Quaden) state that the general policy to indemnify executive directors and staff members against the financial consequences of a liability action is in conformity with the corporate interest and unanimously approve this general policy. They ask the Management Board to implement this general policy and to report regularly on the application of this general policy and the costs arising therefrom for the company.

The directors present note that the shareholder, the SFPI, has been informed about this indemnity proposal and raised no objections to it. The directors present mark their consent unanimously to the indemnity proposal not being submitted for approval to the meeting of shareholders of Belfius Bank. The auditor has been informed.

The Chairman of the Board of Directors and members of the Management Board then rejoin the meeting.

2. Indemnity in favour of independent non-executive directors

The independent directors (namely Lutgart Van den Berghe, Guy Quaden (who also represents Carine Doutrelepon by proxy), Pierre Francotte, Rudi Vander Vennet and Marie-Gemma Dequae) leave the meeting. They take part neither in the deliberations nor in the voting on this item on the agenda.

The directors present (Jozef Clijsters, Dirk Gyselinck, Marc Raisière, Johan Vankelecom, Dirk Vanderschrick, Olivier Onclin, Wouter Devriendt, Chris Sunt and Eric Hermann) state that the general policy to indemnify independent non-executive directors and staff members against the financial consequences of a liability action is in conformity with the corporate interest and unanimously approve this general policy. They ask the Management Board to implement this general policy and to report regularly on the application of this general policy and the costs arising therefrom for the company.

The directors present note that the shareholder, the SFPI, has been informed about this indemnity and raised no objections to it. The directors present mark their consent unanimously to the indemnity

proposal not being submitted for approval to the meeting of shareholders of Belfius Bank. The auditor has been informed.

The independent directors then rejoin the meeting.

3. Indemnity in favour of non-executive directors who are not classified as independent

The non-executive directors who are not classified as independent leave the meeting (namely Jozef Clijsters, Wouter Devriendt and Chris Sunt). They take part neither in the deliberations nor in the voting on this item on the agenda.

The directors present (Dirk Gyselinck, Lutgart Van den Berghe, Guy Quaden, Carine Doutrelepon represented by proxy by Guy Quaden, Marc Raisière, Johan Vankelecom, Pierre Francotte, Dirk Vanderschrick, Rudi Vander Vennet, Olivier Onclin, Marie-Gemma Dequae and Eric Hermann) state that the general policy to indemnify non-executive directors and staff members against the financial consequences of a liability action is in conformity with the corporate interest and unanimously approve this general policy. They ask the Management Board to implement this general policy and to report regularly on the application of this general policy and the costs arising therefrom for the company.

The directors present note that the shareholder, the SFPI, has been informed about this indemnity proposal and raised no objections to it. The directors present mark their consent unanimously to the indemnity proposal not being submitted for approval to the meeting of shareholders of Belfius Bank. The auditor has been informed.

The non-executive directors who are not classified as independent directors then rejoin the meeting.

Relationship between the Board of Directors and the Management Board

Management of the credit institution's activities comes under the sole jurisdiction of the Management Board. Such management takes place without any outside intervention and is carried out within the framework of the general policy laid down by the Board of Directors.

Advisory committees established by the Board of Directors

The Board of Directors has established various advisory committees to assist in its task, i.e. a Nomination Committee, a Remuneration Committee, an Audit Committee and a Risk Committee. These committees are exclusively composed of non-executive directors. At least one member of each advisory committee is independent within the meaning of Article 526ter of the Companies Code. The members of these advisory committees sit at a maximum on two of these committees.

On 12 March 2014, the Nomination and Remuneration Committee was split into two separate committees in order to comply with the banking law (Law of 25 April 2014 on the status and control of credit institutions). Furthermore, the Strategy Committee was abolished on 17 December 2014. The tasks of the Strategy Committee were taken over by the Board of Directors.

1. Nomination Committee

The Nomination Committee plays an advisory role and prepares decisions of the Board of Directors of Belfius Bank in relation to appointments. It also ensures the application of provisions concerning corporate governance. With a view to efficiency and consistency regarding group policy, this committee also prepares decisions of the Board of Directors of Belfius Insurance in this regard.

1.1. Composition

1.1.1. General aspects

As at 31 December 2014, the Nomination Committee for Belfius Bank consisted of the following members:

Chairman	Lutgart Van den Berghe
Members	Jozef Clijsters Chairman of the Board of Directors of Belfius Bank and Belfius Insurance
	Carine Doutrelepon

Mr Wouter Devriendt was a member of the Nomination and Remuneration Committee until 11 March 2014.

1.1.2. Independence and remit

The members of the Nomination Committee are all non-executive directors.

Baroness Lutgart Van den Berghe, Doctor of Economics, is managing director at Guberna and extraordinary professor at the Vlerick Business School (and at the University of Ghent).

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

Mr Jozef Clijsters, Master in Applied Economics, is Chairman of the Board of Directors of Belfius Bank and of Belfius Insurance.

At least one member of the Nomination Committee must sit on the Board of Directors of Belfius Bank and Belfius Insurance.

Two of the three members of the Nomination Committee (situation at the end of 2014) are independent directors within the meaning of Article 526ter of the Companies Code.

One of the members also sits on the Nomination and Remuneration Committee of a listed company.

One member has professional experience in the financial sector.

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

Consequently, the members of the Nomination Committee have the required skills, on the basis of their education and professional experience, to give a competent and independent opinion on the composition and operation of the bank's management bodies, in particular on the individual and collective skills of their members and their integrity, reputation, independence of spirit and availability.

1.2. Remit

The Nomination Committee:

- identifies and recommends, for approval by the Shareholders Meeting or by the Board of Directors as the case may be, candidates suited to filling vacant seats on the Board of Directors, evaluates the balance of knowledge, skills, diversity and experience within the Board of Directors, prepares a description of the roles and capabilities for a particular appointment and assesses the time commitment expected.
The Nomination Committee also decides on a target for the representation of the underrepresented gender within the Board of Directors and prepares a policy on how to increase the number of underrepresented gender in order to meet that target.
- periodically, and at least annually, assesses the structure, size, composition and performance of the Board of Directors and makes recommendations to it with regard to any changes.
- periodically, and at least annually, assesses the knowledge, skills, experience, degree of involvement and in particular the attendance of members of the Board of Directors and advisory committees, both individually and collectively, and reports to the Board of Directors.
- periodically reviews the policies of the Board of Directors for selection and appointment of members of the Management Board, and makes recommendations to the Board of Directors accordingly.
- prepares proposals for the appointment or mandate renewal as the case may be of directors, members of the Management Board, the Chairman of the Board of Directors and the Chairman of the Management Board.
- assesses the aptitude of a director or a candidate director to meet the criteria set forth for being considered as an independent director.
- examines questions relating to problems with the succession of directors and members of the Management Board.
- establishes a general and specific profile for directors and members of the Management Board.
- ensures the application of provisions with regard to corporate governance.

- prepares proposals for amendments to the internal rules of the Board of Directors and the Management Board.
- assesses the governance memorandum each year and if necessary proposes amendments.
- checks observance of corporate values.
- at least annually discusses and analyses the quantitative statement and qualitative analysis of communications regarding stress, burn-out and inappropriate behaviour at work and actions to be taken to remedy situations.

In performing its duties, the Nomination Committee ensures that decision-taking within the Board of Directors is not dominated by one person or a small group of persons, in a way which might be prejudicial to the interests of the bank as whole.

The Nomination Committee may use any types of resources that it considers to be appropriate to the performance of its task, including external advice, and receives appropriate funding to that end.

2. Remuneration Committee

The Remuneration Committee plays an advisory role and prepares decisions of the Board of Directors of Belfius Bank regarding remuneration. With a view to efficiency and consistency regarding group policy, this committee also prepares decisions of the Board of Directors of Belfius Insurance in this regard.

2.1. Composition

2.1.1. General aspects

As at 31 December 2014, the Remuneration Committee for Belfius Bank consisted of the following members:

Chairman	Lutgart Van den Berghe
Members	Jozef Clijsters Chairman of the Board of Directors of Belfius Bank and Belfius Insurance
	Carine Doutrelepon

Mr Wouter Devriendt was a member of the Nomination and Remuneration committee until 11 March 2014.

2.1.2. Independence and remit

The members of the Remuneration Committee are all non-executive directors.

Baroness Lutgart Van den Berghe, Doctor of Economics, is managing director at Guberna and extraordinary professor at the Vlerick Business School (and at the University of Ghent).

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

Mr Jozef Clijsters, Master in Applied Economics, is Chairman of the Board of Directors of Belfius Bank and of Belfius Insurance.

At least one member of the Remuneration Committee must sit on the Board of Directors of Belfius Bank and Belfius Insurance.

Two of the three members of the Remuneration Committee (situation at the end of 2014) are independent directors within the meaning of Article 526ter of the Companies Code.

One of the members also sits on the Nomination and Remuneration Committee of a listed company.

One member has professional experience in the financial sector.

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

Consequently, the members of the Remuneration Committee have the required skills, on the basis of their education and professional experience, to give a competent and independent opinion on remuneration policies and practices and on the incentives created for managing risks, capital and liquidity of the bank.

2.1.3. Collaboration and interaction with other advisory committees of the Board of Directors

In order to perform its tasks (cf. also *infra*), since 2014 the Remuneration Committee has interacted regularly with the Risk Committee and the Audit Committee.

The Risk Committee ensures that the Belfius group's risk management, capital requirements and liquidity position, as well as the probability of future profits are correctly taken into consideration in decisions relating to remuneration policy. So for example, within Belfius Bank, the Risk divisions establish and annually assess Key Risk Indicators in collaboration with the human resources division.

For its part the Audit Committee contributes to the establishment of objectives for the independent control function of the Auditor General.

2.1.4. Audit

In mid-2014, the results of an audit of remuneration policy and the operation of the Remuneration Committee were sent to the Remuneration Committee and to the Board of Directors. That audit shows that the remuneration policy complies with the regulatory framework in force.

In view of the importance of an audit in establishing remuneration policy, the Belfius Bank audit plan provides for such an audit to be repeated periodically.

2.2. Remit

The Remuneration Committee prepares the decisions of the Board of Directors that relate a.o. to:

- develop the remuneration policy, as well as to make practical proposals for the chairman, the non-executive members of the Board of Directors and the members of the advisory committees under the Board of Directors. The Board of Directors will submit this remuneration to the general meeting for approval;
- develop the remuneration policy, as well as to make practical proposals for the remuneration of the chairman of the Management Board and, at his proposal, the remuneration of the members of the Management Board;
- provide advice about the proposals made by the chairman of the Management Board of Belfius Bank in relation to the severance remuneration for members of the Belfius Bank Management Board. At the proposal of the Remuneration Committee, the Board of Directors of Belfius Bank determines the severance remuneration of the chairman and members of the Belfius Bank Management Board;
- advise the Board of Directors in relation to the remuneration policy for employees whose activity has a material effect on the risk profile of the Belfius Group (known as "Identified Staff");
- remuneration and objectives of the individuals responsible for the independent audit functions:
 - the Remuneration Committee exercises direct supervision of the remuneration of the individuals responsible for the independent audit functions (Chief Risk Officer, General Auditor and Compliance Officer);
 - the Remuneration Committee supervises the development of the objectives of these employees, as well as developing the remuneration policy;
- preparation of the remuneration report approved by the Board of Directors and published in the annual report;
- the periodic checking to ensure that the remuneration programmes are achieving their purpose and are in line with the conditions that apply;
- the annual assessment of the performance and objectives of the members of the Management Board.

2.3. Remuneration

2.3.1. Introduction

2.3.1.1. Procedure

The Board of Directors decides about the remuneration of the members of the Management Board at Belfius Bank based on the advice of the Remuneration Committee and the chairman of the Management Board.

To offer remuneration that is in line with the market, the Remuneration Committee periodically refers to an external benchmark study. It defines, with the agreement of the Board of Directors, the reference group of the companies to be included in the benchmark, as well as the positioning of Belfius Bank in relation to this reference group.

Based on this benchmark study the Remuneration Committee may propose adjustments to the Board of Directors of the amounts of fixed remuneration and, if necessary, the adjustment of the extent

of the performance-related remuneration, as well as all other changes justified by developments in the market.

In 2014, it was decided not to carry out this benchmark exercise.

The remuneration of the senior managers who may have a material impact on the risk profile of Belfius Bank, subject to the nature or level of the positions in question and/or their remuneration, is determined by the Management Board within the framework of the remuneration policy. The Remuneration Committee gives advice regarding this policy and takes note of the individual information.

2.3.1.2. Regulatory context

Over the course of recent years, the regulation on the remuneration of company managers in the financial sector has been the subject of many changes.

During 2012, the Board of Directors introduced an overall remuneration policy for the Belfius Group, in line with Belgian and European regulations in place at the time, as well as in accordance with the principles that existed at the time in terms of sound remuneration practices.

In 2014, this remuneration policy was fully rewritten to bring it into line with the latest regulations, in the first instance to comply with the new banking law. It also incorporated a number of key issues raised by the National Bank and recommendations relating to internal audit. This adjusted policy was approved at the meeting of the Board of Directors held on 17 December 2014.

The Belfius Bank remuneration policy was developed by Human Resources and the Legal Department and submitted for advice to the Belfius Bank Remuneration Committee. The Risk Committee was also involved in developing the remuneration policy.

The remuneration policy includes on the one hand general principles that apply to all Belfius Bank employees. It also contains, taking the principle of proportionality into account, specific provisions that apply exclusively to the members of the Management Board and to employees whose activity has a material effect on the risk profile of the Belfius Bank, given the nature or level of the positions themselves and/or their remuneration.

2.3.1.3. Strategy guidelines approved by the Board of Directors in accordance with regulations

Fixed remuneration forms an appreciable part of total remuneration and is designed to reward the performance of employees, taking into account their experience, education and qualifications, their duties, responsibility and the level of their position. By restricting the performance-related part of their remuneration, they are dissuaded from taking excessive risks. Yet it remains important to make a targeted and flexible policy on performance-related pay possible. This approach enables Belfius Bank, for the employees in question or for some of them, to reduce performance-related remuneration – or even to reduce it to zero – in the event of poor (collective or individual) performance, taking the employee's hierarchical level into account and/or the statutory footing on which their performance-related remuneration is based.

Risk-related indicators have been included in the targets set for the members of the Management Board and for those employees whose activity have a material effect on the risk profile of Belfius Bank since the 2014 performance year. The aim is to take proper account of the various types of risk (current and future) at any time in the assessment cycle.

The establishment, monitoring and assessment of these risk indicators is coordinated by the Chief Risk Officer (CRO) and submitted to the Remuneration Committee and the Risk Committee. Where appropriate, the CRO will confer with the Auditor General and the Compliance Officer and will also consult regularly with the Human Resources Department.

The aim is to penalize poor performances on the performance-related pay. In the event of repeated or serious problems, the person's performance-related pay can be set to zero.

2.3.2. Remuneration of members of the Management Board

2.3.2.1. Fixed and performance based remuneration

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

The fixed and performance-based remuneration of members of the Management Board constitutes a whole from which are deducted any attendance fees or directors' fees paid to a member of the Management Board by a third-party company for which the member performs a mandate on behalf of Belfius Bank.

The remuneration 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.

2.3.2.2. Remuneration for 2014

Fixed remuneration

Fixed remuneration 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 remuneration for the year 2014

The members of the Management Board of Belfius Bank received no performance-based remuneration for the year 2014.

Option plans

During 2014, no option was granted to members of the Management Board, or exercised by the latter.

Total remuneration 2014

The total fixed remuneration paid to the Management Board for 2014 amounts is mentioned in the below mentioned table.

The fixed remuneration for 2014 indicates the basic remuneration paid to the members of the Management Board.

The 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 2014 to EUR 624,907.

In accordance with Article 450 of Regulation no. 575/2013 Belfius Bank declares that no remuneration of more than EUR 1 million was allocated to any employee of Belfius Bank in 2014.

	Number of members	Fixed compensation 2014	Performance-based compensation 2014	Deferred performance-based compensation	One-off bonus paid on recruitment	Severance indemnity
Chairman of the Management Board	1	EUR 581,250	EUR 0	EUR 0	EUR 0	EUR 0
Members of the Management Board ⁽¹⁾	5	EUR 1,461,372	EUR 0	EUR 0	EUR 0	EUR 0

(1) Excluding the chairman.

	Identified Staff	Fixed remuneration 2014	Performance-based remuneration 2014	Deferred performance-based remuneration	Exceptional bonus paid in case of recruitment	Severance payment
Chief Executive Officer	3	EUR 501,046	EUR 84,800	Not applicable	Not applicable	
Chief Financial Officer	6	EUR 918,160	EUR 271,000	Not applicable	Not applicable	
Risk	3	EUR 520,634	EUR 157,500	Not applicable	Not applicable	
Retail and Commercial Business	8	EUR 1,445,348	EUR 364,770	Not applicable	Not applicable	
PWB & Financial Markets	11	EUR 1,623,879	EUR 465,500	Not applicable	Not applicable	EUR 600,876
Operations, IT, Fac. Mgt & Organisation	2	EUR 304,495	EUR 62,000	Not applicable	Not applicable	

2.3.3. Remuneration of employees whose activity has a material impact on the risk profile of Belfius Bank

For total remuneration paid to the aforementioned employees in 2014 (33 staff members), split between fixed and performance-linked remuneration, see table below:

No deferred part of performance-related remuneration was allocated to any individual in 2014.

Option plans

In 2014 no options were allocated to or exercised by employees whose activity has a material impact on the risk profile of the Belfius Bank.

The performance-related remuneration envelope (2014 performance) was defined based on the evolution of the company's results.

For senior management, the target budget is calculated on the basis of 25% of the midpoint of the pay brackets.

On the advice of the Remuneration Committee, the Board of Directors approved the update to the Identified Staff group at its meeting on 17 December 2014. The approval was based on the guidelines issued by Europe. This update means that in the future, the number of Identified Staff at Belfius Bank will be 132 individuals.

2.3.4. Remuneration of members for the Board of Directors

The total remuneration granted to the members of the Board of Directors for 2014 was EUR 782,775 (against EUR 787,350 in 2013). 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.

The number of remunerated meetings of advisory committees is limited to a maximum 6 per committee and per non-executive director.

3. Audit Committee

3.1. Composition

3.1.1. General aspects

As at 31 December 2014, the Audit Committee for Belfius Bank consisted of the following members:

Chairman	Guy Quaden ⁽¹⁾
Members	Marie-Gemma Dequae
	Pierre Francotte
	Chris Sunt

Mr Rudi Vander Vennet was a member of the Audit Committee until 19 November 2014 and was replaced on that same date by Mr Pierre Francotte.

The Chairman of the Management Board attends meetings of the Audit Committee as a permanent invitee. Mr Raf Vander Stichele attended the various audit committees until April 2014 as an expert before accepting a director's mandate incompatible with his position as expert.

3.1.2. Independence and remit

The Audit Committee must have at least one independent director with the individual expertise required in accountancy and/or audit. Furthermore, the Audit Committee must have collective expertise in the fields of banking as well as accountancy and audit.

The Audit Committee of Belfius Bank is made up of four non-executive directors three of whom are independent directors, namely Baron Guy Quaden, Mrs Marie-Gemma Dequae (also a member of the Audit Committee of Belfius Insurance) and Mr Pierre Francotte (also a member of the Risk Committee).

Baron Guy Quaden, Doctor in Economics and graduate in 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.

Mrs Marie-Gemma Dequae is a Doctor in Applied Economics and holds a special degree 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.

Mr Pierre Francotte holds a law degree and a special degree in economic and finance law. For several years he was Chairman of the Management Board of Euroclear Bank and then Euroclear and is a Professor at the Solvay Brussels School of Economics and Management. In view of his professional experience, he has the expertise required of a member of the Audit Committee.

Mr Chris Sunt, in his capacity as a lawyer specialising in finance law for more than 30 years, has also acquired relevant experience in this regard.

Mr Rudi Vander Vennet, Doctor in Economics, is a Professor in Finance and 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 Credibe, the European Banking Authority, CGER Bank, ICCH and OBK Bank.

Consequently, the Audit Committee has at least one independent director with the individual expertise required in accountancy and/or audit and also the required collective expertise in the field of banking, as well as in accountancy and auditing.

(1) Mr Guy Quaden took up his post from 1 April 2012.

3.2. Tasks and remit

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

3.2.1. 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.

3.2.2. Internal audit and risk management

At least once a year the Audit Committee examines the efficiency of the internal audit and risk management systems set up by the Management Board to ensure that the main risks (including the risks linked to compliance with current laws and regulations) are properly identified and managed. To that end the Management Board submits to the Audit Committee a report on the internal audit system and risk management.

During 2014, 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 (a.o. via reporting from the Chairman of the Risk Committee).

3.2.3. 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 2014, the Audit Committee examined and approved the annual report for 2013, the audit plan for 2014 and the half-year business report for 2014, as well as the half-yearly follow-up reports on recommendations, and approved them. The Internal Audit Charter, validated in November 2013 is still applicable and will be amended on the basis of regulatory developments relating to the internal audit function in the banking sector.

3.2.4. Statutory auditing of the annual and consolidated financial statements

In 2014, the Audit Committee reported to the Board of Directors on the consolidated financial statements of Belfius Bank at 31 December 2013, at 31 March 2014, at 30 June 2014 and 30 September 2014. After considering the comments received from the management of the bank and the auditors, the Audit Committee delivered a favourable opinion to the Board of Directors on the annual financial statements and on the items that had influenced them.

3.2.5. External audit function and monitoring of auditor independence

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

In 2014 the Audit Committee delivered an opinion to the Board of Directors on the appointment of the auditor(s) (which took place in 2014) by the Shareholders Meeting and on his (their) independence and remuneration.

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

3.3. 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 of Belfius Bank met twice jointly with the Audit Committee of Belfius Insurance, when the insurance company's annual financial statements for 2013 and the half-yearly financial statements at 30 June 2014 were presented.

The Audit Committee held three meetings jointly with the Risk Committee to examine the effective management report on the assessment of internal audit – 2013 report, the IT security strategy and the quarterly risk monitoring report.

3.4. 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.

4. Risk Committee

4.1. Composition

4.1.1. General aspects

The Risk Committee has a minimum of three members. The members of the Risk 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 Public and Wholesale Business and Treasury and Financial Markets attend meetings of the Risk Committee as permanent invitees.

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

The members of the Risk Committee must individually have the knowledge, skills, experience and aptitudes necessary to enable them to understand the bank's risk strategy and appetite level.

As at 31 December 2014, the Risk Committee for Belfius Bank consisted of the following members:

Chairman	Rudi Vander Vennet
Members	Wouter Devriendt
	Pierre Francotte

4.1.2. Independence and remit

The Risk Committee of Belfius Bank consists of two independent directors, namely Mr Rudi Vander Vennet (also a member of the Audit Committee until 19 November 2014) and Mr Pierre Francotte (also a member of the Audit Committee from 19 November 2014).

Mr Rudi Vander Vennet, Doctor in Economics, is a Professor in Finance and Banking Sector at the University of Ghent. He holds or has held various positions in Credite, the European Banking Authority, CGER Bank, ICCH and OBK Bank.

Mr Wouter Devriendt, Master in Economics, is an independent adviser to the Federal Holding and Investment Company. He has held various positions in Fortis Bank and ABN Amro.

Mr Pierre Francotte holds a law degree and a special degree in Law, specialising in economic and finance law. For several years he was Chairman of the Management Board at Euroclear Bank and then at Euroclear. He is a Professor at the Solvay Brussels School of Economics and Management.

Mr Jozef Clijsters was a member of the Risk Committee until 11 March 2014 and was replaced, from 12 March 2014 by Mr Wouter Devriendt.

Mr Serge Wibaut was a member of the Risk Committee until 30 September 2014, when he resigned his mandate as a director of Belfius Bank.

The former and current members of the Risk Committee have the individual expertise and professional experience required to define strategy regarding risk and the level of risk appetite of an institution. They have acquired the specialisation necessary in particular as directors with other institutions and/or in their university training. As a consequence, the Risk Committee has the required individual knowledge and expertise.

4.2. Remit

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

- appetite and strategy regarding the bank's current and future risks, more particularly the effectiveness of the risk management function and the governance structure to support them;
- monitoring implementation of risk appetite and strategy by the Management Board;
- allocating the risk appetite to various categories of risks and defining the extent and limits of risk in order to manage and restrict major risks;
- considering the risks run by the bank with its customer tariffs;
- assessing activities which expose the bank to real risks;
- supervising requirements in terms of capital and liquidity, the capital base and the bank's liquidity situation;
- the guarantee that risks are proportional to the bank's capital;
- formulating an opinion with regard to major transactions and new proposals for strategy activities that have a significant impact on the bank's risk appetite;
- obtaining information and analysing management reports as to the extent and nature of the risks facing the bank;
- monitoring the Internal Adequacy Assessment Process (ICAAP) and the Recovery Plan.

4.3. Operation of the Risk Committee

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

The Risk Committee operates independently of the Risk & Underwriting Committee of Belfius Insurance. On the request of the Chairman of the bank's committee, a joint Risk Committee of Belfius Bank and Belfius Insurance may be held. To promote sound remuneration policy and practices, subject to the tasks of the Nomination Committee and the Remuneration Committee, the Risk Committee examines whether incentives in the remuneration system take proper account of the institution's risk management, equity requirements and liquidity position, as well as the probability and distribution of profit over time.

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

Mediation Committee

In 2014 the Board of Directors decided to establish a Mediation Committee within the Belfius group. This Committee has been in place since November 2014.

1. Composition

Chairman	Jozef Clijsters Chairman of the Board of Directors of Belfius Bank and Belfius Insurance
Members	Guy Quaden Independent Director Belfius Bank
	Johan Tack Independent Director Belfius Insurance

2. Remit

The Mediation Committee is responsible for passing opinions on disagreements or blocks relating to 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. Such opinions are sent to the Board of Directors of the companies concerned, which will then take a definitive decision on the planned transaction or operation.

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, TFM 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.

Corporate Accounting 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 levels of control provide reasonable assurance on the completeness, accuracy and appropriate presentation of the accounting data, in accordance with the financial and prudential framework.

External activities of directors – Article 62, §2 of the Law of 25 April 2014 on the status and supervision of credit Institutions

Under the Regulation by the National Bank of Belgium dated 6 December 2011 on the pursuit of external activities by the executives of regulated companies, Belfius Bank is required to disclose any external appointment held by its directors and senior executives. Belfius Bank has chosen to publish such appointments in its annual report filed with the National Bank of Belgium.

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 Philip Maeyaert and Bart Dewael.

The mandate of the Auditor, Deloitte Reviseurs d'entreprises, SC s.f.d. SCRL, was renewed by the Shareholders Meeting on 30 April 2014, for a period of three years closing at the end of the ordinary shareholders' meeting in 2017. On that occasion, Messrs Philip Maeyaert and Bart Dewael were appointed permanent representatives of Deloitte Reviseurs d'entreprises, SC s.f.d. SCRL for a term of their mandate as Auditor.

The table below 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 2014 financial year.

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).

1. Role

The function of Compliance is to ensure the integrity of the bank's activities and the management of Compliance risks. The Compliance department ensures that Belfius, its subsidiaries, its staff members, its suppliers and its intermediaries comply with the legislation as well as internal rules and norms.

The emphasis is principally placed on the rules relating to the protection of customers' interests, also known as rules of good conduct, such as MiFID for investment services, the protection of privacy and the prevention of conflicts of interests.

On the one hand, Compliance advises and informs management and the commercial and operational divisions of the bank of the correct and appropriate application of the law and regulations, both within the context of establishing corporate strategy, the development of new activities, distribution channels and processes, and within the framework of specific files or transactions. To that end, it actively monitors the evolution of Belgian and international legislation, in close collaboration with the Legal department.

On the other hand, Compliance organises the independent supervision and control of the correct implementation of procedures and instructions drawn up. As such, it oversees the effectiveness of policy and proposes corrective measures if they are necessary.

Deloitte	Services provided in 2014 for			
	Belfius Bank	Belfius Insurance	Other subsidiaries	Total
(In EUR thousands)				
Account audit task	892	409	324	1,625
Certification task	45	94	-	139
Tax consultancy	30	5	-	35
Other tasks	164	-	-	164
TOTAL	1,131	508	324	1,963

2. Organisation

Compliance is organised around a central Compliance department based on 3 pillars: Business Advisors (advisory function), the Compliance Risk Control team (control function) and the anti-money laundering unit. These three teams are supported by a specific unit which frames projects at an IT and an organisational level.

The central Compliance department may also call on the services of a large network of Compliance Correspondents within the bank's various divisions, as well as a network of Compliance Managers with the branch network. This network plays an important role, particularly in the introduction of Compliance policy and procedures as well as training and awareness in that regard.

A Compliance Officer accredited by the FSMA is at the head of the Compliance organisation. The Compliance Officer reports directly to the CEO and to the Audit Committee, and if necessary may directly approach the Chairman of the Board of Directors and the Regulator.

As provided by the regulations, the department also has a Money Laundering Reporting Officer and a Privacy Officer.

The Money Laundering Reporting Officer (MLRO) is head of the anti-money laundering team, which combats money laundering practices. Belfius does all it can not to be involved in laundering money from illegal activities, the organisation of tax fraud, financing terrorism or circumventing international embargos. To underline this commitment, the MLRO has established preventive measures and broadened controls, in accordance with the regulations. Proper knowledge of the customer and their identification, verification of the origin of financial flows on accounts and detection of dubious transactions are all vital elements in the prevention of such practices.

In particular, the Privacy Officer ensures that personal data obtained by the bank in providing its services to its customers are processed and retained with necessary prudence and confidentiality, observing applicable regulations.

3. Charter – expanded powers

In order to guarantee the independence of the Compliance function, its mandate, remit, organisation and tasks are formally established in a specific Charter, approved by the bank's Board of Directors. The Charter also grants Compliance unlimited access to all the information and all the staff members within the bank, in relation to any analyses or controls it deems necessary.

Following the recent circular from the FSMA and the BNB in relation to Compliance, the Compliance Charter was significantly amended in 2014. The new Charter has considerably expanded the activities and rules on which Compliance formulates an opinion and undertakes checks. Indeed, Compliance now in particular supervises customer interests on the sale of mortgage and consumer loans, the rules in relation to advertising, observance of the law on commercial practices, the formulation of opinions regarding the sale of insurance products, and the grant of loans to SME.

The methodology and the organisational structure of the Compliance department have been optimised to support this expanding task. That is why the Compliance Risk Control team, a separate team which supervises the efficiency and observance of policy and internal procedures, was reinforced in 2014.

4. MiFID: a constant concern for customers in their investment transactions

As an advisory bank, Belfius Bank attaches the greatest importance to ensuring that branch customers only receive advice on products which are suitable to their investment profile and their risk appetite: products which correspond to the specific customer's knowledge and experience. Since 2010, in this regard the bank had been relying on the concept of investor portraits with a view to obtaining a clear and transparent presentation of the products appropriate to the customer.

This framing of advice was assessed and adapted in 2014, particularly on the basis of feedback from customers and commercial staff of the bank. The framework was enhanced and the concept of portraits was replaced by strategies. These strategies remain simple and accessible to the customer but, within the context of lower rates, they respond to investor requirements with more diversified investment advice.

General information

Share capital and allocation of profit

1. Share capital and evolution of the capital during the financial year 2014

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 share capital of the bank in 2014.

2. Allocation of profit

The company results for the 2014 financial year recorded a profit of EUR 265,319,257.02. The total amount will be fully allocated to reserves.

3. Annual dividend

The Board of Directors will propose to the Shareholders Meeting not to distribute a dividend to shareholders.

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

As part of the process to simplify and to reorganise the scope of the bank, Belfius Bank merged Belfius Financing Company and Belfius Funding in order to centralise within a single company, Belfius Financing Company, the issues of secured debts intended for short-term funding (Euro Commercial Paper Programme) and long-term funding (Notes Issuance Programme) of Belfius Bank.

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

- the acquisition, as part of the dismantling of the Dexia Group, of a minority holding in the company Penates, a company investing in institutional debts within the context of securitisation operations;
- the disposal of the bank's holding in Promotion Léopold (a real estate promotion company which developed a project in the European district of the Brussels-Luxembourg Station);
- the liquidation of Vlabo Invest and Esplanade 64 (companies each having completed a real estate project).

Material litigation

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

In accordance with the IFRS rules, Belfius makes provisions for these litigations when, in the opinion of its management, after analysis by its company lawyers and external legal advisors as the case may be, it is probable that Belfius will have to make a payment and when the amount of such payment can be reasonably determined. For litigations that do not fulfil these two conditions, no provision is made.

Moreover, Belfius provides further information about the important pending litigations, regardless on whether a provision has been made or not.

1. Housing Fund of the Brussels Capital Region

The Housing Fund of the Brussels Capital Region has assigned Belfius Bank on 9 October 2012 before the Commercial Court of Brussels. The Housing Fund subscribed for a total amount of EUR 32,000,000 to 4 treasury notes that were issued by the Holding Communal between July and September 2011. Following the liquidation of the Holding Communal, the Housing Fund could only receive repayment for EUR 16,000,000. It demands the repayment by Belfius Bank of the non-repaid capital. As the loss incurred on this investment is the result of a voluntary renouncement of the claim by the Housing Fund, which matches half of the investment, Belfius Bank rejects the demand from the Housing Fund.

On 27 March 2014, the Commercial Court of Brussels has accepted the petition of claim by the Housing Fund, but has declared it unfounded. The Housing Fund has filed an appeal against this judgment on 3 June 2014.

No provision has been made for this claim.

2. BBTK and ACLVB

Two trading unions within Belfius Bank, BBTK and ACLVB, have assigned Belfius Bank on 8 May 2014 before the Labour Court of Brussels. They demand the annulment of the collective labour agreements that Belfius Bank has signed with two other trading unions within the bank. BBTK and ACLVB are of the opinion that these collective labour agreements amend, without their consent, previous collective labour agreements Belfius Bank concluded also with them. In addition, they are of the opinion that an employer can only sign a collective labour agreement with a few of the existing trade unions within the firm, if the said employer has not signed previous collective labour agreements with other trade unions. The bank rejects this claim as the previous collective labour agreements have not been amended and because the law provides in general that a collective labour agreement can be signed with only one trade union.

No provision has been made for this claim.

3. Arco

737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) have assigned Belfius Bank, together with the 3 aforementioned Arco companies, before the Commercial Court of Brussels on 30 September 2014. Principally, they demand the annulment of their agreement to join the capital of these 3 companies as shareholder, based on deception or fallacy. They demand that the Court condemns Belfius Bank in solidum with each of the 3 above mentioned Arco companies to repay their capital contributions, increased by interests and a remuneration. In subordinate order,

they ask the Commercial Court to condemn Belfius Bank to the payment of compensation based on an alleged shortcoming in its information duty towards them. Because the file submitted by them lacks information with respect to proof and damage determination, Belfius cannot evaluate the content of the claim and has to reject it.

1,027 other shareholders of the 3 above mentioned Arco companies have joined the summons on 16 December 2014 on a voluntary basis. Belfius has asked for their files so that it can evaluate the content of their claim.

No provision has been made for this claim.

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 Home Member State, in particular for the purpose of centralisation of the financial information to be provided under the Transparency Directive.

Belfius Bank is not the only entity within the group to be subject to the Transparency Directive. Belfius Funding (formerly DFN) issued bonds listed on the Luxembourg Stock Exchange and, when the choice was made in 2009, this was also the case for Belfius Financing Company (formerly Dexia Overseas). These two entities were merged on 7 May 2014, BFC (Lux) absorbing Belfius Funding (NL).

As issue vehicles were not situated in Belgium, the choice of Luxembourg as Home Member State was obvious (the listed issues were all in Luxembourg). The FSMA could not be appointed as competent for our foreign subsidiaries.

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 Home Member State;
- to the best of its knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position

and the profit or loss of the issuer and of all the undertakings included in the consolidation;

- to the best of its knowledge, the management report includes a fair review of the development and performance of the business and the position of the issuer and all the undertakings included in the consolidation, together with a description of the principal risks and uncertainties that they face.

Country-by-country reporting

Based on article 6bis of the Royal Decree dated 23 September 1992, regarding the consolidated financial statements of financial institutions, Belfius discloses the following information for the financial year 2014 on a consolidated basis, split by country in which Belfius has an establishment (branch and/or subsidiary).

Countries	Activity	31/12/13	
		Turnover ⁽¹⁾ (in thousands of EUR)	Average FTE ⁽²⁾
BELGIUM	BANK AND INSURANCE	1,969,466	6,939
MEMBER STATE		(135,574)	119
Luxembourg	Other financial services and insurance activities	30,645	95
Ireland	Other financial services and insurance activities	(171,227)	24
France	Insurance activities	519	0
The Netherlands	Other financial activities	4,489	0
THIRD COUNTRY		443	0
Switzerland ⁽³⁾	Insurance activities	443	0
TOTAL		1,834,335	7,058

(1) Based on "Income" from the Consolidated statement of income in the annual report 2014.

(2) Disclosed in the annual report 2014 in the note 7.8. "Staff expense".

(3) The establishment is in liquidation.

Countries	Activity	31/12/14				
		Turnover ⁽¹⁾ (in thousands of EUR)	Average FTE ⁽²⁾	Net income before tax (in thousands of EUR)	Tax expense (in thousands of EUR)	Public subsidies received (in thousands of EUR)
BELGIUM	BANK AND INSURANCE	2,146,768	6,715	655,902	(93,362)	
MEMBER STATE		(75,782)	102	(96,172)	(6,487)	0
Luxembourg	Other financial services and insurance activities	50,353	86	40,692	(9,336)	0
Ireland	Other financial services and insurance activities	(128,938)	16	(139,320)	3,984	0
France	Insurance activities	1,473	0	1,363	(106)	0
The Netherlands	Other financial activities	1,330	0	1,093	(1,029)	0
TOTAL		2,070,986	6,817	559,730	(99,849)	

(1) Based on "Income" from the Consolidated statement of income in the annual report 2014.

(2) Disclosed in the annual report 2014 in the note 7.8. "Staff expense".

Consolidated financial statements

as at 31 December 2014

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Consolidated balance sheet

Assets			
(In thousands of EUR)			
	Notes	31/12/13	31/12/14
I. Cash and balances with central banks	5.2.	1,445,716	2,412,855
II. Loans and advances due from banks	5.3.	30,123,709	31,058,774
III. Loans and advances to customers	5.4.	87,721,562	87,157,989
IV. Investments held to maturity	5.5.	0	2,834,531
V. Financial assets measured at fair value through profit or loss	5.6.	5,512,233	6,100,168
VI. Financial assets available for sale	5.7.	28,074,151	25,087,002
VII. Derivatives	5.9.	23,190,180	31,130,082
VIII. Fair value revaluation of portfolio hedge (interest risk)		3,044,509	5,071,952
IX. Investments in associates	5.10.	169,487	146,494
X. Tangible fixed assets	5.11.	1,391,707	1,297,180
XI. Intangible assets and goodwill	5.12.	199,047	193,715
XII. Tax assets	5.13.	958,827	694,928
XIII. Other assets	5.14.	923,135	1,196,572
XIV. Non-current assets held for sale	5.15.	23,159	24,932
TOTAL ASSETS		182,777,422	194,407,174

Liabilities			
(In thousands of EUR)			
	Notes	31/12/13	31/12/14
I. Due to banks	6.1.	29,235,568	21,407,816
II. Customer borrowings and deposits	6.2.	61,625,312	66,513,874
III. Financial liabilities measured at fair value through profit or loss	6.3.	8,460,808	9,166,712
IV. Derivatives	5.9.	28,602,043	38,165,388
V. Fair value revaluation of portfolio hedge (interest risk)		42,632	293,993
VI. Debt securities	6.4.	27,184,180	29,112,916
VII. Subordinated debts	6.5.	893,192	886,358
VIII. Technical provisions of insurance companies	6.6.	17,641,090	18,047,274
IX. Provisions and other obligations	6.7.	462,146	477,169
X. Tax liabilities	6.8. & 5.13.	109,652	258,560
XI. Other liabilities	6.9.	1,899,853	2,150,517
XII. Liabilities included in disposal groups held for sale	6.10.	0	0
TOTAL LIABILITIES		176,156,476	186,480,577

The notes on pages 86 to 186 are an integral part of these consolidated financial statements.

Equity			
(In thousands of EUR)			
	Notes	31/12/13	31/12/14
XIII. Subscribed capital	1.4.	3,458,066	3,458,066
XIV. Additional paid-in capital		209,232	209,232
XV. Treasury shares		0	0
XVI. Reserves and retained earnings		3,230,926	3,675,506
XVII. Net income for the period		444,998	461,642
CORE SHAREHOLDERS' EQUITY		7,343,222	7,804,446
XVIII. Remeasurement available-for-sale reserve on securities		(167,603)	604,176
XIX. Frozen fair value of financial assets reclassified to loans and advances		(701,877)	(585,455)
XX. Remeasurement defined benefit plan		129,851	97,975
XXI. Discretionary participation features of insurance contracts	6.6.	0	12,346
XXII. Other reserves		1,457	(9,666)
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME		(738,172)	119,376
TOTAL SHAREHOLDERS' EQUITY		6,605,050	7,923,822
XXIII. Non-controlling interests		15,896	2,775
TOTAL EQUITY		6,620,946	7,926,597
TOTAL LIABILITIES AND EQUITY		182,777,422	194,407,174

The notes on pages 86 to 186 are an integral part of these consolidated financial statements.

Consolidated statement of income

(In thousands of EUR)	Notes	31/12/13	31/12/14
I. Interest income	7.1.	6,270,012	5,558,955
II. Interest expense	7.1.	(4,353,139)	(3,507,773)
III. Dividend income	7.2.	50,753	49,418
IV. Net income from associates	7.3.	4,672	1,980
V. Net income from financial instruments at fair value through profit or loss	7.4.	(188,180)	(221,734)
VI. Net income on investments	7.5.	154,562	41,370
VII. Fee and commission income	7.6.	490,945	544,637
VIII. Fee and commission expense	7.6.	(116,396)	(97,516)
IX. Premiums and technical income from insurance activities	6.6.	1,910,832	1,736,252
X. Technical expense from insurance activities	6.6.	(2,314,952)	(2,031,966)
XI. Other net income	7.7.	(74,774)	(2,637)
INCOME		1,834,335	2,070,986
XII. Staff expense	7.8.	(560,411)	(637,295)
XIII. General and administrative expense	7.9.	(478,712)	(440,317)
XIV. Network costs		(293,000)	(284,594)
XV. Depreciation and amortisation	7.10.	(92,049)	(85,581)
EXPENSES		(1,424,172)	(1,447,787)
GROSS OPERATING INCOME		410,163	623,199
XVI. Impairments on loans and provisions for credit commitments	7.11.	108,558	(58,545)
XVII. Impairments on tangible and intangible assets	7.12.	(922)	(4,924)
XVIII. Impairments on goodwill	7.13.	0	0
XIX. Provisions for legal litigations	7.14.	0	0
NET INCOME BEFORE TAX		517,799	559,730
XX. Tax expense	7.15.	(72,703)	(99,849)
NET INCOME AFTER TAX		445,096	459,881
XXI. Discontinued operations (net of tax)		0	0
NET INCOME		445,096	459,881
Attributable to non-controlling interests		98	(1,761)
NET INCOME		444,998	461,642
Attributable to equity holders of the parent			

The notes on pages 86 to 186 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)	31/12/13		
	Before-tax amount	Tax expense	Net-of-tax amount
RESULT RECOGNISED IN THE STATEMENT OF INCOME	517,799	(72,703)	445,096
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Unrealised result of property revaluation	0		0
Remeasurement defined benefit plan	66,881	(22,745)	44,136
TOTAL OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS	66,881	(22,745)	44,136
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Unrealised gains (losses) on available-for-sale financial investments and "frozen" fair value amortisation of financial assets reclassified to Loans and 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
Discretionary participation features of insurance contracts			0
OTHER COMPREHENSIVE INCOME	957,780	(160,933)	796,847
TOTAL COMPREHENSIVE INCOME	1,475,579	(233,636)	1,286,079
NET INCOME			1,287,378
Attributable to equity holders of the parent			
Attributable to non-controlling interests			(1,299)

(In thousands of EUR)	31/12/14		
	Before-tax amount	Tax	Net-of-tax amount
RESULT RECOGNISED IN THE STATEMENT OF INCOME	559,730	(99,849)	459,881
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Unrealised result of property revaluation	(2)		(2)
Remeasurement defined benefit plan	(48,290)	16,414	(31,876)
TOTAL OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS	(48,292)	16,414	(31,878)
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Unrealised gains (losses) on available-for-sale financial investments and "frozen" fair value amortisation of financial assets reclassified to Loans and receivables	1,228,015	(340,016)	887,999
Gains (losses) on cash flow hedges	(13,030)	1,686	(11,344)
Cumulative translation adjustments (CTA)			0
Discretionary participation features of insurance contracts	18,589	(6,243)	12,346
OTHER COMPREHENSIVE INCOME	1,233,574	(338,330)	889,001
TOTAL COMPREHENSIVE INCOME	1,793,304	(438,179)	1,317,004
NET INCOME			1,318,966
Attributable to equity holders of the parent			
Attributable to non-controlling interests			(1,962)

The notes on pages 86 to 186 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)					
AS AT 31 DECEMBER 2012	3,458,066	209,232	3,233,372	0	6,900,670
Movements of the period					
Variation of scope of consolidation	0	0	(2,446)	0	(2,446)
Net income for the period	0	0	0	444,998	444,998
AS AT 31 DECEMBER 2013	3,458,066	209,232	3,230,926	444,998	7,343,222

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 of financial assets reclassified to loans and advances	Derivatives - Cash Flow Hedge (CFH)	Cumulative translation adjustments (CTA)
(In thousands of EUR)				
AS AT 31 DECEMBER 2012	(735,459)	(893,478)	(37,108)	(213)
Movements of the period				
Net change in fair value through equity - Available-for-sale investments	620,311	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
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended	0	79,649	0	0
Net change in fair value through equity - Cash flow hedges	0	0	38,594	0
Net change in cash flow hedge reserve due to transfers to income	0	0	(29)	0
Variation of scope of consolidation	1,645	308	0	(1)
Transfers to technical provisions of insurance companies ⁽¹⁾	45,924	(104)	0	0
Transfers	0	0	0	214
AS AT 31 DECEMBER 2013	(167,603)	(701,877)	1,457	0

(1) Transfer of amounts after tax as a result of the application of Shadow Accounting. A part of the unrealised profits from financial assets available for sale is used as cover value for the payments of the obligations and is therefore transferred to the technical reserves.

The notes on pages 86 to 186 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 and loss		Total gains and losses not recognised in profit and loss – Group share
	Unrealised result of property revaluation	Remeasurement defined benefit plan	

(In thousands of EUR)

AS AT 31 DECEMBER 2012	0	85,707	(1,580,551)
Movements of the period			
Net change in fair value through equity – Available-for-sale investments	0	0	624,677
Transfers to income of available-for-sale reserve amounts due to impairments	0	0	1,783
Transfers to income of available-for-sale reserve amounts due to disposals	0	0	5,575
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended	0	0	79,649
Net change in fair value through equity – Cash flow hedges	0	0	38,594
Net change in cash flow hedge reserve due to transfers to income	0	0	(29)
Variation of scope of consolidation	0	8	1,960
Transfers to technical provisions of insurance companies ⁽¹⁾	0	0	45,820
Provisions booked from/to equity	0	44,136	44,136
Transfers	0	0	214

AS AT 31 DECEMBER 2013	0	129,851	(738,172)
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(1) Transfer of amounts after tax as a result of the application of Shadow Accounting. A part of of unrealised profits from financial assets available for sale is used as cover value for the payments of the obligations and is therefore transferred to the technical reserves.

Non-controlling interests

	Core shareholders' equity	Gains and losses not recognised in the statement of income	Non-controlling interests
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(In thousands of EUR)

AS AT 31 DECEMBER 2012	17,745	1,598	19,343
Movements of the period			
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)
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended		21	21
Other movements	244		244
AS AT 31 DECEMBER 2013	15,695	201	15,896

(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
TOTAL EQUITY AS AT 31 DECEMBER 2013	6,620,946

The notes on pages 86 to 186 are an integral part of these 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)					
AS AT 31 DECEMBER 2013	3,458,066	209,232	3,230,926	444,998	7,343,222
Movements of the period					
Transfers to reserves	0	0	444,998	(444,998)	0
Variation of scope of consolidation	0	0	(197)	0	(197)
Other movements	0	0	(221)	0	(221)
Net income for the period	0	0	0	461,642	461,642
AS AT 31 DECEMBER 2014	3,458,066	209,232	3,675,506	461,642	7,804,446

Gains and losses not recognised in the statement of income	Unrealised result that may be reclassified subsequently to profit and loss				
	Remeasure-ment available-for-sale reserve on securities	Frozen fair value 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	Discretionary participation features of insurance contracts ⁽¹⁾
(In thousands of EUR)					
AS AT 31 DECEMBER 2013	(167,603)	(701,877)	1,457	0	0
Movements of the period					
Net change in fair value through equity – Available-for-sale investments	1,307,350	0	0	21,632	12,346
Transfers to income of available-for-sale reserve amounts due to impairments	399	0	0	94	0
Transfers to income of available-for-sale reserve amounts due to disposals	(29,707)	43,568	0	(1,098)	0
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended	0	10,240	0	1	0
Net change in fair value through equity – Cash flow hedges	0	0	(11,263)	0	0
Net change in cash flow hedge reserve due to transfers to income	0	0	(81)	0	0
Variation of scope of consolidation	331	(130)	0	0	0
Transfers to technical provisions of insurance companies ⁽²⁾⁽³⁾	(444,036)	186	0	(20,629)	0
Provisions booked from/to equity	0	0	0	0	0
Transfers ⁽⁴⁾	(62,558)	62,558	0	0	0
AS AT 31 DECEMBER 2014	604,176	(585,455)	(9,887)	0	12,346

(1) Discretionary beneficiary participation is a contractual, but conditional entitlement to receive additional profits over and above a guaranteed return.

(2) Transfer of amounts after tax as a result of the application of Shadow Accounting. A part of the unrealised profits from financial assets available for sale is used as cover value for the payments of the obligations and is therefore transferred to the technical reserves.

(3) The technical provisions of associates are not included in the consolidated balance sheet.

(4) Belfius has reclassified in 2014, mainly Italian sovereign debt instruments, from "Financial assets available for sale" to "Investments held to maturity" following the change in management intention. We refer to the note 5.8. "Reclassification of financial assets".

The notes on pages 86 to 186 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 and loss		Total gains and losses not recognised in profit and loss – Group share
	Unrealised result of property revaluation	Remeasurement defined benefit plan	
(In thousands of EUR)			
AS AT 31 DECEMBER 2013	0	129,851	(738,172)
Movements of the period			
Net change in fair value through equity – Available-for-sale investments	0	0	1,341,328
Transfers to income of available-for-sale reserve amounts due to impairments	0	0	493
Transfers to income of available-for-sale reserve amounts due to disposals	0	0	12,763
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended	0	0	10,241
Net change in fair value through equity – Cash flow hedges	0	0	(11,263)
Net change in cash flow hedge reserve due to transfers to income	0	0	(81)
Variation of scope of consolidation	0	0	201
Transfers to technical provisions of insurance companies ⁽¹⁾⁽²⁾	0	0	(464,479)
Provisions booked from/to equity	0	(31,876)	(31,876)
Transfers ⁽³⁾	221	0	221
AS AT 31 DECEMBER 2014	221	97,975	119,376

(1) Transfer of amounts after tax as a result of the application of Shadow Accounting. A part of the unrealised profits from financial assets available for sale is used as cover value for the payments of the obligations and is therefore transferred to the technical reserves.

(2) The technical provisions of associates are not included in the consolidated balance sheet.

(3) Belfius has reclassified in 2014, mainly Italian sovereign debt instruments, from "Financial assets available for sale" to "Investments held to maturity" following the change in management intention. We refer to the note 5.8. "Reclassification of financial assets".

Non-controlling interests	Core shareholders' equity	Gains and losses not recognised in the statement of income	Non-controlling interests
(In thousands of EUR)			
AS AT 31 DECEMBER 2013	15,695	201	15,896
Movements of the period			
Dividends	1,742		1,742
Net income for the period	(1,761)		(1,761)
Variation of scope of consolidation	(21,266)	(201)	(21,467)
Other movements	8,365		8,365
AS AT 31 DECEMBER 2014	2,775	0	2,775

(In thousands of EUR)	
Core shareholders' equity	7,804,446
Gains and losses not recognised in the statement of income attributable to equity holders of the parent	119,376
Non-controlling interests	2,775
TOTAL EQUITY AS AT 31 DECEMBER 2014	7,926,597

The notes on pages 86 to 186 are an integral part of these consolidated financial statements.

Equity	31/12/13	31/12/14
BY CATEGORY OF SHARE		
Number of shares issued and fully paid	359,412,616	359,412,616
Number of shares issued and not fully paid	0	0
Earnings per share (EUR)	1.24	1.28
VALUE PER SHARE	no nominal value	no nominal value
Outstanding as at 1 January	359,412,616	359,412,616
Number of shares issued	0	0
Number of shares cancelled	0	0
Outstanding as at 31 December	359,412,616	359,412,616
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital	0	0
Number of treasury shares	0	0
Number of shares reserved for issue under stock options and contracts for the sale of share	0	0

Shared-based payments

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

The notes on pages 86 to 186 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

(In thousands of EUR)	Notes	31/12/13	31/12/14
CASH FLOW FROM OPERATING ACTIVITIES			
Net income after tax		445,096	459,881
Adjustment for:			
Depreciation, amortisation and other impairment		111,060	104,672
Impairment on bonds, equities, loans and other assets		(77,145)	(2,783)
Net gains (or losses) on investments		(53,926)	(80,880)
Charges for provisions (mainly insurance provision)		(89,801)	(275,249)
Unrealised gains (or losses)		45,412	112,724
Income from associates		(4,672)	(1,980)
Dividends from associates		3,782	3,007
Deferred taxes		38,366	64,118
Changes in operating assets and liabilities		(3,359,855)	9,688,997
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		(2,941,683)	10,072,507
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(207,851)	(171,360)
Sales of fixed assets		237,369	211,397
Acquisitions of unconsolidated equity shares		(501,862)	(435,335)
Sale of unconsolidated equity shares		349,754	383,396
Acquisitions of subsidiaries and of business units		(9,518)	(8,489)
Sale of subsidiaries and of business units		0	51
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		(132,108)	(20,340)
CASH FLOW FROM FINANCING ACTIVITIES			
Reimbursement of capital		0	(10,542)
Issuance of subordinated debts		72,000	0
Reimbursement of subordinated debts		(126,958)	(35,000)
Dividends paid		(518)	(8)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		(55,476)	(45,550)
NET CASH PROVIDED		(3,129,267)	10,006,617
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5.1.	7,149,201	4,018,659
Cash flow from operating activities		(2,941,683)	10,072,507
Cash flow from investing activities		(132,108)	(20,340)
Cash flow from financing activities		(55,476)	(45,550)
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents		(1,275)	0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5.1.	4,018,659	14,025,276
ADDITIONAL INFORMATION			
Income tax paid		(29,289)	(8,069)
Dividends received		54,535	52,425
Interest received		6,693,659	5,842,833
Interest paid		(5,150,473)	(4,046,016)

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

The notes on pages 86 to 186 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

II. Post-balance-sheet events

1. Decrease funding given to Dexia Group

As at 31 December 2013, Belfius financed Dexia Crédit Local for EUR 13.4 billion through government bonds guaranteed by the Belgian, French and Luxembourg governments. In the course of December 2014 Dexia repaid already 2.9 billion, resulting in a decrease of the financing of Dexia to EUR 10.6 billion, of which 10.5 billion is guaranteed by the governments.

The financing risk on Dexia decreased further in the beginning of 2015 to an amount less than EUR 0.1 billion.

2. Reclassification of an additional EUR 1 billion bonds from "Available for sale (AFS)" to "Held to maturity (HTM)"

On January 1, 2015, Belfius Bank decided to reclassify an additional EUR 1 billion bonds from "Available for sale (AFS)" to "Held to maturity (HTM)". It concerns mainly bonds issued by the Belgian and French governments.

III. Accounting principles on a consolidated basis

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Notes to the financial statements

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

The common used abbreviations below are:

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

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

The financial statements have been approved by the Board of Directors of Belfius on 9 March 2015.

Accounting policies

1. Basis of accounting

1.1. General

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

The financial statements of Belfius have therefore been prepared "in accordance with all IFRS as adopted by the EU" and endorsed by the European Commission up to 31 December 2014 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 6.11.);
- determination of fair value for financial instruments measured at fair value by means of valuation techniques (see section 6.11.);
- determination on whether Belfius (jointly) controls the investee or has significant influence over the investee; this control assessment considers all facts and circumstances, such as voting rights, potential voting rights, rights of the investor, type of activity (see section 3.);
- identification of non-current assets and disposal groups held for sale and discontinued operations (IFRS 5) (see section 14.);
- the appropriateness of designating derivatives as hedging instruments (see section 6.7.);
- existence of a present obligation with probable outflows in the context of litigations (see section 18.);
- identification of impairment triggers (see section 6.6.);

- classification of a financial instrument or its component parts as a financial liability or equity is based on the economic substance rather than the legal form of the instrument or its component (see section 6.9.).

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 6.6. 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 6.11.);
- measurement of liabilities for insurance contracts (see section 9.);
- the measurement of hedge effectiveness in hedging relations (see section 6.7.2. and 6.7.);
- actuarial assumptions related to the measurement of employee benefits obligations and plan assets (see section 17. and note 6.7.);
- 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 2014.

2.1. IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 2014

Standards with impact for Belfius

- "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. Belfius applies this transition guidance together with the application of the consolidation standards (IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28). IFRS 10 "Consolidated Financial Statements" defines control, the accounting implications of the new definition of control and introduces the notion of investment entity. The new definition of control has no impact on the consolidation perimeter and consolidation procedures. The introduction of IFRS 11 "Joint Arrangements" has no impact on the annual accounts because the equity method was already applied. IFRS 12 "Disclosure of Interests in Other Entities" centralises the disclosure requirements applicable for subsidiaries, associates, jointly controlled entities and structured entities that are not consolidated. IFRS 12 has expanded the information requirements, but has no impact on the financial position and/or the income statement.

Standards with no impact for Belfius

- "Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)": these amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Disclosure requirements for investment entities are also introduced into IFRS 12 and amend IAS 27. These amendments have no impact for Belfius.
- Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" allows 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 has no direct impact for Belfius.
- 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 has no direct impact for Belfius.
- Amendments to IAS 32 "Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities" clarify the application of the offsetting rules of financial instruments and remove certain aspects of diversity in application. This amendment has no immediate impact for Belfius.

2.2. IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from 1 January 2014

Standards with impact for Belfius

- IFRIC 21 "Levies" provides guidance on accounting for levies in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. This amendment will be applicable as from 1 January 2015 and will impact the accounting of bank levies.

Standards with no impact for Belfius

- 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 2016 and will have no direct impact for 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. They have no impact for 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.

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

Standards under analysis

- IFRS 9 "Financial Instruments" brings together all aspects of accounting for financial instruments: classification and measurement, impairment and micro hedge accounting. IFRS 9 also introduces a package of improved disclosures. IFRS 9 will be effective from 1 January 2018 and will impact Belfius.
- IFRS 15 "Revenue from Contracts with Customers" sets out the requirements for recognising revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 will be effective from 1 January 2017 and will impact Belfius.

Standards with no impact for Belfius

- Amendments to "IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". This amendment clarifies the profit & loss impact of a sale of a subsidiary that is not a business to an associate or joint venture. This amendment will be effective from 1 January 2016 and has no impact for Belfius.
- Amendments to "IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation" prohibit the use of revenue based depreciation methods. This amendment will be effective from 1 January 2016 and has no impact for Belfius.
- Amendment to "IFRS 11: Accounting for Acquisitions of Interests in Joint Operations". This amendment requires an investor to apply the principles of business combination accounting when acquiring an interest in a joint operation that constitutes a business. This amendment will be effective from 1 January 2016 and has no impact for Belfius.
- "Annual Improvements to IFRSs: 2012-2014 Cycle", which are a collection of amendments to existing International Financial Reporting Standards. These amendments are effective as from 1 January 2016 and will have no impact for Belfius.
- "Investment Entities: Applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)": these amendments address three issues arising in practice in the application of the investment entities consolidation exception. These amendments have no impact for Belfius.
- "Amendments to IAS 1 Presentation of Financial Statements". This amendment is part of the IFRS Disclosure Initiative and includes narrow-focus improvements in the following areas: materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. This amendment will be effective from 1 January 2016 and has no immediate impact for Belfius.

Standards not applicable for Belfius

- IFRS 14 "Regulatory Deferral Accounts" introduces an option for entities that are first-time adopters of IFRS to continue to account for balances arising from rate regulated activities. IFRS 14 will be effective from 1 January 2016.

- Amendments to “IAS 27: Equity Method in Separate Financial Statements”. This amendment restores the option to account for interests in subsidiaries, joint ventures and associates using the equity method in the separate financial statements. This amendment will be effective from 1 January 2016.
- Amendments to “IAS 16 and IAS 41: Bearer Plants” refer to the accounting of living plants, which are part of the scope of IAS 16 but excluded from IAS 41. The amendments will be effective from 1 January 2016.

2.4. Changes in presentation

No changes.

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 which Belfius has control. Belfius controls an entity when Belfius is exposed or has rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the entity.

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 and associates

A joint venture (JV) is a joint arrangement whereby the parties have joint control of the arrangement. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint ventures are accounted for via the equity method.

Associates are investments in which Belfius has significant influence, but does not exercise control. This is usually the case when Belfius owns between 20% and 50% of the voting rights. Investments in associates are initially measured at cost and accounted for using the equity method.

Following the equity method, the ownership share of net income for the year is recognised as income of joint ventures and associates, whereas the share in other comprehensive income of joint ventures and associates is carried on a separate line of the statement of comprehensive income 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 joint ventures and associates is discontinued when the carrying amount of the investment reaches zero, unless Belfius has incurred or guaranteed legal or constructive obligations on behalf of the associate or joint venture. Where necessary, the accounting policies of the joint ventures and associates are aligned to ensure consistency with the policies adopted by Belfius.

3.4. Structured entities

A structured entity is an entity whose activities are not governed by way of voting rights. These entities generally finance the purchase of assets by issuing debt and equity securities that are collateralised by assets held by the structured entities. The debt and equity securities issued by the structured entities may include tranches with varying levels of subordination. In assessing whether Belfius has power over such investees in which it has an interest, Belfius considers factors such as the purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee and the size of its exposure to the variability of returns of the investee.

4. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset (and, consequently, 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. Investments 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. Financial assets 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 financial assets 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 financial assets available for sale at fair value (cf. 6.11. 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 "Net income on investments".

6.5. Financial instruments measured at fair value through profit or loss (derivatives excluded)

6.5.1. 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".

6.5.2. 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 6.5.1. Financial instruments held for trading apply to this category.

6.6. 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.

6.6.1. 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.

6.6.2. Reclassified financial assets

In specific 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.

6.6.3. Financial assets available for sale

Belfius recognises the impairment of financial assets available for sale 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 6.6.1.).

Accounting treatment of the impairment

When financial assets available for sale 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.

6.6.4. 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 considers loan commitments as impaired if the credit worthiness of the client has deteriorated to such an extent that the repayment of the loan to be granted under the loan commitment and associated interest payments have become doubtful.

6.7. Derivatives

6.7.1. 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.

6.7.2. 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.

6.8. 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 financial assets available for sale..

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”.

6.9. 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.

Belfius classifies the instruments or its components, on initial recognition, as a financial liability or an equity instrument in accordance with the economic substance rather than the legal form. If applicable, further details on the applicable judgements are described in the corresponding notes.

6.10. 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.

6.11. 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:

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

a) 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.

b) 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 back testing 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.

6.11.2. 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.

6.11.3. 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.

6.12. Day one profit or loss

The day one profit or loss is applicable to all financial instruments measured at fair value through profit or loss.

The day one profit or loss is the difference between:

- the transaction price and the quoted market price; in cases where the financial instrument is quoted; or
- the transaction price and the fair value determined by using a valuation technique, (mark-to-model) in cases where the instrument is not quoted.

If the main parameters of the model are observable and if 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 measured at fair value through P&L.

The interest results of derivatives used in economic hedge relationships 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. Performance fees are recognised when all underlying conditions are met and thus acquired.

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.

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 DPF, also come under this field of application.

The rules for deposit accounting apply for financial instruments where there is no discretionary participation feature, as well as for unit-linked (branch 23 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 staff is not within the scope of IFRS 4, but instead is dealt with 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 for the low interest rate risk and other factors that have an important impact on the adequacy of the technical 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, plans to allocate 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

If the realisation of unrealised profits from financial assets available for sale entered under equity capital has an immediate effect on the valuation of the technical provisions, shadow accounting offers a solution through the partial transfer of unrealised investment results from other comprehensive income to technical provisions.

First and foremost, Belfius Insurance applies shadow accounting if the statutory or contractual conditions in the insurance policies state that the realisation of recorded but unrealised profits on clearly defined assets belonging to the insurer has a direct effect on the valuation of the corresponding insurance 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 assets available for sale that exist with respect to technical provisions.

9.2.3. Liability Adequacy Test - LAT

At the end of each reporting period, Belfius Insurance conducts liability adequacy tests on its technical provisions. If these additional tests indicate that the book 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.

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 (a) internally generated and (b) acquired software. The costs associated with maintaining computer software programmes are recognised as expense as incurred. However, expenditure that enhances or extends the benefits of computer software programs 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;
 - fair value of the acquirer's previously held equity interest in the acquiree (if any);
- and 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 assets available for sale 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 and financial assumptions such as the inflation rate and 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 6.6.

Unless the possibility of an outflow of resources embodying economic benefits is remote, a contingent liability is disclosed.

19. Share capital

19.1. 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 that is engaged either in providing products or services (business segment). The segmentation of Belfius is the following:

- Franchise
 - Retail & Commercial Business (RCB) including banking and insurance activity for this segment
 - Public & Wholesale Business (PWB) including banking and insurance activity for this segment
 - Group Center (GC) includes ALM activities as well as Treasury, collateral and client flow management
- Side
 - Includes the legacy portfolio and transactions with former related parties

As from 2014, a new methodology is used for the capital and the funding cost allocated to each business line.

In addition, the results of Belfius Insurance are now allocated to the business lines (RCB, PWB and Group Center).

The figures 2013 have been restated to comply with this new method and to create a comparative basis.

1. Segmentation - Balance sheet

The assets and liabilities of Belfius Insurance have been allocated to the Franchise.

The balance sheet of Side is composed of the legacy portfolio and the assets and liabilities with former related parties.

	31/12/13	
	Assets	Liabilities and Equity
(In thousands of EUR)		
Retail and Commercial Business	53,197,765	80,729,574
Public and Wholesale Business	42,769,561	20,088,166
Group Center	32,570,672	44,598,386
FRANCHISE	128,537,998	145,416,127
SIDE	54,239,424	37,361,295
TOTAL	182,777,422	182,777,422

	31/12/14	
	Assets	Liabilities and Equity
(In thousands of EUR)		
Retail and Commercial Business	55,054,695	80,894,391
Public and Wholesale Business	41,901,041	22,088,389
Group Center	37,797,419	55,629,057
FRANCHISE	134,753,154	158,611,837
SIDE	59,654,020	35,795,337
TOTAL	194,407,174	194,407,174

2. Segmentation – Profit and loss

	31/12/13					
	Income	o/w net income from associates	o/w net interest income & dividend income	Net income before tax	Tax & other	Net income – Group share
(In thousands of EUR)						
Retail and Commercial Business	1,642,586	2,568	1,606,097	400,417	(76,830)	323,587
Public and Wholesale Business	348,334	789	387,978	137,334	(56,598)	80,736
Group Center	(32,251)	1,316	(99,204)	(45,554)	103,596	58,042
FRANCHISE	1,958,668	4,672	1,894,871	492,197	(29,832)	462,365
SIDE	(124,334)	0	72,754	25,602	(42,969)	(17,367)
TOTAL	1,834,335	4,672	1,967,626	517,799	(72,801)	444,998

	31/12/14					
	Income	o/w net income from associates	o/w net interest income & dividend income	Net income before tax	Tax & other	Net income – Group share
(In thousands of EUR)						
Retail and Commercial Business	1,765,647	2,521	1,568,805	600,088	(179,093)	420,995
Public and Wholesale Business	392,461	(447)	399,088	160,954	(52,416)	108,537
Group Center	62,626	(95)	55,087	(46,443)	96,502	50,060
FRANCHISE	2,220,725	1,980	2,022,980	714,599	(135,007)	579,592
SIDE	(149,740)	0	77,619	(154,870)	36,919	(117,950)
TOTAL	2,070,986	1,980	2,100,600	559,729	(98,088)	461,642

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)	31/12/13	31/12/14
Cash and balances with central banks other than mandatory reserves	561,721	501,099
Mandatory reserves with central banks ⁽¹⁾	883,865	1,911,700
Loans and advances due from banks ⁽²⁾	1,499,281	10,837,104
Financial assets available for sale	1,073,792	775,373
TOTAL	4,018,659	14,025,276

(1) The "Mandatory reserves" include the minimum reserve deposits that credit institutions have with European Central Bank or with other central banks.

(2) The Government Guaranteed Bonds (GGBs), on the balance sheet end 2014, had a remaining maturity of less than 90 days and were repaid beginning of 2015 by Dexia Crédit Local.

5.2. Cash and balances with central banks

Analysis by nature

(In thousands of EUR)	31/12/13	31/12/14
Cash in hand	519,100	498,833
Balances with central banks other than mandatory reserve deposits	42,621	2,265
Mandatory reserve deposits	883,995	1,911,757
TOTAL	1,445,716	2,412,855
<i>Of which included in cash and cash equivalents</i>	<i>1,445,586</i>	<i>2,412,799</i>

5.3. Loans and advances due from banks

1. Analysis by nature

(In thousands of EUR)	31/12/13	31/12/14
Cash collateral	14,769,114	19,668,352
Sight accounts	519,959	439,886
Reverse repurchase agreements	855,618	236,939
Loans and other advances	273,404	274,655
Bonds	13,702,662	10,448,143
Impaired loans	13,037	0
Impaired bonds	6,419	0
Less:		
Specific impairment on impaired loans or impaired bonds	(11,456)	0
Collective impairment	(5,048)	(9,201)
TOTAL⁽¹⁾	30,123,709	31,058,774
<i>Of which included in cash and cash equivalents⁽²⁾</i>	<i>1,499,281</i>	<i>10,837,104</i>
<i>Of which included in financial lease</i>	<i>0</i>	<i>51,877</i>

(1) Loans and advances to credit institutions increased mainly due to an increase in the cash collateral following the impact of the low interest rates on the fair value of the derivatives. This increase was partially offset by the decrease of the bond portfolio as EUR 2.9 billion Government Guaranteed Bonds (GGBs) came to maturity in 2014.

(2) In the beginning of 2015 Dexia Crédit Local repaid the remaining of the Government Guaranteed Bonds (GGBs).

2. Analysis of quality

See note 5.17.

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

See note 5.8.

5.4. Loans and advances to customers

1. Analysis by counterparty

(In thousands of EUR)	31/12/13 ⁽¹⁾	31/12/14
Public entities	26,311,676	27,290,104
Corporate & SME	31,673,234	30,209,573
Households	29,126,549	29,090,785
Impaired loans	2,056,528	2,015,525
Impaired bonds	50,174	49,458
Less:		
Specific impairment on impaired loans or impaired bonds	(1,129,543)	(1,156,319)
Collective impairment	(367,056)	(341,137)
TOTAL	87,721,562	87,157,989

(1) The amounts of 2013 were revised as Belfius opted for the new "FINREP" definition of the counterparties. These definitions are based on the "ECB BSI Regulation" or "ECB/2008/32". Note that the typology is different from the analytical segmentation used within Belfius for management reporting.

2. Analysis by nature

(In thousands of EUR)	31/12/13	31/12/14
Cash collateral	1,378,126	1,640,172
Reverse repurchase agreements	395,578	185,499
Loans and other advances	77,991,416	78,107,620
Of which bills and own acceptances	22,616	14,893
Of which finance lease	2,963,226	2,955,471
Of which consumer loans	1,380,610	1,416,933
Of which mortgage loans ⁽¹⁾	25,631,177	26,074,062
Of which term loans ⁽²⁾	44,457,275	44,101,607
Of which current accounts	2,080,357	2,006,221
Of which other loans and advances	1,456,155	1,538,433
Bonds	7,346,339	6,657,171
Impaired loans	2,056,528	2,015,525
Impaired bonds	50,174	49,458
Less:		
Specific impairment on impaired loans or impaired bonds	(1,129,543)	(1,156,319)
Collective impairment	(367,056)	(341,137)
TOTAL	87,721,562	87,157,989

(1) In 2013 an amount of EUR 10.2 billion "mortgage loans" was securitised and in 2014 an amount of EUR 7.2 billion. This decrease is due to prepayments.

(2) In 2013 an amount of EUR 7.3 billion "term loans" was securitised and in 2014 an amount of EUR 7.6 billion.

3. Analysis of quality

See note 5.17.

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

See note 5.8.

5.5. Investments held to maturity

1. Analysis by counterparty

(In thousands of EUR)	31/12/13	31/12/14
Public entities	0	2,185,576
Banks	0	648,955
Less:		
Specific impairment on impaired financial instruments	0	0
TOTAL	0	2,834,531

Belfius has reclassified in 2014 debt instruments from "Financial assets available for sale" to "Investments held to maturity". It

concerned mainly Italian sovereign debt instruments. This reclassification was performed following IAS 39.54 following the change in management intention for this portfolio.

2. Analysis of quality

See note 5.17.

3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

4. Analysis by nature

(In thousands of EUR)	31/12/13	31/12/14
Bonds issued by public sector	0	2,185,576
Other bonds and fixed-income instruments	0	648,955
TOTAL	0	2,834,531

5. Analysis of the fair value

See note 9.1.

6. Reclassification of financial assets

See note 5.8.

5.6. Financial assets measured at fair value through profit or loss

(In thousands of EUR)	31/12/13	31/12/14
Financial assets held for trading	1,592,643	2,025,733
Financial assets designated at fair value ⁽¹⁾	3,919,590	4,074,435
TOTAL	5,512,233	6,100,168

(1) Mainly "branch 23".

FINANCIAL ASSETS HELD FOR TRADING

1. Analysis by counterparty

(In thousands of EUR)	31/12/13 ⁽¹⁾	31/12/14
Public entities	237,262	577,828
Banks	32,215	78,277
Corporate & SME	1,323,166	1,369,628
TOTAL	1,592,643	2,025,733

(1) The amounts of 2013 were revised as Belfius opted for the new "FINREP" definition of the counterparties. These definitions are based on the "ECB BSI Regulation" or "ECB/2008/32". Note that the typology is different from the analytical segmentation used within Belfius for management reporting.

2. Analysis by nature

(In thousands of EUR)	31/12/13	31/12/14
Loans	4,279	0
Bonds issued by public sector	234,386	575,858
Other bonds and fixed-income instruments	1,344,917	1,422,727
Equity and variable-income instruments	9,061	27,148
TOTAL	1,592,643	2,025,733

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

See note 5.8.

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE

1. Analysis by counterparty

(In thousands of EUR)	31/12/13	31/12/14
Public entities	29,972	29,450
Banks	8,912	7,089
Corporate & SME	3,880,705	4,037,896
TOTAL	3,919,589	4,074,435

For "branch 23" transactions, the amounts reflected in this table are the underlying assets rather than the counterparty of the "branch 23" instrument.

2. Analysis by nature

(In thousands of EUR)	31/12/13	31/12/14
Loans	272,459	0
Unit-linked products Insurance - bonds and loans	894,997	1,105,325
Unit-linked products Insurance - equity and variable-income instruments	2,752,134	2,969,110
TOTAL	3,919,590	4,074,435

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.

The category "Financial assets designated at fair value through profit or loss" is used in the following situations:

- for the insurance activities: mainly (unit-linked contracts) "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.

5.7. Financial assets available for sale

1. Analysis by counterparty

(In thousands of EUR)	31/12/13 ⁽¹⁾	31/12/14
Public entities	15,710,503	15,009,881
Banks	4,742,491	5,450,751
Corporate & SME	7,536,807	4,551,799
Households	1,514	655
Impaired financial investments	162,100	142,586
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	28,153,415	25,155,672
Less:		
Specific impairment on impaired financial investments	(79,264)	(68,670)
TOTAL⁽²⁾	28,074,151	25,087,002
Of which included in cash and cash equivalents	1,073,792	775,373

(1) The amounts of 2013 were revised as Belfius opted for the new "FINREP" definition of the counterparties. These definitions are based on the "ECB BSI Regulation" or "ECB/2008/32". Note that the typology is different from the analytical segmentation used within Belfius for management reporting.

(2) This decrease is mainly linked to the reclassification to "Investments held to maturity" and the further tactical de-risking of the "Side" portfolio

2. Analysis of quality

See note 5.17.

3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

4. Analysis by nature

(In thousands of EUR)	31/12/13	31/12/14
Bonds issued by public bodies	15,630,258	15,106,295
Other bonds and fixed-income instruments	11,185,001	8,518,884
Equity and variable-income instruments	1,338,156	1,530,493
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	28,153,415	25,155,672
Specific impairment on impaired financial investments	(79,264)	(68,670)
TOTAL	28,074,151	25,087,002

5. Analysis of the fair value

See note 9.1.

6. Reclassification of financial assets

See note 5.8.

5.8. Reclassification of financial assets

(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)

(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 2014 (A)	123,761	5,384,819
Fair value As at 31 December 2014 (B)	120,619	3,423,788
CUMULATED AMOUNT BEFORE TAXES NOT TAKEN IN INCOME (1) DUE TO RECLASSIFICATION (B) - (A)	(3,142)	n.a.
CUMULATED AMOUNT BEFORE TAXES NOT TAKEN IN AFS RESERVE (2) DUE TO RECLASSIFICATION (B) - (A)	n.a.	(1,961,031)

1. Reclassification of financial assets under IAS 39 amended

Belfius 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 derisking 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 reclassified, EUR 2.8 billion from "Held for trading" to "Loans and receivables". A mere EUR 124 million reclassified bonds remain end 2014.

The impact of this amortisation in the interest margin amounts to EUR 1.9 million in 2013 and EUR 0.6 million in 2014.

There are no new impaired bonds in 2013 and 2014.

B. Transfer from "Available for sale (AFS)" to "Loans and receivables (L&R)"

Belfius had also reclassified a significant portfolio from "Available-for-sale portfolio" to "Loans and receivables" for a total amount of EUR 16.3 billion in 2008 and 2009. End 2014, a portfolio of EUR 5.4 billion remains.

There are no new impaired bonds in 2013 en 2014

A reclassification from "Available for sale" to "Loans and advances" does not generate a P&L impact due to the amortisation of the premium/discount which was created at the moment of the reclassification, as a compensating amortisation can be noted for the "frozen AFS reserve".

2. Reclassification of financial assets following a change in intention

Transfer from "Available for sale (AFS)" to "Held to maturity (HTM)"

In 2014 Belfius reclassified, EUR 2.8 billion from "Available for sale portfolio (AFS)" to "Held to maturity (HTM)". This reclassification resulted in a "frozen fair value of reclassified financial assets" of EUR 40.5 million. Belfius applied IAS 39.54 following the change in intent of the management for this portfolio.

5.9. Derivatives

1. Analysis by nature

(In thousands of EUR)	31/12/13		31/12/14	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	20,852,309	20,788,208	27,738,981	27,190,999
Derivatives designated as fair value hedges	10,362	203,118	56,525	213,365
Derivatives designated as cash flow hedges	0	1,115	854	12,869
Derivatives designated as portfolio hedge	2,327,509	7,609,602	3,333,722	10,748,155
TOTAL	23,190,180	28,602,043	31,130,082	38,165,388

Despite the decrease in notional amount of the derivatives, an increase in fair value can be noted. This increase is due to the low interest rate environment.

2. Detail of derivatives held for trading

(In thousands of EUR)	31/12/13				31/12/14			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	23,477,302	23,660,547	1,192,528	1,418,129	22,031,769	22,164,652	1,343,938	1,420,374
Interest rate derivatives	557,492,518	576,272,803	18,742,676	18,641,005	483,706,914	500,003,787	25,930,716	25,281,666
<i>of which option/cap/floor/collar/swaption</i>	201,492,007	216,851,811	2,205,510	2,509,335	202,206,095	219,517,938	3,829,681	4,263,658
<i>of which interest rate swaps</i>	328,408,365	328,651,191	16,535,508	16,129,651	257,623,238	257,717,686	22,082,635	21,000,961
<i>of which other interest rate</i>	27,592,146	30,769,801	1,658	2,019	23,877,581	22,768,163	18,400	17,047
Credit derivatives	7,040,169	6,749,033	769,201	622,418	7,407,270	6,850,955	342,245	411,515
Equity derivatives	2,195,276	2,433,444	147,904	106,656	1,948,932	2,040,401	122,082	77,444
TOTAL	590,205,265	609,115,827	20,852,309	20,788,208	515,094,885	531,059,795	27,738,981	27,190,999

The derivatives position of Belfius originated partially from the fact that Belfius was the competence center for the derivatives within the Dexia Group. These derivatives were perfectly hedged externally for market risk.

The strategy of Belfius is to mitigate as much as possible the market risks of its derivatives. We refer to the note 9.5. Market risk and ALM.

In 2014, there was an important decrease of the notional amount of the derivatives.

3. Detail of derivatives designated as fair value hedges

(In thousands of EUR)	31/12/13				31/12/14			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	535,197	529,892	0	114,066	572,419	535,903	0	179,375
Interest rate derivatives	1,446,774	880,919	10,362	89,052	711,397	249,955	56,525	33,990
TOTAL	1,981,971	1,410,811	10,362	203,118	1,283,816	785,858	56,525	213,365

4. Detail of derivatives of portfolio hedge⁽¹⁾

(In thousands of EUR)	31/12/13				31/12/14			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	83,583,699	83,583,699	2,327,509	7,609,602	81,254,143	81,254,143	3,333,722	10,748,155
TOTAL	83,583,699	83,583,699	2,327,509	7,609,602	81,254,143	81,254,143	3,333,722	10,748,155

(1) Concerns mainly interest rate swaps and is used only in fair-value hedge strategy.

5.10. Investments in associates

1. Carrying value

(In thousands of EUR)	2013	2014
CARRYING VALUE AS AT 1 JANUARY	92,872	169,487
Acquisitions ⁽¹⁾	68,935	0
Disposals ⁽²⁾	0	(22,050)
Change in scope of consolidation (in)	6,790	0
Share of result before tax	5,261	3,011
Share of tax	(589)	(1,031)
Dividend paid	(3,782)	(3,007)
Share of gains and losses not recognised in the income statement	0	20,697
Transfers to technical provisions of insurance companies ⁽³⁾	0	(20,628)
Other movements	0	15
CARRYING VALUE AS AT 31 DECEMBER	169,487	146,494

(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) In 2014, Promotion Léopold SA was sold and a capital reduction was implemented at Ecetia Finances SA.

(3) The technical provisions of associates are not included in the consolidated balance sheet.

2. List of associates

(In thousands of EUR)	Book value		Website
	31/12/13	31/12/14	
Ecetia Finances SA ⁽¹⁾	63,515	40,839	www.ecetia.be
North Light SA ⁽²⁾	33,775	31,659	
Pole Star SA ⁽²⁾	33,340	33,555	
TEB Participations SA	13,847	13,901	www.ecetia.be
Aviabel SA	8,618	8,348	www.aviabel.com
Auxipar SA	3,638	5,395	
Isabel SA	4,065	4,841	www.isabel.eu
Sepia SA	3,980	3,975	
Erasmus Garden SA	2,236	2,051	
Société Espace Léopold SA	1,992	1,930	
Promotion Léopold SA ⁽¹⁾	481	0	
TOTAL	169,487	146,494	

(1) In 2014, Promotion Léopold SA was sold and a capital reduction was implemented at Ecetia Finances SA.

(2) 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.

3. Financial information of the joint arrangements and associates evaluated through the equity method

(In thousands of EUR)	Assets	Liabilities	Equity	Net income	%	Annual report, as at
ASSOCIATES						
Aviabel SA ⁽¹⁾	141,070	102,730	38,341	3,401	20.00%	31/12/13
Auxipar SA	58,008	48,558	9,450	4,087	39.70%	31/12/13
Isabel SA	24,923	7,783	17,139	4,981	24.00%	31/12/13
TEB Participations SA	66,947	3,245	63,703	3,343	20.57%	31/12/13
Ecetia Finances SA ⁽²⁾	227,360	83,122	144,238	5,796	27.99%	31/12/13
JOINT VENTURES						
Sepia SA ⁽³⁾	333,024	324,349	8,675	433	50.00%	31/12/13
Pole Star SA	96,427	92,819	3,608	69	60.00%	31/12/13
North Light SA	73,860	70,975	2,886	(508)	60.00%	31/12/13
Société Espace Léopold SA	3,605	199	3,406	(252)	50.00%	31/12/13
Erasmus Garden SA	18,578	15,590	2,987	(566)	50.00%	31/12/13

(1) The main items on the asset side are the investments by the insurance company for an amount of EUR 100.7 million. The main items on the liability side are the technical provisions for an amount of EUR 87.7 million.

(2) The main items on the asset side are the financial fixed assets for an amount of EUR 122.3 million and the available assets for an amount of EUR 74.8 million. The main items on the liability side are the short term debts for an amount of EUR 83.1 million.

(3) The main items on the asset side are the investments of the insurance company for an amount of EUR 302.2 million. The main items on the liability side are the technical provisions for an amount of EUR 311.0 million.

5.11. Tangible fixed assets

1. Net book value

(In thousands of EUR)	Land and buildings		Office furniture and other equipment		Investment property	Total
	Own use owner	Own use finance lease	Own use owner	Own use finance lease		
ACQUISITION COST						
AS AT 1 JANUARY 2013	1,927,710	2,507	401,426	17	417,902	2,749,562
Acquisitions ⁽¹⁾	117,715	0	6,537	0	36,627	160,879
Subsequent expenditures	9,922	0	0	0	6,475	16,397
Post-acquisition adjustments	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)
ACQUISITION COST AS AT 31 DECEMBER 2013 (A)	1,834,152	2,507	400,556	17	456,966	2,694,198
ACCUMULATED AMORTISATION AND IMPAIRMENT						
AS AT 1 JANUARY 2013	(913,509)	(192)	(303,054)	(16)	(52,520)	(1,269,291)
Booked	(29,128)	(2,198)	(21,400)	(1)	(18,090)	(70,817)
Impairment: booked ⁽²⁾	(922)	0	0	0	0	(922)
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
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2013 (B)	(922,119)	(2,390)	(317,330)	(17)	(60,635)	(1,302,491)
NET BOOK VALUE AS AT 31 DECEMBER 2013 (A)+(B)	912,033	117	83,226	0	396,331	1,391,707

(1) The acquisitions include mainly leasing contracts for the construction of property. The disposals include the delivery of these leasing contracts.

(2) For more information regarding this impairment, see disclosure 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	Own use finance lease	Own use owner	Own use finance lease		
ACQUISITION COST AS AT 1 JANUARY 2014	1,834,152	2,507	400,556	17	456,966	2,694,198
Acquisitions ⁽¹⁾	113,370	0	4,635	0	8,276	126,281
Subsequent expenditures	8,050	0	0	0	5,746	13,796
Post-acquisition adjustments	0	0	0	0	2,437	2,437
Disposals	(237,521)	0	(190)	0	(3,586)	(241,297)
Change in scope of consolidation (in)	0	0	0	0	11,337	11,337
Transfers and cancellations	4,069	0	(16,554)	0	(6,052)	(18,537)
Other movements	362	0	0	0	(370)	(8)
ACQUISITION COST AS AT 31 DECEMBER 2014 (A)	1,722,482	2,507	388,447	17	474,754	2,588,207
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2014	(922,119)	(2,390)	(317,330)	(17)	(60,635)	(1,302,491)
Booked	(29,806)	(2)	(19,274)	0	(18,826)	(67,908)
Impairment: booked ⁽²⁾	(405)	0	0	0	0	(405)
Write-back ⁽²⁾	140	0	0	0	0	140
Disposals	65,743	0	134	0	540	66,417
Change in scope of consolidation (in)	0	0	0	0	(2,379)	(2,379)
Transfers and cancellations	(10,144)	0	16,554	0	9,324	15,734
Other movements	(395)	0	0	0	260	(135)
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2014 (B)	(896,986)	(2,392)	(319,916)	(17)	(71,716)	(1,291,027)
NET BOOK VALUE AS AT 31 DECEMBER 2014 (A)+(B)	825,496	115	68,531	0	403,038	1,297,180

(1) The acquisitions include mainly leasing contracts for the construction of property. The disposals include the delivery of these leasing contracts. Belfius Insurance sold the building "Ommegang" in 2014.

(2) For more information regarding this impairment, see disclosure 7.12. "Impairment on tangible and intangible assets".

2. Fair value of investment property

(In thousands of EUR)	31/12/13	31/12/14
TOTAL	430,520	436,985
Fair value subject to an independent valuation	286,382	295,315
Fair value not subject to an independent valuation	144,138	141,670

5.12. Intangible assets and goodwill

(In thousands of EUR)	Positive goodwill ⁽¹⁾	Internally developed software	Other intangible assets ⁽²⁾	Total
ACQUISITION COST AS AT 1 JANUARY 2013	129,886	277,669	73,174	480,729
Acquisitions	0	26,638	3,916	30,554
Disposals	0	(746)	(3,125)	(3,871)
Transfers and cancellations	0	(20,446)	(96)	(20,542)
ACQUISITION COST AS AT 31 DECEMBER 2013 (A)	129,886	283,115	73,869	486,870
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2013	(25,920)	(189,686)	(55,329)	(270,935)
Booked	0	(32,467)	(6,854)	(39,321)
Disposals	0	47	1,844	1,891
Transfers and cancellations	0	20,446	96	20,542
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2013 (B)	(25,920)	(201,660)	(60,243)	(287,823)
NET BOOK VALUE AS AT 31 DECEMBER 2013 (A)+(B)	103,966	81,455	13,626	199,047

(1) Positive goodwill relates to the goodwill on Belfius Insurance. We refer to disclosure 7.13. "Impairment on goodwill".

(2) Other intangible assets include mainly purchased software for EUR 13.4 million in 2013.

(In thousands of EUR)	Positive goodwill ⁽¹⁾	Internally developed software	Other intangible assets ⁽²⁾	Total
ACQUISITION COST AS AT 1 JANUARY 2014	129,886	283,115	73,869	486,870
Acquisitions	0	25,902	5,381	31,283
Disposals	0	(116)	0	(116)
Transfers and cancellations	0	(21,072)	(1)	(21,073)
ACQUISITION COST AS AT 31 DECEMBER 2014 (A)	129,886	287,829	79,249	496,964
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2014	(25,920)	(201,660)	(60,243)	(287,823)
Booked	0	(30,738)	(5,761)	(36,499)
Transfers and cancellations	0	21,072	1	21,073
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2014 (B)	(25,920)	(211,326)	(66,003)	(303,249)
NET BOOK VALUE AS AT 31 DECEMBER 2014 (A)+(B)	103,966	76,503	13,246	193,715

(1) Positive goodwill relates to the goodwill on Belfius Insurance. We refer to disclosure 7.13. "Impairment on goodwill".

(2) Other intangible assets include mainly purchased software for EUR 13.2 million in 2014.

5.13. Tax assets

1. Tax assets

(In thousands of EUR)	31/12/13	31/12/14
Current taxes	17,809	9,257
Deferred income tax assets	941,018	685,671
TOTAL	958,827	694,928

2. Deferred taxes

A. Analysis

(In thousands of EUR)	31/12/13	31/12/14
Deferred income tax liabilities ⁽¹⁾	(80,724)	(230,302)
Deferred income tax assets	1,212,429	874,801
DEFERRED TAXES	1,131,705	644,499
Not recognised deferred tax assets	(271,411)	(189,130)
NET DEFERRED INCOME TAX ASSETS/(LIABILITIES)	860,294	455,369

(1) Increase of DTL following net positive evolution of the AFS reserve.

B. Movements

(In thousands of EUR)	31/12/13	31/12/14
AS AT 1 JANUARY	1,083,686	860,294
Movements of the year		
Statement of income charge/credit	(38,264)	(64,642)
Items directly computed by equity	(184,434)	(340,329)
Effect of change in tax rates – statement of income	(65)	0
Effect of change in tax rates – equity	(184)	0
Variation of scope of consolidation	(445)	46
AS AT 31 DECEMBER	860,294	455,369

Deferred tax coming from assets of the balance sheet

(In thousands of EUR)	31/12/13		31/12/14	
	Total	Of which impact in result	Total	Of which impact in result
Cash, loans and loan loss provisions	25,895	34,760	104,552	78,658
Securities	(912,365)	(304,771)	(1,188,178)	203,851
Derivatives ⁽¹⁾	(3,291,140)	1,461,212	(1,126,634)	2,163,780
Tangible and intangible fixed assets	6,914	(8,227)	16,534	9,575
Other assets specific to insurance companies	(2,603)	(558)	(2,976)	(373)
Other movements	6,914	(3,611)	(5,847)	(12,761)
TOTAL	(4,166,385)	1,178,805	(2,202,549)	2,442,730

(1) The deferred taxes originating from derivatives have been restated in 2013 following a further refinement of the presentation of derivatives on the balance sheet.

Deferred tax coming from liabilities of the balance sheet

(In thousands of EUR)	31/12/13		31/12/14	
	Total	Of which impact in result	Total	Of which impact in result
Securities	(1,119)	(16,454)	(2,044)	(925)
Derivatives ⁽¹⁾	4,351,994	(1,195,893)	1,792,753	(2,473,851)
Borrowings, deposits and issuance of debt securities	37,797	(21,019)	88,936	51,140
Provisions	122,694	(27,800)	102,968	(7,033)
Pensions	24,980	57,528	32,939	(8,455)
Other liabilities specific to insurance companies	136,807	(6,607)	351,684	(3,560)
Other movements	16,413	(613)	106	(16,345)
TOTAL	4,689,566	(1,210,858)	2,367,342	(2,459,029)

(1) The deferred taxes originating from derivatives have been restated in 2013 following a further refinement of the presentation of derivatives on the balance sheet.

(In thousands of EUR)	31/12/13		31/12/14	
	Total	Of which impact in result	Total	Of which impact in result
Deferred tax coming from the balance sheet	523,181	(32,053)	164,793	(16,299)
Not recognised deferred tax assets – temporary differences	(70,201)		(68,394)	
DEFERRED TAX – TEMPORARY DIFFERENCES	452,980		96,399	

Deferred tax coming from other elements

(In thousands of EUR)	31/12/13		31/12/14	
	Total	Of which impact in result	Total	Of which impact in result
Tax losses carried forward	608,523	(17,392)	479,706	(128,817)
TOTAL	608,523	(17,392)	479,706	(128,817)
Not recognised deferred tax assets – tax losses carried forward	(201,210)		(120,736)	
DEFERRED TAX COMING FROM OTHER ELEMENTS AFTER NOT RECOGNISED DEFERRED TAX ASSETS – TAX LOSSES CARRIED FORWARD	407,313		358,970	

(In thousands of EUR)	31/12/13	31/12/14
DEFERRED TAX BEFORE NOT RECOGNISED DEFERRED TAX	1,131,704	644,499
DEFERRED TAX AFTER NOT RECOGNISED DEFERRED TAX	860,293	455,369

C. Expiry date of not recognised 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	(68,394)	(68,394)
Tax losses carried forward	0	(46,645)	(851)	(73,240)	(120,736)
TOTAL	0	(46,645)	(851)	(141,634)	(189,130)

The business plans of all entities, except for the entities managing the “side”, show sufficient structural taxable profit to recognise temporary differences (DTA) on carry forward fiscal losses. The

future profitability of the entities managing the “side”, is uncertain. Hence, no DTA were recognised at these entities.

5.14. Other assets

(In thousands of EUR)	31/12/13	31/12/14
Other assets	649,580	884,337
Other assets specific to insurance companies	273,555	312,235
TOTAL	923,135	1,196,572

1. Other assets

Analysis by nature

(In thousands of EUR)	31/12/13	31/12/14
Accrued income	57,799	72,325
Deferred expenses	35,388	27,307
Accounts receivable from clients	505,256	734,740
Plan assets	122	0
Inventories	1,138	1,085
Operational taxes	29,988	23,871
Precious metals	19,889	25,009
TOTAL	649,580	884,337

2. Other assets specific to insurance companies

Analysis by nature (acquisition costs and share of reinsurers)

(In thousands of EUR)	31/12/13	31/12/14
Share of the reinsurers in the technical reserves	98,817	112,737
Receivables resulting from direct insurance transactions	59,739	64,031
Premiums to be issued	18,309	2,007
Deferred acquisition costs	7,658	8,754
Other insurance assets ⁽¹⁾	89,032	124,706
Impaired insurance assets	732	568
Less:		
Specific impairment	(732)	(568)
TOTAL	273,555	312,235

(1) Includes mainly claims on reinsurance entities.

5.15. Non current assets held for sale

(In thousands of EUR)	31/12/13	31/12/14
Tangible and intangible assets held for sale	22,084	23,685
Other assets	1,075	1,247
TOTAL	23,159	24,932

5.16. Leasing

1. Belfius as a lessor

A. Finance lease

(In thousands of EUR)	31/12/13	31/12/14
Gross investment in finance leases		
Not later than 1 year	689,989	744,124
Later than 1 year and not later than 5 years	1,402,914	1,419,297
Over 5 years	1,488,265	1,402,830
SUBTOTAL (A)	3,581,168	3,566,251
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASES (B)	623,462	566,008
NET INVESTMENT IN FINANCE LEASES (A)+(B)	2,957,706	3,000,243

(In thousands of EUR)	31/12/13	31/12/14
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	581,880	639,566
Later than 1 year and not later than 5 years	1,142,496	1,177,006
Over 5 years	1,233,330	1,183,671
TOTAL	2,957,706	3,000,243

(In thousands of EUR)	31/12/13	31/12/14
Amount of contingents rents recognised in statement of income during the period	0	1,627
Amount of uncollectible finance lease receivables included in the provision for loan losses at the end of the period	38,593	40,126
Estimated fair value of finance lease	2,966,119	3,051,939
Accumulated allowance for uncollectible minimum lease payments receivable	22,463	22,882

B. Operating lease

(In thousands of EUR)	31/12/13	31/12/14
Future net minimum lease receivables under non cancellable operating leases are as follows:		
Not later than 1 year	17,406	45,946
Later than 1 year and not later than 5 years	93,369	65,415
Over 5 years	386,774	397,625
TOTAL	497,549	508,986

2. Belfius as a lessee

A. Finance lease

Amounts involved are immaterial. See note 5.11. "Tangible fixed assets".

B. Operating lease

(In thousands of EUR)	31/12/13	31/12/14
Future net minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	9,529	8,799
Later than 1 year and not later than 5 years	31,329	28,708
Over 5 years	24,665	24,056
TOTAL	65,523	61,563
Amount of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date:	7,729	5,338
Lease and sublease payments recognized as an expense during the period:		
Minimum lease payments	8,047	8,647
TOTAL	8,047	8,647

5.17. Quality of financial assets

1. Analysis of loans and securities not subject to impairment

(In thousands of EUR)	Gross amount (A)	
	31/12/13	31/12/14
Loans and advances due from banks	30,120,757	31,067,975
Loans and advances to customers	87,111,459	86,590,462
Investments held to maturity	0	2,834,531
Financial assets available for sale	27,991,315	25,013,085
<i>Of which Fixed-income instruments</i>	26,802,766	23,625,178
<i>Of which Equity instruments</i>	1,188,549	1,387,907
TOTAL	145,223,531	145,506,053

2. Analysis of impaired loans and securities

(In thousands of EUR)	Gross amount (B)		Specific impairment (C)		Net amount (B)+(C)	
	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14
Loans and advances due from banks	19 456	0	(11 456)	0	8 000	0
Loans and advances to customers	2 106 702	2 064 983	(1 129 543)	(1 156 319)	977 159	908 664
Financial assets available for sale						
<i>Of which Fixed-income instruments</i>	162 100	142 586	(79 264)	(68 669)	82 836	73 917
<i>Of which Equity instruments</i>	12 492	0	(3 101)	0	9 391	0
<i>Of which Equity instruments</i>	149 608	142 586	(76 163)	(68 669)	73 445	73 917
TOTAL	2 288 258	2 207 569	(1 220 263)	(1 224 988)	1 067 995	982 581

3. Analysis of loans and securities

(In thousands of EUR)	Gross amount (A)+(B)		Specific impairment (C)		Net amount (B)+(C)	
	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14
Loans and advances due from banks	30 140 213	31 067 975	(11 456)	0	30 128 757	31 067 975
Loans and advances to customers	89 218 161	88 655 445	(1 129 543)	(1 156 319)	88 088 618	87 499 126
Investments held to maturity	0	2 834 531	0	0	0	2 834 531
Financial assets available for sale	28 153 415	25 155 671	(79 264)	(68 669)	28 074 151	25 087 002
<i>Of which Fixed-income instruments</i>	26 815 258	23 625 178	(3 101)	0	26 812 157	23 625 178
<i>Of which Equity instruments</i>	1 338 157	1 530 493	(76 163)	(68 669)	1 261 994	1 461 824
SUBTOTAL BEFORE COLLECTIVE IMPAIRMENT	147 511 789	147 713 622	(1 220 263)	(1 224 988)	146 291 526	146 488 634
Collective impairment (-)					(372 104)	(350 338)
TOTAL	147 511 789	147 713 622	(1 220 263)	(1 224 988)	145 919 422	146 138 296

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)	31/12/13	31/12/14
On demand	157,503	331,304
Term	1,577,992	2,019,522
Repurchase agreements	6,905,580	5,054,582
Central banks ⁽¹⁾	13,674,188	5,056,421
Cash collateral received	6,855,245	8,891,643
Other borrowings	65,060	54,344
TOTAL	29,235,568	21,407,816

(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)	31/12/13	31/12/14
Demand deposits	16,258,835	18,947,087
Saving deposits	29,792,678	31,180,094
Term deposits	8,295,023	8,228,366
Other customer deposits	5,374,221	5,838,071
TOTAL CUSTOMER DEPOSITS	59,720,757	64,193,618
Repurchase agreements	1,875,380	2,293,059
Other borrowings	29,175	27,197
TOTAL CUSTOMER BORROWINGS	1,904,555	2,320,256
TOTAL	61,625,312	66,513,874

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)	31/12/13	31/12/14
Financial liabilities held for trading	45,686	43,670
Financial liabilities designated at fair value ⁽¹⁾	8,415,122	9,123,042
TOTAL	8,460,808	9,166,712

(1) Mainly "branch 23" and long term funding.

FINANCIAL LIABILITIES HELD FOR TRADING

1. Analysis by nature

(In thousands of EUR)	31/12/13	31/12/14
Bonds issued by public sector	29,420	36,872
Other bonds	11,427	4,464
Equity instruments	4,839	2,334
TOTAL	45,686	43,670

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)	31/12/13	31/12/14
Non-subordinated liabilities	4,464,080	4,743,775
Subordinated liabilities	303,911	304,832
Unit-linked products	3,647,131	4,074,435
TOTAL	8,415,122	9,123,042

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 category "Financial assets designated at fair value through profit or loss" is used in the following situations :

- for the insurance activities: unit-linked contracts (mainly 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)	31/12/13	31/12/14
Certificates of deposit	1,680,786	2,666,187
Customer savings certificates	8,621,354	6,481,847
Non-convertible bonds	13,842,017	13,680,872
Covered bonds ⁽¹⁾	3,040,023	6,284,010
TOTAL	27,184,180	29,112,916

(1) The covering assets of the Mortgage Pandbrievien (covered bonds) are mainly Belgian mortgage loans provided according to the law on mortgage loans (law of 4 August 1992). These residential mortgage loans are granted through the branch network 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.

Belfius launched in 2014 its first Belgian Public Pandbrievien programme with a cover pool composed of loans granted to Belgian public sector entities (communes, provinces, etc).

pool) can be consulted on the website of Belfius in the section "Financial communication" and in the management report "Risk management".

A detailed description of the covering assets (including the outstanding amount and the characteristics of the loans in the cover

For more information, please refer to the prospectus on the Belfius website.

6.5. Subordinated debts

1. Analysis by nature

(In thousands of EUR)	31/12/13	31/12/14
NON-CONVERTIBLE SUBORDINATED DEBT		
Loan capital perpetual subordinated notes	334,483	349,508
Other	558,709	536,850
TOTAL	893,192	886,358

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.

4. 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	15.000	15/12/2015	a) not applicable b) no specific conditions c) none	basket linked (Nikkei, Eurostoxx 50, S&P 500)
2.	EUR	15.000	15/07/2019	a) not applicable b) no specific conditions c) none	CMS ⁽³⁾ linked
3.	EUR	40.000	03/12/2019	a) not applicable b) no specific conditions c) none	<ul style="list-style-type: none"> • if GBP libor 12 months < 5%: rate = GBP libor 12 months + 20 bp, • if GBP libor 12 mois ≥ 5%: rate = 7.55%
4.	EUR	11.000	16/12/2019	a) not applicable b) no specific conditions c) none	CMS ⁽³⁾ linked
5.	EUR	29.940	01/03/2022	a) not applicable b) no specific conditions c) none	Euribor 3 m + 43 bp
6.	EUR	44.936	04/04/2022	a) not applicable b) no specific conditions c) none	6%
7.	EUR	20.000	02/04/2037 (call date: 02/04/2017)	a) possible with the agreement of the regulator, from the date of the call, then at the end of each period of 5 years b) no specific conditions c) none	4.86%
8.	EUR	20.000	01/03/2047 (call date: 01/03/2017)	a) possible with the agreement of the regulator, from the date of the call, then at the end of each period of 5 years b) no specific conditions c) none	5.04%
9.	EUR	17.500	undetermined (call date: 29/12/2023)	a) possible with the agreement of the regulator, 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
10.	EUR	17.500	undetermined (call date: 29/12/2019)	a) possible with the agreement of the regulator, 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
11.	EUR	50.000	undetermined (call date: 15/07/2023)	a) possible with the agreement of the regulator, from the date of the call, then at the end of each period of 12 years b) no specific conditions c) none	IRS 12 y + 200 bp
12. ⁽¹⁾⁽²⁾	EUR	65.904	undetermined (call date: 18/05/2015)	a) possible with the agreement of the regulator, 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
13. ⁽¹⁾	GBP	150.000	09/02/2017 (call date: 09/02/2015)	a) possible with the agreement of the regulator, 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
14. ⁽¹⁾	USD	50.000	undetermined (call date: 25/02/2015)	a) possible with the agreement of the regulator, 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 was within the scope of the temporary restrictions till 31 December 2014 on early redemption (call) as agreed with the European Commission.

(2) This issue was within the scope of the temporary restrictions till 31 December 2014 on coupon payments as agreed with the European Commission.

(3) CMS: Constant Maturity.

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
15. ⁽¹⁾	USD	100.000	undetermined (call date: 21/03/2015)	a) possible with the agreement of the regulator, 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
16.	JPY	10.000.000	11/09/2025	a) not applicable b) no specific conditions c) none	6,10%
17.	JPY	10.000.000	11/09/2025	a) not applicable b) no specific conditions c) none	6,05%
18. ⁽¹⁾	EUR	299.858	20/06/2018 (call date: 20/06/2015)	a) possible with the agreement of the regulator, 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
19.	EUR	72.000	undetermined (call date: 01/1/2025)	a) possible with the agreement of the regulator, 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 was within the scope of the temporary restrictions till 31 December 2014 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)	31/12/13				31/12/14			
	Life branch 21 and 26	Life branch 23	Non-Life	Total	Life branch 21 and 26	Life branch 23	Non-Life	Total ⁽³⁾
Gross reserves ⁽¹⁾	16,628,880	0	1,012,210	17,641,090	16,979,641	0	1,067,633	18,047,274
Gross reserves - Share of reinsurers ⁽²⁾	12,811	0	86,006	98,817	12,643	0	100,094	112,737
Gross earned premiums	1,248,889	0	531,972	1,780,861	1,085,073	0	551,157	1,636,230
Claims incurred and other technical expenses	(1,565,350)	20,956	(316,238)	(1,860,632)	(1,422,836)	19,691	(352,090)	(1,755,235)
Acquisition commissions	(161,758)	(8,067)	(92,592)	(262,417)	(87,235)	(6,054)	(95,579)	(188,868)
Technical result from ceded reinsurance	(38,734)	0	(23,198)	(61,932)	(2,843)	0	15,002	12,159
TOTAL TECHNICAL RESULT⁽³⁾	(516,953)	12,889	99,944	(404,120)	(427,841)	13,637	118,490	(295,714)

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

(2) See note 5.14. "Other assets", table 2. "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	31/12/13			31/12/14		
	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total
(In thousands of EUR)						
Gross premiums written	594,708	654,312	1,249,020	406,932	678,002	1,084,934
Change in gross unearned premium reserves (UPR)	(131)	0	(131)	139	0	139
GROSS EARNED PREMIUMS	594,577	654,312	1,248,889	407,071	678,002	1,085,073

(1) Discretionary participation feature (DPF).

(In thousands of EUR)	31/12/13	31/12/14
GROSS PREMIUMS WRITTEN LIFE	1,249,020	1,084,934
Direct business	1,057,652	1,084,393
Accepted reinsurance	191,368	541

	31/12/13			31/12/14		
	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total
(In thousands of EUR)						
Gross claims paid	(374,788)	(1,049,987)	(1,424,775)	(357,081)	(1,282,463)	(1,639,544)
Changes in claims reserves	(1,124)	17,449	16,325	(5,203)	(4,737)	(9,940)
Changes in Life insurance reserves	(1,617,079)	1,335,866	(281,213)	1,272,961	(1,029,923)	243,038
Changes in profit sharing reserves	120,710	(1,097)	119,613	(1,845)	6,153	4,308
Changes in other technical reserves	167	0	167	0	0	0
Other technical income and charges	4,147	386	4,533	(9,148)	(11,550)	(20,698)
CLAIMS INCURRED AND OTHER TECHNICAL EXPENSES	(1,867,967)	302,617	(1,565,350)	899,684	(2,322,520)	(1,422,836)

(1) Discretionary participation feature (DPF).

	31/12/13			31/12/14		
	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total
(In thousands of EUR)						
ACQUISITION COMMISSIONS	(153,160)	(8,598)	(161,758)	(79,896)	(7,339)	(87,235)

(1) Discretionary participation feature (DPF).

	31/12/13			31/12/14		
	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total
(In thousands of EUR)						
Premiums ceded to reinsurers	(95,421)	(17)	(95,437)	(5,621)	(1)	(5,622)
EARNED PREMIUMS - SHARE OF REINSURERS	(95,421)	(17)	(95,437)	(5,621)	(1)	(5,622)
Claims paid - share of reinsurers	42,037	0	42,037	2,290	0	2,290
Changes in claims reserves - share of reinsurers	(155)	0	(155)	(259)	0	(259)
Changes in Life insurance reserves - share of reinsurers	523	0	523	61	0	61
Changes in profit sharing reserves - share of reinsurers	276	0	276	30	0	30
Other technical income and charges - share of reinsurers	(161)	0	(161)	(50)	0	(50)
CLAIMS INCURRED AND OTHER TECHNICAL EXPENSES - SHARE OF REINSURERS	42,520	0	42,520	2,072	0	2,072
Acquisition Commissions and profit sharing received from reinsurers	14,127	56	14,183	707	0	707
TECHNICAL RESULT FROM CEDED REINSURANCE	(38,774)	40	(38,734)	(2,842)	(1)	(2,843)

(1) Discretionary participation feature (DPF).

B. Changes in technical reserves

Change in unearned premium reserves

	31/12/13			31/12/14		
	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total
(In thousands of EUR)						
Unearned premium reserves (UPR) as at 1 January	524	0	524	139	0	139
Gross change in unearned premium reserves (UPR) as at 31 December	(139)	0	(139)	0	0	0
Transferred unearned premium reserves (UPR)	(516)	0	(516)	0	0	0
GROSS CHANGE IN UNEARNED PREMIUM RESERVES (UPR)	(131)	0	(131)	139	0	139

(1) Discretionary participation feature (DPF).

Changes in claims reserves

	31/12/13			31/12/14		
	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total
(In thousands of EUR)						
Claims reserves as at 1 January	54,540	70,382	124,922	54,157	52,933	107,090
Claims reserves as at 31 December	(54,157)	(52,933)	(107,090)	(56,560)	(57,670)	(114,230)
Transferred claims reserves	(1,507)	0	(1,507)	(2,800)	0	(2,800)
GROSS CHANGE IN CLAIMS RESERVES	(1,124)	17,449	16,325	(5,203)	(4,737)	(9,940)

(1) Discretionary participation feature (DPF).

Changes in Life insurance reserves

	31/12/13			31/12/14		
	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total
(In thousands of EUR)						
Life insurance reserves as at 1 January	3,962,685	12,074,085	16,036,770	5,580,553	10,673,726	16,254,279
Life insurance reserves as at 31 December	(5,580,553)	(10,673,726)	(16,254,279)	(4,308,839)	(11,642,159)	(15,950,998)
Transferred Life insurance reserves	789	(64,493)	(63,704)	1,247	(61,490)	(60,243)
GROSS CHANGE IN LIFE INSURANCE RESERVES	(1,617,079)	1,335,866	(281,213)	1,272,961	(1,029,923)	243,038

(1) Discretionary participation feature (DPF).

Changes in profit sharing reserve

	31/12/13			31/12/14		
	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total
(In thousands of EUR)						
Profit sharing reserve as at 1 January	128,835	121,248	250,083	8,015	122,345	130,360
Profit sharing reserve as at 31 December	(8,015)	(122,345)	(130,360)	(9,309)	(116,184)	(125,493)
Paid profit share	(108)	0	(108)	(557)	0	(557)
Transferred profit sharing reserve	(2)	0	(2)	6	(8)	(2)
GROSS CHANGE IN PROFIT SHARING RESERVE⁽²⁾	120,710	(1,097)	119,613	(1,845)	6,153	4,308

(1) Discretionary participation feature (DPF).

(2) This reserve includes the fund for future allocation.

Changes in other technical reserves

	31/12/13			31/12/14		
	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total
(In thousands of EUR)						
Other technical reserves Life as at 1 January	167	0	167	0	0	0
Other technical reserves Life as at 31 December	0	0	0	0	0	0
GROSS CHANGE IN OTHER TECHNICAL RESERVES LIFE	167	0	167	0	0	0

(1) Discretionary participation feature (DPF).

C. Changes in technical reserves – share of reinsurers

Changes in claims reserves – share of reinsurers

	31/12/13			31/12/14		
	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total
(In thousands of EUR)						
Share of reinsurers in claims reserves as at 1 January	(1,472)	0	(1,472)	(1,317)	0	(1,317)
Share of reinsurers in claims reserves as at 31 December	1,317	0	1,317	1,058	0	1,058
CHANGES IN CLAIMS RESERVES – SHARE OF REINSURERS	(155)	0	(155)	(259)	0	(259)

(1) Discretionary participation feature (DPF).

Changes in Life insurance reserves – share of reinsurers

	31/12/13			31/12/14		
	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total
(In thousands of EUR)						
Share of reinsurers in Life insurance reserves as at 1 January	(10,971)	0	(10,971)	(11,494)	0	(11,494)
Share of reinsurers in Life insurance reserves as at 31 December	11,494	0	11,494	11,555	0	11,555
CHANGES IN LIFE INSURANCE RESERVES – SHARE OF REINSURERS	523	0	523	61	0	61

(1) Discretionary participation feature (DPF).

Changes in profit sharing reserves – share of reinsurers

	31/12/13			31/12/14		
	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total
(In thousands of EUR)						
Share of reinsurers in transferred profit sharing reserve as at 1 January	(27)	0	(27)	0	0	0
Share of reinsurers in transferred profit sharing reserve as at 31 December	0	0	0	30	0	30
Share of reinsurers in paid profit share	303	0	303	0	0	0
CHANGES IN PROFIT SHARING RESERVES – SHARE OF REINSURERS	276	0	276	30	0	30

(1) Discretionary participation feature (DPF).

D. Losses resulting from liability adequacy test (LAT)

Nil

E. Assets and Liabilities

Gross reserves

	31/12/13			31/12/14		
	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total
(In thousands of EUR)						
Life insurance reserves	5,580,553	10,673,726	16,254,279	4,308,839	11,642,159	15,950,998
Reserves due to shadow accounting adjustments	13,014	124,000	137,014	362,120	426,800	788,920
TOTAL GROSS LIFE INSURANCE RESERVES	5,593,567	10,797,726	16,391,293	4,670,959	12,068,959	16,739,918
Claims reserves	54,157	52,933	107,090	56,560	57,670	114,230
Profit sharing reserve	8,015	122,344	130,359	9,309	116,184	125,493
Unearned premium reserves (UPR)	138	0	138	0	0	0
TOTAL GROSS TECHNICAL RESERVES LIFE	5,655,877	10,973,003	16,628,880	4,736,828	12,242,813	16,979,641

(1) Discretionary participation feature (DPF).

Share of reinsurers

	31/12/13			31/12/14		
	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total
(In thousands of EUR)						
Share of reinsurers in Life insurance reserves	11,494	0	11,494	11,555	0	11,555
Share of reinsurers in claims reserves	1,317	0	1,317	1,058	0	1,058
Share of reinsurers in profit sharing reserves	0	0	0	30	0	30
TOTAL SHARE OF REINSURERS IN TECHNICAL RESERVES LIFE	12,811	0	12,811	12,643	0	12,643

(1) Discretionary participation feature (DPF).

Discretionary participation feature included in equity

	31/12/13			31/12/14		
	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total	Insurance contracts	Investment contracts with DPF ⁽¹⁾	Total
(In thousands of EUR)						
Net discretionary participation feature included in equity	0	0	0	0	18,589	18,589

(1) Discretionary participation feature (DPF).

Reconciliation of changes in life insurance reserves

(In thousands of EUR)	2013			2014		
	Gross amount contracts	Reinsurance amount	Net amount	Gross amount contracts	Reinsurance amount	Net amount
LIFE INSURANCE RESERVES AS AT 1 JANUARY	16,245,314	10,971	16,234,343	16,391,292	11,493	16,379,799
Net payment received/premiums receivable	804,642	3,700	800,942	965,048	4,777	960,271
Additional reserves due to shadow accounting adjustments	(71,530)	0	(71,530)	651,906	0	651,906
Claims paid	(1,366,922)	(2,774)	(1,364,148)	(1,638,371)	(1,880)	(1,636,491)
Results on death and on life	(79,443)	(1,946)	(77,497)	(77,565)	(3,691)	(73,874)
Attribution of technical interest	502,810	645	502,166	419,743	587	419,156
Other changes	356,421	897	355,524	27,865	269	27,596
LIFE INSURANCE RESERVES AS AT 31 DECEMBER	16,391,292	11,493	16,379,799	16,739,918	11,555	16,728,363

Classification of the reserve for life insurance branch 21 and 26 by guaranteed interest rate

(In thousands of EUR)	Classification of the reserve ⁽¹⁾			
	31/12/13		31/12/14	
> 4.00%	1,889,059	12%	1,832,306	12%
≤ 4.00%	2,276,623	14%	2,191,685	14%
≤ 3.50%	3,002,867	18%	2,753,609	17%
≤ 3.00%	4,795,098	30%	3,997,996	25%
≤ 2.50%	1,913,854	12%	1,876,435	12%
≤ 2.00%	1,268,525	8%	2,268,520	14%
Equal to 0%	884,196	5%	798,622	5%
Other	224,056	1%	231,825	1%
TOTAL	16,254,278	100%	15,950,998	100%

(1) Total gross technical reserves Life excluded shadow accounting adjustments.

3. Insurance contracts Non-Life

A. Income and expenses

(In thousands of EUR)	31/12/13	31/12/14
Gross premiums written	534,303	555,357
Change in gross unearned premium reserves (UPR)	(2,331)	(4,200)
GROSS EARNED PREMIUMS	531,972	551,157

(In thousands of EUR)	31/12/13	31/12/14
Gross claims paid	(264,459)	(323,103)
Changes in claims reserves	(43,342)	(25,445)
Changes in profit sharing reserves	0	(151)
Changes in other technical reserves	(8,358)	(3,389)
Other technical income and charges	(80)	(2)
CLAIMS INCURRED AND OTHER TECHNICAL EXPENSES	(316,239)	(352,090)

(In thousands of EUR)	31/12/13	31/12/14
Acquisition commissions insurance paid	(33,581)	(36,472)
Acquisition commissions brokers distribution paid	(59,011)	(59,107)
ACQUISITION COMMISSIONS	(92,592)	(95,579)

(In thousands of EUR)	31/12/13	31/12/14
Premiums ceded to reinsurers	(36,921)	(40,032)
Share of reinsurers in change of unearned premium reserves (UPR)	61	38
EARNED PREMIUMS - SHARE OF REINSURERS	(36,860)	(39,994)
Claims paid - share of reinsurers	12,779	38,664
Changes in claims reserves - share of reinsurers	(1,959)	14,049
Changes in other technical reserves - share of reinsurers	(83)	1
Other technical income and charges - share of reinsurers	(97)	(687)
CLAIMS INCURRED AND OTHER TECHNICAL EXPENSES - SHARE OF REINSURERS	10,640	52,027
Acquisition Commissions and profit sharing received from reinsurers	3,023	2,969
TECHNICAL RESULT FROM CEDED REINSURANCE	(23,197)	15,002

B. Changes in technical reserves

Change in unearned premium reserves

(In thousands of EUR)	31/12/13	31/12/14
Unearned premium reserves (UPR) as at 1 January	111,749	114,080
Unearned premium reserves (UPR) as at 31 December	(114,080)	(118,280)
GROSS CHANGE IN UNEARNED PREMIUM RESERVES (UPR)	(2,331)	(4,200)

Change in claims reserves

(In thousands of EUR)	31/12/13	31/12/14
Claims reserves as at 1 January	823,354	866,696
Claims reserves as at 31 December	(866,696)	(913,758)
Transferred claims reserves	0	21,617
GROSS CHANGE IN CLAIMS RESERVES	(43,342)	(25,445)

Changes in profit sharing reserves

(In thousands of EUR)	31/12/13	31/12/14
Profit sharing reserves as at 1 January	0	0
Profit sharing reserves as at 31 December	0	(151)
GROSS CHANGE IN PROFIT SHARING RESERVE	0	(151)

Changes in other technical reserves

(In thousands of EUR)	31/12/13	31/12/14
Other technical reserves as at 1 January	23,075	31,433
Other technical reserves as at 31 December	(31,433)	(35,444)
GROSS CHANGE IN OTHER TECHNICAL RESERVES	(8,358)	(3,389)

C. Changes in technical reserves - share of reinsurers

Share of reinsurers in change of unearned premium reserves (UPR)

(In thousands of EUR)	31/12/13	31/12/14
Share of reinsurers in unearned premium reserves as at 1 January	(1,694)	(1,755)
Share of reinsurers in unearned premium reserves as at 31 December	1,755	1,793
SHARE OF REINSURERS IN CHANGE IN UNEARNED PREMIUM RESERVES (UPR)	61	38

Changes in claims reserves - share of reinsurers

(In thousands of EUR)	31/12/13	31/12/14
Share of reinsurers in claims reserves as at 1 January	(85,716)	(83,757)
Share of reinsurers in claims reserves as at 31 December	83,757	97,806
CHANGES IN CLAIMS RESERVES - SHARE OF REINSURERS	(1,959)	14,049

Changes in other technical reserves - share of reinsurers

(In thousands of EUR)	31/12/13	31/12/14
Other technical reserves as at 1 January	(576)	(493)
Other technical reserves as at 31 December	493	494
CHANGES IN OTHER TECHNICAL RESERVES - SHARE OF REINSURERS	(83)	1

D. Losses resulting from liability adequacy test (LAT)

Nil

E. Non-life insurance by product group

	Gross earned premiums	Claims incurred and other technical expenses	Acquisition commissions	Technical result from ceded reinsurance	Operating expenses	Net income on capital	Other	Total P&L
(In thousands of EUR)								
TOTAL AS AT 31 DECEMBER 2013	531,972	(316,238)	(71,574)	(23,198)	(111,628)	41,536	2,728	53,598
ACCEPTED REINSURANCE	2,191	(1,622)	(232)	(133)	(11)	713	(64)	842
DIRECT BUSINESS	529,781	(314,616)	(71,342)	(23,065)	(111,617)	40,823	2,792	52,756
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

	Gross earned premiums	Claims incurred and other technical expenses	Acquisition commissions	Technical result from ceded reinsurance	Operating expenses	Net income on capital	Other	Total P&L
(In thousands of EUR)								
TOTAL AS AT 31 DECEMBER 2014	551,157	(352,090)	(95,579)	15,002	(114,342)	47,827	2,577	54,552
ACCEPTED REINSURANCE	2,208	274	(170)	(746)	(56)	634	(6)	2,138
DIRECT BUSINESS	548,949	(352,364)	(95,409)	15,748	(114,286)	47,193	2,583	52,414
All risks / accidents	80,100	(40,558)	(12,445)	(4,181)	(20,163)	9,352	4	12,109
Cars / third party liability	149,121	(88,984)	(21,665)	3,675	(35,976)	24,512	(5)	30,678
Cars / other branches	76,124	(54,681)	(10,436)	6,526	(16,256)	1,796	(2)	3,071
Credit and suretyship	0	(614)	565	0	(238)	150	0	(137)
Non Life distribution	0	0	(991)	0	(8)	0	2,600	1,601
Health	23,151	(18,755)	(2,281)	(89)	(5,909)	2,776	3	(1,104)
Fire and other damage to property	189,339	(119,274)	(47,060)	11,225	(29,173)	5,769	3	10,829
Accidents at work	31,114	(29,498)	(1,096)	(1,408)	(6,563)	2,838	(20)	(4,633)

4. Assets and liabilities

A. Gross reserves

(In thousands of EUR)	31/12/13	31/12/14
Claims reserves	772,155	827,384
Reserves Unallocated Loss Adjustment Expenses (ULAE)	30,296	31,410
Reserves for claims incurred but not reported (IBNR)	64,245	54,964
GROSS TECHNICAL RESERVES NON-LIFE	866,696	913,758
Other technical reserves	31,433	35,595
Unearned premium reserves (UPR)	114,080	118,280
TOTAL GROSS RESERVES NON-LIFE	1,012,209	1,067,633

B. Share of reinsurers

(In thousands of EUR)	31/12/13	31/12/14
Share of reinsurers in claims reserves	83,758	97,806
SHARE OF REINSURERS	83,758	97,806
Share of reinsurers in other technical reserves	493	494
Share of reinsurers in unearned premium reserves (UPR)	1,755	1,793
TOTAL SHARE OF REINSURERS IN TECHNICAL RESERVES NON-LIFE	86,006	100,094

C. Reconciliation of changes in claims reserves

	2013			2014		
(In thousands of EUR)	Gross amount contracts	Reinsurance amount	Net amount	Gross amount contracts	Reinsurance amount	Net amount
CLAIMS RESERVES AS AT 1 JANUARY	823,354	85,716	737,638	866,696	83,758	782,938
Claims paid on previous years	(142,299)	(4,581)	(137,718)	(135,648)	(3,732)	(131,916)
Changes in claim charges on previous years	(26,307)	23	(26,330)	(41,502)	4,836	(46,338)
Liabilities on claims current year	211,948	2,600	209,348	224,212	12,944	211,268
CLAIMS RESERVES AS AT 31 DECEMBER	866,696	83,758	782,938	913,758	97,806	815,952

6.7. Provisions and other obligations

1. Analysis of movements

(In thousands of EUR)	Pensions and other employment defined benefit obligations	Other long term employee benefits	Restructuring ⁽¹⁾	Provisions for legal litigations ⁽²⁾	Commitments and guarantees given (off balance sheet)	Onerous contracts	Other provisions (non insurance)	Total
AS AT 1 JANUARY 2013	644,126	20,105	175,902	73,788	5,964	4,310	53,909	978,104
Additional provisions	5,074	537	57,447	2,842	4,215	0	21,198	91,313
Amounts used	(60,852)	(1,935)	(29,231)	(5,991)	(4)	(494)	(7,324)	(105,831)
Unused amounts reversed	(73,550)	(195)	(4,779)	(24,157)	(4,202)	0	(20,615)	(127,498)
Change in scope of consolidation (out)	0	0	(65)	0	0	0	0	(65)
Transfers ⁽³⁾	(307,011)	0	0	0	0	0	0	(307,011)
Provisions booked from/to equity ⁽⁴⁾	(66,844)	0	0	0	0	0	0	(66,844)
Foreign exchange adjustments	0	0	0	(35)	14	0	0	(21)
Other movements	(1)	0	0	0	0	0	0	(1)
AS AT 31 DECEMBER 2013	140,942	18,512	199,274	46,447	5,987	3,816	47,168	462,146

(1) Belfius announced in 2012 a restructuring plan. The plan was extended and reassessed in 2013 and 2014 and is primarily a restructuring plan for staff.

(2) The "Provisions for legal litigations" contain mainly small disputes with third parties. We refer to "General information" in the management report.

(3) Assets with a market value of 305 million have been transferred to the new OFP (Organisation for the Financing of Pensions).

(4) Provisions booked from and to equity concern the actuarial gains and losses which are accounted as "remeasurement of the defined benefit plans".

(In thousands of EUR)	Pensions and other employment defined benefit obligations	Other long term employee benefits	Restructuring ⁽¹⁾	Provisions for legal litigations ⁽²⁾	Commitments and guarantees given (off balance sheet)	Onerous contracts	Other provisions (non insurance)	Total
AS AT 1 JANUARY 2014	140,942	18,512	199,274	46,447	5,987	3,816	47,168	462,146
Additional provisions	6,389	2,494	21,855	13,002	10,901	6,041	15,345	76,027
Amounts used	(22,221)	(2,030)	(48,447)	(1,247)	0	(4,163)	(10,452)	(88,560)
Unused amounts reversed	(9,113)	0	(2,778)	(6,084)	(2,189)	0	(2,001)	(22,165)
Transfers	1,371	0	0	0	0	0	0	1,371
Provisions booked from/to equity ⁽³⁾	48,290	0	0	0	0	0	0	48,290
Foreign exchange adjustments	0	0	0	9	51	0	0	60
AS AT 31 DECEMBER 2014	165,658	18,976	169,904	52,127	14,750	5,694	50,060	477,169

(1) Belfius announced in 2012 a restructuring plan. The plan was extended and reassessed in 2013 and 2014 and is primarily a restructuring plan for staff.

(2) The "Provisions for legal litigations" contain mainly small disputes with third parties. We refer to "General information" in the management report.

(3) Provisions booked from and to equity concern the actuarial gains and losses which are accounted as "remeasurement of the defined benefit plans".

2. Post-employment benefits

In Belgium, each employee is eligible for state pension plans. In addition, Belfius provides pension plan benefits for its employees and in some cases reimburses certain medical costs for active and retired employees.

Pension plans are mainly settled through the payment of a lump sum even though the option exists to receive pension payments.

Pension plans

Belfius provides both defined benefit plans and defined contribution plans.

Defined benefit plans

Under defined benefit plans, the employee future benefit depends on various factors such as the employee's length of service and its final salary.

Considering that Belfius maintains benefit plans for employees mainly located in Belgium the post-employment benefits are subject to the Belgian market practice and regulations. The plans abroad are not substantial.

Defined contribution plans

Under defined contribution plans, the benefit upon retirement depends on the contributions to the plan, both employer and employee contributions, and the investment performance of the fund.

Actually, the Belgian defined contribution pension plans are by law subject to minimum guaranteed rates of return, 3,25% on employer contributions and 3,75% on employee contributions. These rates, which apply as an average over the entire career, may be modified by Royal Decree in which case the new rates apply to both the accumulated past contributions and the future contributions as from the date of modification.

This compulsory return implies that Belgian defined contribution plans are defined benefit plans regarding the requirement of the standard IAS 19.

There are several defined contribution plans within Belfius Bank. The major defined contribution plan is funded by employer and employee contributions. Employer contributions made to the plan are based on the seniority and salary. The employee contributions are a fixed percentage of the salary.

The assets of the DC pension plans are evaluated at market value and amounts to EUR 93,072,000 in 2014.

As explained above, by law, contributions of defined contribution plans in Belgium are subject to minimum guaranteed rates of return. Hence, those plans classify as defined benefit plans which would require that the Projected Unit Credit method is applied in order to measure the benefit obligations.

The IASB recognised that the accounting for such so-called "contribution-based plans" in accordance with the currently applicable defined benefit methodology is problematic. Considering as well the uncertainty with respect to the future evolution of the minimum guaranteed rates of return in Belgium, Belfius adopted a retrospective approach whereby the net liability recognised is based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed reserves and the accumulated contributions. The returns that were realised in 2014 and in 2013 at the closing date were sufficient to meet the legal return requirements. The main difference between this retrospective approach and the prospective Projected Unit Credit method is that benefit obligations are not calculated as the discounted value of the estimated projected future benefits attributed to past years of service. The DC-plans of Belfius Bank are managed in a pension fund (OFP = Organisation for the Financing of Pensions).

The investment strategy is rather prudent as at 31 December 2014, 73% of the assets were invested in bonds.

The contributions paid during 2014 for those defined contribution plans amounted to EUR 47,761,000 by the employer and EUR 3,226,000 by the employees.

The defined contribution plan of Belfius Insurance is managed as a group insurance within Belfius Insurance. The consequence is that this plan has no qualifying assets because Belfius Insurance is a related party.

Restructuring plan 2016

As of 1 October 2013 within Belfius Bank an agreement was reached on a set of measures to diminish the cost and the number of the employees with a direct impact on the pension obligations. This restructuring plan, called "Plan 2016" has changed significantly the policy concerning pension plans in Belfius Bank.

Main changes with impact on the pension obligations:

- salary decrease;
 - closure and dynamic management of the defined benefit plans and replacement by defined contribution plans.
- Note that in 2007 the defined benefit plans were already closed to new entrants and that from 1 October 2013 onwards those defined benefit plans from Belfius Bank are dynamically managed. As from that moment employees accrue rights in the defined contribution plan;
- transfer of the internally funded pension plans to an OFP;
 - the pension plan "Primes Foyer Belfius Banque" has been settled in 2014.

Since 2013 the external pension fund (OFP - Organisation for the Financing of Pensions) has been extended to fund all defined contribution plans as well as several defined benefit plans of Belfius Bank. The transfer of those plans to a legal separate entity has a consequence on the staff expenses of Belfius because the assets of those plans may now be recognised.

Previously these plans were considered as unfunded while the plans were managed within the Group's subsidiary Belfius Insurance.

The remaining plans are either managed by external insurance companies or by Belfius Insurance. In this last case, the assets are non qualified.

Actuaries

In respect of the main post-employment benefits, the measurements of the obligation are carried out by qualified actuaries. Valuations, assumptions and results are reviewed by an external coordinating actuary that ensures that all calculations are harmonised and calculated in compliance with IAS 19.

A. Movement in the defined benefit liability (asset)

(In thousands of EUR)	Present value of obligation	Plan assets at fair value	Deficit/ (surplus)	Asset ceiling	Net liability/ (asset)
AS AT 1 JANUARY 2013	1,737,611	(1,135,591)	602,020	35,876	637,896
Service cost					
Current service cost	58,712	0	58,712	0	58,712
Past service cost and (gain)/loss on settlements	(96,133)	0	(96,133)	0	(96,133)
Administrative expenses and taxes	0	1,136	1,136	0	1,136
Interest income - Interest expense	55,927	(46,949)	8,978	559	9,537
(A) EXPENSE AND INCOME RECOGNISED IN P&L	18,506	(45,813)	(27,307)	559	(26,748)
Remeasurements (gain)/loss					
Effect of changes in demographic assumptions	31,193	0	31,193	0	31,193
Effect of changes in financial assumptions	(58,085)	0	(58,085)	0	(58,085)
Effect of experience adjustments	(34,208)	0	(34,208)	0	(34,208)
Return on plan assets (excl. interest income)	0	10,880	10,880	0	10,880
Changes in the effect of asset ceiling (excluding interest income)	0	0	0	(5,436)	(5,436)
(B) REMEASUREMENTS (GAIN)/LOSS RECOGNISED IN OCI	(61,100)	10,880	(50,220)	(5,436)	(55,656)
DEFINED BENEFIT COST INCLUDED (A)+(B)	(42,594)	(34,933)	(77,527)	(4,877)	(82,404)
Contributions					
Employer	0	(372,152)	(372,152)	0	(372,152)
Plan participants	2,833	(2,833)	0	0	0
Payments					
Benefit payments	(74,133)	67,860	(6,273)	0	(6,273)
Settlement payments	(33,169)	33,169	0	0	0
Other					
Effect of business combinations and disposals	(1,850)	(34,451)	(36,301)	0	(36,301)
Foreign exchange adjustments	(317)	329	12	43	55
AS AT 31 DECEMBER 2013	1,588,381	(1,478,602)	109,779	31,042	140,821

(In thousands of EUR)	Present value of obligation	Plan assets at fair value	Deficit/ (surplus)	Asset ceiling	Net liability/ (asset)
AS AT 1 JANUARY 2014	1,588,381	(1,478,602)	109,779	31,042	140,821
Service cost					
Current service cost	53,782	0	53,782	0	53,782
Past service cost and (gain)/loss on settlements	(9,636)	0	(9,636)	0	(9,636)
Administrative expenses and taxes	0	859	859	0	859
Interest income - Interest expense	55,438	(52,952)	2,486	1,102	3,588
(A) EXPENSE AND INCOME RECOGNISED IN P&L	99,584	(52,093)	47,491	1,102	48,593
Remeasurements (gain)/loss					
Effect of changes in demographic assumptions	382	0	382	0	382
Effect of changes in financial assumptions	220,511	0	220,511	0	220,511
Effect of experience adjustments	(30,235)	0	(30,235)	0	(30,235)
Return on plan assets (excl. interest income)	0	(135,841)	(135,841)	0	(135,841)
Changes in the effect of asset ceiling (excluding interest income)	0	0	0	(5,587)	(5,587)
(B) REMEASUREMENTS (GAIN)/LOSS RECOGNISED IN OCI	190,658	(135,841)	54,817	(5,587)	49,230
DEFINED BENEFIT COST INCLUDED (A)+(B)	290,242	(187,934)	102,308	(4,485)	97,823
Contributions					
Employer	0	(49,217)	(49,217)	0	(49,217)
Plan participants	3,233	(3,233)	0	0	0
Payments					
Benefit payments	(54,753)	49,782	(4,971)	0	(4,971)
Settlement payments	(18,799)	0	(18,799)	0	(18,799)
Other					
Foreign exchange adjustments	2,667	(2,763)	(96)	96	0
AS AT 31 DECEMBER 2014	1,810,971	(1,671,967)	139,004	26,653	165,657

B. Fair value of plan assets

(In thousands of EUR)	31/12/13	31/12/14
Plan assets at fair value		
Cash and cash equivalents	51,913	18,774
Equity instruments	145,809	214,492
Debt securities	1,177,406	1,301,764
Real estate	44,844	43,768
Other	58,630	93,170
TOTAL	1,478,602	1,671,968

In 2014, 94.5% of the fair value from the plan assets is quoted.

C. Weighted average assumptions for Belgian plans

	31/12/13	31/12/14
Discount rate	3.30% - 3.60%	1.70% - 2.05%
Inflation rate	2.00%	1.75%
Salary growth rate	0.75% - 2.25%	1.75% - 3.1%

Description of the hypotheses

The discount rate is based since 2012 on a constructed AA-curve 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 increased longevity.

The inflation rate is based on the long term estimates of the European Central Bank.

D. Sensitivity⁽¹⁾ of the present value of the DBO at end of year to changes of assumptions

	-50 bp	+50 bp
Discount rate	6.76%	-6.28%
Inflation rate	-4.85%	5.91%
Real salary increase	-3.38%	4.60%

(1) If all other assumptions are held constant.

E. Weighted average duration of the benefit obligation

	31/12/13	31/12/14
Belgium	11.18	12.66

F. Risks and ALM

Several of the Belfius Group defined benefit plans are insurance policies issued by Ethias.

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)	31/12/13	31/12/14
Current income tax	28,928	28,259
Deferred tax liabilities (see note 5.13.)	80,724	230,301
TOTAL	109,652	258,560

6.9. Other liabilities

(In thousands of EUR)	31/12/13	31/12/14
Other liabilities (except relating to insurance activities)	1,695,910	1,953,951
Other liabilities specific to insurance activities	203,943	196,566
TOTAL	1,899,853	2,150,517

1. Other liabilities (except relating to insurance activities)

(In thousands of EUR)	31/12/13	31/12/14
Accrued costs	103,818	79,879
Deferred income	32,608	45,298
Subsidies	0	1
Other granted amounts received	412	68
Salaries and social charges (payable)	143,625	138,614
Shareholder dividends payable	2	0
Operational taxes	66,251	69,633
Debts to service providers	1,349,194	1,620,458
TOTAL	1,695,910	1,953,951

2. Other liabilities specific to insurance activities

(In thousands of EUR)	31/12/13	31/12/14
Debts for deposits from assignees	86,509	97,630
Debts resulting from direct insurance transactions	105,894	73,790
Debts resulting from reinsurance transactions	11,540	24,882
Other insurance liabilities	0	264
TOTAL	203,943	196,566

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)	31/12/13	31/12/14
INTEREST INCOME	6,270,012	5,558,955
INTEREST INCOME OF ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	4,215,674	4,013,145
Cash and balances with central banks	3,400	1,062
Loans and advances due from banks	268,364	246,748
Loans and advances to customers	2,876,851	2,824,505
Financial assets available for sale	1,019,454	882,800
Investments held to maturity	0	18,798
Interest on impaired assets	36,481	32,270
Other	11,124	6,962
INTEREST INCOME OF ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	2,054,338	1,545,810
Financial assets held for trading	70,255	37,485
Financial assets designated at fair value	341	29
Derivatives held for trading	819,530	468,331
Derivatives as hedging instruments	1,164,212	1,039,965
INTEREST EXPENSE	(4,353,139)	(3,507,773)
INTEREST EXPENSE OF LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(1,362,942)	(1,134,379)
Due to banks	(137,692)	(60,886)
Customer borrowings and deposits ⁽¹⁾	(583,077)	(420,208)
Debt securities	(613,601)	(625,539)
Subordinated debts	(21,628)	(21,572)
Expenses linked to the amounts guaranteed by the States	(1)	0
Other	(6,943)	(6,174)
INTEREST EXPENSE OF LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(2,990,197)	(2,373,394)
Financial liabilities held for trading	(515)	(229)
Financial liabilities designated at fair value	(193,911)	(176,104)
Derivatives held for trading	(699,169)	(349,191)
Derivatives as hedging instruments	(2,096,602)	(1,847,870)
NET INTEREST INCOME	1,916,873	2,051,182

(1) Belfius presents the contribution to the deposit guarantee scheme in the interest margin.

7.2. Dividend income

(In thousands of EUR)	31/12/13	31/12/14
Financial assets available for sale	50,328	49,027
Financial assets held for trading	425	391
TOTAL	50,753	49,418

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7.3. Net income from associates

(In thousands of EUR)	31/12/13	31/12/14
Income from associates before tax	5,261	3,011
Share of tax	(589)	(1,031)
TOTAL	4,672	1,980

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

(In thousands of EUR)	31/12/13	31/12/14
Net trading income ⁽¹⁾	(164,755)	(122,781)
Net result of hedge accounting ⁽²⁾	(45,446)	(112,817)
Net result of financial instruments designated at fair value through profit or loss and result from the related derivatives ⁽³⁾	18,661	9,361
Change in own credit risk ⁽⁴⁾	(7,354)	0
Forex activity and exchange differences	10,714	4,503
TOTAL	(188,180)	(221,734)

(1) A further refinement of the fair value as well as the impact of the low interest environment on the fair value adjustments for derivatives, had a negative impact on the result.

(2) Following the changes in the basis risk and the low interest environment, the net result from hedge accounting is negative.

(3) Among which trading derivatives included in a fair value option strategy	(58,467)	99,761
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(4) See also note 9.2., table 7. "Credit risk information about financial liabilities designated at fair value through profit or loss".

Result of hedge accounting

(In thousands of EUR)	31/12/13	31/12/14
FAIR VALUE HEDGES	(35,401)	4,736
Fair value changes of the hedged item attributable to the hedged risk	(71,570)	135,984
Fair value changes of the hedging derivatives	36,169	(131,248)
PORTFOLIO HEDGE	(10,045)	(117,553)
Fair value changes of the hedged item	(1,819,084)	2,596,183
Fair value changes of the hedging derivatives	1,809,039	(2,713,736)
TOTAL	(45,446)	(112,817)

(In thousands of EUR)	31/12/13	31/12/14
DISCONTINUATION OF CASH FLOW HEDGE ACCOUNTING (CASH FLOWS STILL EXPECTED TO OCCUR) - AMOUNTS RECORDED IN INTEREST MARGIN	34	93

7.5. Net income on investments

(In thousands of EUR)	31/12/13	31/12/14
Gains on Loans and advances	116,495	103,050
Gains on Financial assets available for sale	157,290	126,689
Gains on Tangible fixed assets	39,091	36,057
Gains on Liabilities ⁽¹⁾	61,347	1
Other gains	13,125	2,373
TOTAL GAINS	387,348	268,170
Losses on Loans and advances	(154,256)	(136,103)
Losses on Financial assets available for sale	(75,081)	(98,996)
Losses on Tangible fixed assets	(396)	(959)
Losses on Assets held for sale	(57)	(82)
Losses on Liabilities	(369)	(920)
Other losses	(22,480)	(335)
TOTAL LOSSES	(252,639)	(237,395)
NET IMPAIRMENT	19,853	10,595
TOTAL	154,562	41,370

(1) In 2013, Belfius has repurchased its profit shares, resulting in an upfront profit of EUR 61 million.

Net impairment

(In thousands of EUR)	Specific risk		Total
	Allowances	Write-backs	
AS AT 31 DECEMBER 2013			
Securities available for sale	(27,997)	47,850	19,853
TOTAL	(27,997)	47,850	19,853

(In thousands of EUR)	Specific risk		Total
	Allowances	Write-backs	
AS AT 31 DECEMBER 2014			
Securities available for sale	(4,224)	14,819	10,595
TOTAL	(4,224)	14,819	10,595

7.6. Fee and commission income and expense

(In thousands of EUR)	31/12/13			31/12/14		
	Income	Expense	Net	Income	Expense	Net
Commissions on unit trusts and mutual funds managed by third parties	103,195	(4,143)	99,052	138,303	(4,631)	133,672
Insurance activity	116,420	(3,232)	113,188	116,039	(6,443)	109,596
Credit activity	43,889	(16,047)	27,842	33,618	(9,768)	23,850
Purchase and sale of securities	17,880	(969)	16,911	28,661	(1,245)	27,416
Purchase and sale of unit trusts and mutual funds	30,050	(2,102)	27,948	39,932	(960)	38,972
Payment services	136,771	(51,934)	84,837	142,322	(47,300)	95,022
Commissions to not exclusive brokers	9,255	(21,058)	(11,803)	2,925	(11,726)	(8,801)
Services on securities other than safekeeping	2,796	(660)	2,136	1,671	(743)	928
Custody	12,242	(4,808)	7,434	18,240	(4,456)	13,784
Issues and placements of securities	2,658	(909)	1,749	3,417	(801)	2,616
Servicing fees of securitisation	551	0	551	447	0	447
Private banking	8,332	(2,999)	5,333	12,188	(4,196)	7,992
Clearing and settlement	5,686	(6,261)	(575)	6,655	(5,215)	1,440
Securities lending	1,220	(1,274)	(54)	219	(32)	187
TOTAL	490,945	(116,396)	374,549	544,637	(97,516)	447,121

7.7. Other net income

(In thousands of EUR)	31/12/13	31/12/14
Operational taxes	985	911
Rental income from investment property	19,482	21,318
Other rental income	11,740	8,790
Other income on other activities ⁽¹⁾	132,017	106,242
OTHER INCOME	164,224	137,261
Impairment on inventory	(1)	(2)
Operational taxes ⁽²⁾	(121,520)	105,006
Repair and maintenance on investment properties that generated income during the current financial year	(67)	(728)
Other expense on other activities ⁽³⁾	(117,410)	(34,162)
OTHER EXPENSE	(238,998)	(139,898)
TOTAL	(74,774)	(2,637)

(1) "Other income on other activities" includes other operational income and write-back of provisions for litigations.

(2) For more information we refer to the review of "Tax Payer" in the management report.

(3) "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 litigations and depreciation and amortisation on investment property.

7.8. Staff expense

(In thousands of EUR)	31/12/13	31/12/14
Wages and salaries	(489,797)	(484,618)
Social security and insurance costs	(148,094)	(137,332)
Pension costs-defined benefit plans ⁽¹⁾	61,500	(53,251)
Pension costs-defined contribution plans ⁽¹⁾	(790)	(643)
Other postretirement obligations	13,076	28,169
Other long-term employee benefits	1,593	(465)
Restructuring expenses ⁽¹⁾	8,169	21,496
Other expense	(6,068)	(10,651)
TOTAL⁽²⁾	(560,411)	(637,295)

(1) We refer to note 6.7. "Provisions and other obligations" for a detailed description.

(2) The personnel costs increased compared to 2013, this is mainly linked to certain exceptional positive items in 2013.

(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
TOTAL	6,939	95	24	7,058

(Average FTE) as at 31 December 2014	Belgium	Luxembourg	Ireland	Fully consolidated
Senior Executives	162	5	3	170
Employees	6,553	81	13	6,647
TOTAL	6,715	86	16	6,817

7.9. General and administrative expense

(In thousands of EUR)	31/12/13	31/12/14
Occupancy	(29,990)	(30,236)
Operating leases (except technology and system costs)	(7,695)	(7,596)
Professional fees	(32,403)	(31,458)
Marketing advertising and public relations	(38,681)	(42,863)
Technology and system costs	(193,816)	(149,106)
Software costs and research and development costs	(16,761)	(31,210)
Repair and maintenance expenses	(643)	(920)
Restructuring costs other than staff	(10,500)	860
Insurance (except related to pension)	(6,573)	(5,576)
Transportation of mail and valuable	(35,003)	(33,601)
Operational taxes	(42,050)	(45,641)
Other general and administrative expense	(64,597)	(62,970)
TOTAL	(478,712)	(440,317)

7.10. Depreciation and amortisation

(In thousands of EUR)	31/12/13	31/12/14
Amortisation on buildings	(31,327)	(29,808)
Amortisation on other tangible assets	(21,400)	(19,274)
Amortisation of intangible assets	(39,322)	(36,499)
TOTAL	(92,049)	(85,581)

7.11. Impairment on loans and provisions for credit commitments

1. Collective impairment

(In thousands of EUR)	31/12/13			31/12/14		
	Allowances	Write-backs	Total	Allowances	Write-backs	Total
TOTAL OF COLLECTIVE IMPAIRMENT ON LOANS	(190,359)	328,534	138,175	(93,209)	115,138	21,929

2. Specific impairment

(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	(237,477)	289,832	(89,687)	6,332	(31,000)
Assets from insurance companies ⁽¹⁾	(334)	4	0	0	(330)
Other receivables	(528)	2,190	(1,935)	0	(273)
Liabilities	(4,215)	4,206	0	0	(9)
TOTAL	(242,554)	300,363	(93,758)	6,332	(29,617)

(1) Is presented under item XII. of the Assets.

(In thousands of EUR)	31/12/14				
	Allowances	Write-backs	Losses	Recoveries	Total
Loans and advances due from banks	0	11,627	(10,207)	0	1,420
Loans and advances to customers	(201,093)	181,496	(66,343)	12,634	(73,306)
Assets from insurance companies ⁽¹⁾	(120)	284	0	0	164
Other receivables	(221)	181	0	0	(40)
Liabilities	(10,901)	2,189	0	0	(8,712)
TOTAL	(212,335)	195,777	(76,550)	12,634	(80,474)

(1) Is presented under item XII. of the Assets.

7.12. Impairment on tangible and intangible assets

(In thousands of EUR)	31/12/13	31/12/14
Impairment on investment property	0	(4,659)
Impairment on land and buildings	(922)	(265)
TOTAL	(922)	(4,924)

7.13. Impairment on goodwill

Nil

The annual impairment test did not require an impairment on goodwill. The impairment test was performed by comparing the equity value of Belfius Insurance with the "value in use". This value in use was determined based on a discounted cash flow model with the following inputs:

- (i) financial plan for 3 years;
- (ii) a discount rate of 10%;
- (iii) a long term growth rate for Belgium of 1%.

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 30bp, the value in use of Belfius Insurance would increase with 3%. If the discount rate would decrease with 1%, the value in use would increase with 13%.

7.14. Provisions for legal litigations

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

In accordance with the IFRS rules, Belfius makes provisions for these litigations when, in the opinion of its management, after analysis by its company lawyers and external legal advisors as the case may be, it is probable that Belfius will have to make a payment and when the amount of such payment can be reasonably determined. For litigations that do not fulfill these two conditions, no provision is made.

Moreover, Belfius provides further information about the important pending litigations, regardless on whether a provision has been made or not.

1. Housing Fund of the Brussels Capital Region

The Housing Fund of the Brussels Capital Region has assigned Belfius Bank on 9 October 2012 before the Commercial Court of Brussels. The Housing Fund subscribed for a total amount of EUR 32,000,000 to 4 treasury notes that were issued by the Municipal Holding between July and September 2011. Following the liquidation of the Holding Communal, the Housing Fund could only receive repayment for EUR 16,000,000. It demands the repayment by Belfius Bank of the non-repaid capital. As the loss incurred on this investment is the result of a voluntary renouncement of the claim by the Housing Fund, which matches half of the investment, Belfius Bank rejects the demand from the Housing Fund.

On 27 March 2014, the Commercial Court of Brussels has accepted the petition of claim by the Housing Fund, but has declared it unfounded. The Housing Fund has filed an appeal against this judgement on 3 June 2014.

No provision has been made for this claim.

2. BBTK and ACLVB

Two trading unions within Belfius Bank, BBTK and ACLVB, have assigned Belfius Bank on 8 May 2014 before the Labour Court of Brussels. They demand the annulment of the collective labour agreements that Belfius Bank has signed with two other trading unions within the bank. BBTK and ACLVB are of the opinion that these collective labour agreements amend, without their consent, previous collective labour agreements Belfius Bank concluded also with them. In addition, they are of the opinion that an employer can only sign a collective labour agreement with a few of the existing trade unions within the firm, if the said employer has not signed previous collective labour agreements with other trade unions. The bank rejects this claim as the previous collective labour agreements have not been amended and because the law provides in general that a collective labour agreement can be signed with only one trade union.

No provision has been made for this claim.

3. Arco

737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) have assigned Belfius Bank, together with the 3 aforementioned Arco companies, before the Commercial Court of Brussels on 30 September 2014. Principally, they demand the annulment of their agreement to join the capital of these 3 companies as shareholder, based on deception or fallacy. They demand that the Court condemns Belfius Bank in solidum with each of the 3 above mentioned Arco companies to repay their capital contributions, increased by interests and a remuneration. In subordinate order, they ask the Commercial Court to condemn Belfius Bank to the

payment of compensation based on an alleged shortcoming in its information duty towards them. Because the file submitted by them lacks information with respect to proof and damage determination, Belfius cannot evaluate the content of the claim and has to reject it.

1,027 other shareholders of the 3 above mentioned Arco companies have joined the summons on 16 December 2014 on a voluntary basis. Belfius has asked for their files so that it can evaluate the content of their claim.

No provision has been made for this claim.

7.15. Tax expense

(In thousands of EUR)	31/12/13	31/12/14
Income tax on current year	(33,509)	(31,836)
Deferred taxes on current year	(64,750)	(109,826)
TAX ON CURRENT YEAR RESULT (A)	(98,259)	(141,662)
Income tax on previous year	32	3,295
Deferred taxes on previous year	26,384	45,707
Provision for tax litigations	(860)	(7,189)
OTHER TAX EXPENSE (B)	25,556	41,813
TOTAL (A)+(B)	(72,703)	(99,849)

Effective corporate income tax charge

(In thousands of EUR)	31/12/13	31/12/14
NET INCOME BEFORE TAX	517,799	559,729
Income and losses from companies accounted for by the equity method	4,672	1,980
TAX BASE	513,127	557,749
Statutory tax rate	33,99%	33,99%
TAX EXPENSE USING STATUTORY RATE	174,412	189,579
Tax effect of rates in other jurisdictions	4,362	11,903
Tax effect of non-taxable revenues ⁽¹⁾	(21,552)	(15,646)
Tax effect of non-tax deductible expenses	23,261	19,424
Tax effect on tax benefit not previously recognised in profit or loss	(1)	
Tax effect from reassessment of unrecognised deferred tax assets	(11,116)	1,872
Tax effect of change in tax rates	(335)	
Items taxed at a reduced rate	(6,047)	(8,918)
Other increase (decrease) in statutory tax charge	(64,724)	(56,552)
TAX ON CURRENT YEAR RESULT	98,260	141,662
Tax base	513,127	557,749
EFFECTIVE TAX RATE	19.1%	25.4%

(1) Mainly definitely taxed income (dividends) and exempt capital gains on shares.

Other notes to the consolidated financial statements

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)	31/12/13	31/12/14
Loans to be delivered and purchases of assets	1,334,417	1,829,796
Borrowings to be received and sales of assets	2,546,848	2,382,296

8.2. Guarantees

(In thousands of EUR)	31/12/13	31/12/14
Guarantees given to credit institutions	1,544,289	1,625,513
Guarantees given to customers	4,852,527	4,507,973
Guarantees received from credit institutions ⁽¹⁾	1,077,563	1,461,587
Guarantees received from customers	31,036,266	29,961,694

(1) This amount includes the personal guarantees and similar rights of recourse obtained for derivatives.

8.3. Loan commitments

(In thousands of EUR)	31/12/13	31/12/14
Unused lines granted to credit institutions	167,429	4,494
Unused lines granted to customers ⁽¹⁾	18,468,045	17,767,225
Unused lines obtained from credit institutions	540	386

(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)	31/12/13	31/12/14
Insurance activity - Commitments received	63,411	75,042
Banking activity - Commitments given ⁽¹⁾	50,199,253	47,821,477
Banking activity - Commitments received	60,452,098	61,807,816

(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 and 6.1 billion (nominal) at the end of 2014.

See also note 6.4. "Debts securities".

8.5. Bond lending and bond borrowing transactions

(In thousands of EUR)	31/12/13	31/12/14
Securities lending	6,136	1,882
Securities borrowing	336,640	334,702

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 the fair value is equal to the accounting value for some assets and liabilities. For the determination of the fair value and the assumptions used, we refer to the accounting policies.

1. Fair value of financial instruments

A. Breakdown of fair value of assets

(In thousands of EUR)	31/12/13			31/12/14		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and balances with central banks	1,445,716	1,445,716	0	2,412,855	2,412,855	0
Loans and advances ⁽¹⁾	117,845,271	124,200,304	6,355,033	118,216,763	130,002,607	11,785,844
Investments held to maturity	0	0	0	2,834,531	2,914,118	79,587
Financial assets measured at fair value through profit or loss	5,512,233	5,512,233	0	6,100,168	6,100,168	0
Financial assets available for sale	28,074,151	28,074,151	0	25,087,002	25,087,002	0
Derivatives	23,190,180	23,190,180	0	31,130,082	31,130,082	0
Non-current assets held for sale	23,159	46,112	22,953	24,932	43,174	18,242

(1) Following the low interest rate environment, a significant unrealised gain on "Loans and advances" can be estimated.

B. Breakdown of fair value of liabilities

(In thousands of EUR)	31/12/13			31/12/14		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Borrowings and deposits	90,860,880	90,996,635	135,755	87,921,690	88,142,315	220,625
Financial liabilities measured at fair value through profit or loss	8,460,808	8,460,808	0	9,166,711	9,166,711	0
Derivatives	28,602,043	28,602,043	0	38,165,388	38,165,388	0
Debt securities	27,184,180	28,079,485	895,305	29,112,916	30,042,286	929,370
Subordinated debts	893,192	1,018,723	125,531	886,358	913,156	26,798

The carrying amount does not include the "Fair value revaluation of portfolio hedge". In 2013, the value of the hedged interest rate risk amount is EUR 3,044 million on the asset side and EUR 43 million on the liability side. In 2014, EUR 5,072 million and EUR 294 million respectively are recognised on the balance sheet.

Apart from the "Financial liabilities measured at fair value through profit or loss" the own credit risk on liabilities has not changed significantly for the determination of the fair value.

2. Analysis of fair value of financial instruments

A. Assets

(In thousands of EUR)	31/12/13			
	Level 1	Level 2	Level 3	Total
Loans and advances ⁽¹⁾	963,364	44,521,015	78,715,925	124,200,304
Investments held to maturity	0	0	0	0
SUBTOTAL	963,364	44,521,015	78,715,925	124,200,304
Financial assets measured at fair value through profit or loss	3,944,832	805,773	761,628	5,512,233
Financial assets available for sale	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
SUBTOTAL	29,633,002	23,150,116	4,039,558	56,822,676
TOTAL	30,596,366	67,671,131	82,755,483	181,022,980

(1) Figures as of 31 Dec. 2013 have been restated.

(In thousands of EUR)	31/12/14			
	Level 1	Level 2	Level 3	Total
Loans and advances	2,180,562	45,977,781	81,844,264	130,002,607
Investments held to maturity	2,914,118	0	0	2,914,118
SUBTOTAL	5,094,680	45,977,781	81,844,264	132,916,725
Financial assets measured at fair value through profit or loss	4,633,741	1,104,759	361,668	6,100,168
Financial assets available for sale	23,098,865	538,816	1,449,321	25,087,002
Derivatives	1,105	29,503,247	1,625,730	31,130,082
Non-current assets held for sale	0	41,927	1,247	43,174
SUBTOTAL	27,733,711	31,188,749	3,437,966	62,360,426
TOTAL	32,828,391	77,166,530	85,282,230	195,277,151

B. Liabilities

(In thousands of EUR)	31/12/13			
	Level 1	Level 2	Level 3	Total
Borrowings and deposits ⁽¹⁾	0	89,560,360	1,436,275	90,996,635
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
SUBTOTAL	2,295,853	108,689,812	9,109,178	120,094,843
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
Liabilities included in disposal groups held for sale	0	0	0	0
SUBTOTAL	3,712,508	31,129,757	2,220,587	37,062,852
TOTAL	6,008,361	139,819,569	11,329,765	157,157,695

(1) Figures as of 31 Dec. 2013 have been restated.

(In thousands of EUR)	31/12/14			
	Level 1	Level 2	Level 3	Total
Borrowings and deposits	2,050,436	85,129,313	962,566	88,142,315
Debt securities	6,452,232	14,007,488	9,582,566	30,042,286
Subordinated debts	48,974	304,715	559,468	913,157
SUBTOTAL	8,551,642	99,441,516	11,104,600	119,097,758
Financial liabilities measured at fair value through profit or loss	4,117,783	4,955,080	93,848	9,166,711
Derivatives	34,587	36,743,770	1,387,030	38,165,387
Liabilities included in disposal groups held for sale	0	0	0	0
SUBTOTAL	4,152,370	41,698,850	1,480,878	47,332,098
TOTAL	12,704,012	141,140,366	12,585,478	166,429,856

3. Transfer between Level 1 and Level 2 fair value

A. Assets

(In thousands of EUR)	31/12/13		31/12/14	
	From 1 to 2	From 2 to 1	From 1 to 2	From 2 to 1
Financial assets measured at fair value through profit or loss	0	2,552	0	19,489
Financial assets available for sale	309,802	1,443,079	2,858	184,094
TOTAL	309,802	1,445,631	2,858	203,583

B. Liabilities

(In thousands of EUR)	31/12/13		31/12/14	
	From 1 to 2	From 2 to 1	From 1 to 2	From 2 to 1
Derivatives	0	0	15,162	0
TOTAL	0	0	15,162	0

4. Reconciliation Level 3

A. Assets

	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 or loss	1,101,667	(39,020)	0	100,221	(8,758)	0	1,159	(393,641)	0	761,628
Financial assets available for sale	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
TOTAL	10,168,800	(362,732)	(54,405)	1,165,205	(746,215)	(439,421)	955,138	(6,634,523)	(12,289)	4,039,558

	31/12/14									
	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 or loss	761,628	63,941	0	170,146	(21,336)	0	12	(612,724)	0	361,667
Financial assets available for sale	1,675,363	12,956	46,831	835,329	(366,579)	(574,639)	366,875	(546,815)	0	1,449,321
Derivatives	1,602,567	87,937	0	232,764	0	(745,929)	434,648	0	13,742	1,625,729
TOTAL	4,039,558	164,834	46,831	1,238,239	(387,915)	(1,320,568)	801,535	(1,159,539)	13,742	3,436,717

B. Liabilities

	31/12/13								
(In thousands of EUR)	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
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
TOTAL	2,056,591	(653)	(1,421,233)	798,905	225,752	(650,502)	1,349,153	(137,426)	2,220,587

	31/12/14								
(In thousands of EUR)	Opening balance	Total of realised gains and losses in P&L	Total of unrealised gains and losses in P&L	Purchases	Sale	Settlement	Transfers in Level 3	Transfer out of Level 3	Closing balance
Financial liabilities measured at fair value through profit or loss	1,392,516	0	(192)	15,058	(174,401)	0	52,304	(1,191,437)	93,848
Derivatives	828,071	(316)	252,126	80,152	0	(826,669)	1,098,296	(44,630)	1,387,030
TOTAL	2,220,587	(316)	251,934	95,210	(174,401)	(826,669)	1,150,600	(1,236,067)	1,480,878

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, also to some level 3 positions, a tactical de-risking strategy. This leads to a decrease of fair values in level 3.

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 and equities.

The 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, certain illiquid bonds are considered as “level 3” as well as certain Total Return Swaps (TRS), Credit Default Obligations (CDO) and Credit Default Swaps (CDS). The analysis is performed on a transaction basis. The valuation of these positions is regularly back tested 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 ⁽¹⁾	Impact in P&L or equity of alternative assumptions (in millions of EUR)
OTC swaps on Belgian inflation	Expectations in Belgian inflation	+30 bp	-4.31
OTC derivatives on CMS spread	Correlation between CMS interest rates	+10%	2.17
OTC derivatives on equity baskets	Correlation between shares or equity indexes ⁽¹⁾	1%	-0.026
OTC swaps Bermudian Feature	Mean Reversion	1%	1.43
Collateralised Debt Obligation	Credit spread	-10 bp	-6.08
Credit Default Swap	Credit spread	-10 bp	+2.21
Illiquid bonds	Credit spread	-10 bp	+43.6

(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.

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 2013 nor in 2014.

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 is either the undrawn part of liquidity facilities or the maximum amount Belfius 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 counterpart taking into account the guarantees obtained. This means that when credit risk exposure is guaranteed by a third-part whose weighted risk (for Basel III 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)	31/12/13	31/12/14
Belgium	118,324,160	119,052,670
France	11,296,599	10,549,591
Germany	1,114,370	2,177,641
Greece ⁽¹⁾	17,063	900
Ireland	79,952	134,719
Italy	5,982,889	6,110,665
Luxembourg	1,477,499	865,849
Spain	5,194,803	3,758,316
Portugal	354,605	225,688
Other EU countries ⁽²⁾	11,364,214	16,228,796
Rest of Europe	365,389	308,871
Turkey	359,629	269,684
United States and Canada	4,780,954	4,685,675
South and Central America	460,105	528,725
Southeast Asia	383,652	380,564
Japan	388,433	394,663
Other	2,498,814	2,415,553
TOTAL	164,443,129	168,088,570

(1) The exposure on Greece also concerns a small number of retail loans to residents in Greece with good credit quality and with economical ties to Belgium.

(2) Includes supranational entities, such as the European Central Bank.

B. Exposure by category of counterparty

(In thousands of EUR)	31/12/13	31/12/14
Central governments	31,231,982	31,754,663
Local public sector	48,843,703	48,759,879
Corporate	22,982,841	23,336,325
Monolines	3,256,741	3,996,793
ABS/MBS	3,488,213	2,426,465
Project finance	1,798,824	1,879,951
Individuals, SME, self-employed	37,747,413	39,050,018
Financial institutions	15,093,261	16,794,294
Other	151	90,182
TOTAL	164,443,129	168,088,570

2. Credit quality of financial assets neither past due nor impaired

(In thousands of EUR)	31/12/13				
	AAA to AA-	A+ to BBB-	Non-investment grade	Unrated	Total
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 amortised cost)	51,250,567	31,108,204	15,573,425	617,434	98,549,630
Investments held to maturity	0	0	0	0	0
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
TOTAL	76,785,023	61,104,119	22,801,201	1,992,244	162,682,587

(In thousands of EUR)	31/12/14				
	AAA to AA-	A+ to BBB-	Non-investment grade	Unrated	Total
Financial assets available for sale (excluding variable income securities)	12,440,099	9,820,298	1,188,734	18,138	23,467,269
Financial assets designated at fair value (excluding variable income securities)	0	338,982	0	0	338,982
Financial assets held for trading (excluding variable income securities)	992,236	955,803	8,046	547	1,956,632
Loans and advances (at amortised cost)	50,304,767	33,561,268	15,407,508	901,097	100,174,640
Investments held to maturity	648,955	2,185,575	0	0	2,834,530
Derivatives	2,467,720	5,717,850	219,256	45,638	8,450,464
Other financial instruments - at cost	445,308	78,122	3,243	971,100	1,497,773
Loan commitments granted	9,123,456	5,483,331	3,377,217	349,736	18,333,740
Guarantee commitments granted	3,060,851	5,059,185	1,204,213	77,674	9,401,923
TOTAL	79,483,392	63,200,414	21,408,217	2,363,930	166,455,953

The indicated ratings are either internal or external based. In fact, Belfius applies the AIRBA (Advanced Internal Ratings Based Approach) for the calculation of capital requirements for credit risk

within the context of Pillar I of Basel III. 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 counterpart fails to pay

the required interests at due date, the entire loan is considered as past due.

(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
TOTAL	631,489	23,893	37,854	2,143,396

(In thousands of EUR)	31/12/14			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	0
Loans and advances (at amortised cost)	607,320	20,701	28,903	2,064,983
Other financial instruments – at cost	0	0	0	4,695
TOTAL	607,320	20,701	28,903	2,069,678

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

4. Forbearance

(In thousands of EUR)	31/12/14		
	Gross carrying amount of exposures with forbearance measures	Impairment	Collateral received and financial guarantees received
			Collateral received on exposures with forbearance measures Financial guarantees received on exposures with forbearance measures
Debt Instruments at amortised cost	735,165	(119,074)	291,822
Loan commitments - given	24,083		

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 2013	Utilisation	Amounts set aside for estimated probable loan losses ⁽¹⁾	Amounts reversed for estimated probable loan losses ⁽¹⁾	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)								
SPECIFIC ALLOWANCES FOR INDIVIDUALLY AND COLLECTIVELY ASSESSED FINANCIAL ASSETS	(1,300,025)	83,175	(256,137)	248,752	3,972	(1,220,263)	6,332	(43,420)
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
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS	(510,279)	0	(190,358)	328,533	0	(372,104)	0	0
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
TOTAL	(1,810,304)	83,175	(446,495)	577,285	3,972	(1,592,367)	6,332	(43,420)

(1) The evolution is a result of the de-risking strategy.

	As at 1 January 2014	Utilisation	Amounts set aside for estimated probable loan losses ⁽¹⁾	Amounts reversed for estimated probable loan losses ⁽¹⁾	Other	As at 31 December 2014	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
(In thousands of EUR)								
SPECIFIC ALLOWANCES FOR INDIVIDUALLY AND COLLECTIVELY ASSESSED FINANCIAL ASSETS	(1,220,263)	68,307	(205,252)	139,569	(7,350)	(1,224,989)	12,634	(41,664)
Loans and advances due from banks	(11,455)	10,494	0	1,132	(171)	0	0	0
Loans and advances to customers	(1,129,543)	43,059	(201,093)	138,437	(7,179)	(1,156,319)	12,634	(41,664)
Financial assets available for sale	(79,265)	14,754	(4,159)	0	0	(68,670)	0	0
Of which Fixed-income instruments	(307)	307	0	0	0	0	0	0
Of which Equity instruments	(78,958)	14,447	(4,159)	0	0	(68,670)	0	0
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS	(372,104)	0	(93,209)	115,139	(163)	(350,337)	0	0
Loans and advances due from banks	(5,048)	0	(6,412)	2,259	0	(9,201)	0	0
Loans and advances to customers	(367,056)	0	(86,797)	112,880	(163)	(341,136)	0	0
TOTAL	(1,592,367)	68,307	(298,461)	254,708	(7,513)	(1,575,326)	12,634	(41,664)

(1) The evolution is 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 5.6. "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 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 amount contractually required to be paid at maturity ⁽¹⁾
		Change of the period	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.

As at 31 December 2014	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 amount contractually required to be paid at maturity ⁽¹⁾
		Change of the period	Cumulative amount	
(In thousands of EUR)				
	9,123,041	0	0	190,681

(1) This amount includes the premium/discount and the change in market value.

9.3. Information on assets encumbrance

1. Assets

	31/12/13 ⁽¹⁾			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
(In thousands of EUR)				
Equity instruments	0	0	1,674,742	1,674,742
Debt securities	9,962,119	9,877,185	25,491,041	22,434,703
Loans and advances	43,669,961	43,669,961	49,051,368	49,051,368
of which cash collateral given	16,147,240	16,147,240		

(1) Figures as of 31 Dec. 2013 have been restated following the new presentation of the asset encumbrance..

	31/12/14			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
(In thousands of EUR)				
Equity instruments	0	0	1,705,538	1,705,538
Debt securities	10,386,296	10,393,153	20,980,310	21,877,007
Loans and advances	40,515,108	40,515,108	56,612,788	56,612,788
of which cash collateral given	21,308,524	21,308,524		

2. Collateral received

	As at 31 December 2013		As at 31 December 2014	
	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
(In thousands of EUR)				
Collateral received by the reporting institution	2,390,199	1,480,381	3,071,413	778,762
Debt securities	2,390,199	1,480,381	3,071,413	778,762
Own debt securities issued other than own covered bonds or ABS	0	529,681	0	583,955

These figures were determined according to the current Belfius interpretation of 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.

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 and securitisations, the assets given under bond lending transactions and cash collateral posted under the "Credit Support Annex" (CSA) agreements.

The collateral pledged to the Central Bank amounts to EUR 26 billion by the end of 2014. This amount of assets pledged is composed of EUR 6.5 billion to raise funding and EUR 19.5 billion which is available.

In addition, an amount of EUR 23.6 billion of collateral is pledged for derivatives (cash + securities).

As a result, in 2014 an amount of approximately EUR 27.7 billion of assets were pledged for funding purposes.

Cash collateral received not taken into account in assets encumbrance reporting

The ECB announced on 5 June 2014, a series of targeted longer-term refinancing operations (TLTROs). The TLTROs are designed to enhance the functioning of the monetary policy transmission mechanism by supporting bank lending to the real economy. The program foresees 8 TLTROs with a contractual maturity of 26 September 2018. The first 2 are held in September and December 2014 and the next 6 will be conducted on a quarterly basis from Q1 2015 to Q2 2016. The loans that are eligible consist of loans granted to Euro area non-financial corporations (including non-profit organisations) and Euro area households (excluding loans for house purchase). All loans to financial entities and to the public sector are excluded. Counterparties participating in a TLTRO are subject to borrowing limits. Belfius' borrowing limit for the first 2 TLTROs programs held in September and December 2014, amounts to EUR 1.65 billion. This limit represents 7% of the eligible outstanding loans on 30 April 2014 and amounts to EUR 23.7 billion, which is Belfius' benchmark. Banks that borrow in the TLTRO program and fail to achieve their benchmark as of 30 April 2016 are required to pay back their borrowings in full in September 2016 instead of September 2018. At the end of 2014, the participation of Belfius in the TLTRO amounted to EUR 1.5 billion.

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

3. Encumbered assets/collateral received and associated liabilities

	As at 31 December 2013		As at 31 December 2014	
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABS encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABS encumbered
(In thousands of EUR)				
Carrying amount of selected financial liabilities	47,575,665	54,683,655	46,037,344	51,224,171

4. Transfer of financial assets which do not qualify for derecognition in the consolidated balance sheet

	31/12/13				
	Carrying amount of transferred assets	Carrying amount of associated liabilities	For those liabilities that recourse only to the transferred assets		
			Fair value of transferred assets	Fair Value of associated liabilities	Net position
(In thousands of EUR)					
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
TOTAL	9,495,773	9,188,126	3,383,530	3,242,148	141,382

	31/12/14				
	Carrying amount of transferred assets	Carrying amount of associated liabilities	For those liabilities that recourse only to the transferred assets		
			Fair value of transferred assets	Fair Value of associated liabilities	Net position
(In thousands of EUR)					
Loans and advances due from banks	1,938,834	1,753,439	0	0	0
Loans and advances to customers	3,978,620	3,952,268	3,192,172	2,786,755	405,417
Financial assets held for trading	343,285	333,900	0	0	0
Financial assets available for sale	2,611,397	2,398,179	0	0	0
TOTAL	8,872,136	8,437,786	3,192,172	2,786,755	405,417

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 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.

5. Maximum credit risk exposure by class of financial instruments and impact of collateral

	31/12/13		31/12/14	
	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)	27,853,943	0	23,468,367	0
Financial assets designated at fair value (excluding variable income securities)	272,711	0	338,982	0
Financial assets held for trading (excluding variable income securities)	1,369,315	0	1,956,633	0
Loans and advances (at amortised cost)	100,238,978	1,797,164	94,412,230	2,212,595
Investments held to maturity	0	0	2,834,531	0
Derivatives	4,907,350	0	8,452,933	0
Other financial instruments - at cost	2,096,368	0	1,498,007	0
Loan commitments granted	19,867,496	80,430	25,690,248	87,593
Guarantee commitments granted	7,836,969	30,386	9,436,639	34,221
TOTAL	164,443,129	1,907,980	168,088,570	2,334,409

6. Collateral and other credit enhancements obtained by taking possession of collateral

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).

7. Offsetting

A. Financial assets subject to offsetting enforceable master netting agreements and similar agreements

	31/12/13					
	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	5,247,629	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 ⁽¹⁾	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 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).

	31/12/14					
	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	8,744,476	8,680,400	64,076	0	0	64,076
Derivatives with master netting agreements	19,044,080	0	19,044,080	13,170,916	2,167,836	3,705,328
Reverse repurchase agreements with master netting agreements	422,435	0	422,435	0	422,213	222
Financial instruments under DGMNA ⁽¹⁾	8,313,691	0	8,313,691	1,773,068	6,101,782	438,841
TOTAL	36,524,682	8,680,400	27,844,282	14,943,984	8,691,831	4,208,467

(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 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

	31/12/13					
	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	5,235,961	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 ⁽¹⁾	1,437,229	0	1,437,229	1,437,229	0	0
TOTAL	41,462,599	5,088,530	36,374,069	11,769,549	23,642,113	962,407

(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 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).

	31/12/14					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	8,842,805	8,680,400	162,405	0	0	162,405
Derivatives with master netting agreements	35,225,381	0	35,225,381	13,121,774	21,298,378	805,229
Repurchase agreements with master netting agreements	7,347,638	0	7,347,638	0	7,346,944	694
Financial instruments under DGMNA ⁽¹⁾	1,773,069	0	1,773,069	1,773,068	0	1
TOTAL	53,188,893	8,680,400	44,508,493	14,894,842	28,645,322	968,329

(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 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 behavioral 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. 2013

A. Assets

(In thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity	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 or loss	0	1,443,753	7,686	75,081	174,421	3,656,578	8,051	146,663	0	5,512,233
Financial assets available for sale	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 (interest risk)								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
TOTAL ASSETS	19,914,500	35,413,467	15,148,500	26,889,543	47,412,192	10,335,513	2,383,931	26,878,658	(1,598,882)	182,777,422
Regular way trade		328,745	196,781	23,158	313,985	471,748				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
OFF BALANCE SHEET	0	197,400,760	121,767,345	106,534,908	250,736,956	665,384	0	0	0	677,105,353
TOTAL FOR INTEREST RATE REPRICING RISK	19,914,500	232,814,227	136,915,845	133,424,451	298,149,148	11,000,897	2,383,931	26,878,658	(1,598,882)	859,882,775

B. Liabilities

(In thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undeter- mined maturity	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 (interest risk)								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
TOTAL LIABILITIES	52,839,601	29,374,066	11,146,674	26,097,131	4,648,260	22,596,524	3,062,589	26,391,631	176,156,476
Regular way trade		1,437,353	21,990	40,969	315,083	731,453			2,546,848
Derivatives	0	190,293,451	128,121,848	105,540,091	269,655,302	499,645	0	0	694,110,337
OFF BALANCE SHEET	0	191,730,804	128,143,838	105,581,060	269,970,385	1,231,098	0	0	696,657,185
TOTAL FOR INTEREST RATE REPRICING RISK	52,839,601	221,104,870	139,290,512	131,678,191	274,618,645	23,827,622	3,062,589	26,391,631	872,813,661

C. Net position

(In thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity
On-balance-sheet sensitivity gap	(32,925,101)	11,709,357	(2,374,667)	1,746,260	23,530,503	(12,826,725)

The actual interest rate risk of Belfius is analysed based on more advanced hypotheses.

2. 2014

A. Assets

(In thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undeter- mined maturity	Accrued interest	Fair value adjust- ment	Impair- ment	Total
Cash and balances with central banks	2,412,799						56			2,412,855
Loans and advances due from banks	20,107,126	10,627,352	164,240	34,706	70,383	31	28,111	36,026	(9,201)	31,058,774
Loans and advances to customers	3,643,909	16,996,444	14,310,473	20,798,906	30,802,503	1,837,263	292,022	(26,075)	(1,497,456)	87,157,989
Investments held to maturity		0	0	40,263	2,751,531	0	42,737	0		2,834,531
Financial assets measured at fair value through profit or loss	0	1,405,737	221,351	70,786	117,669	4,100,098	6,026	178,501	0	6,100,168
Financial assets available for sale	0	1,271,016	632,482	4,734,042	12,752,422	1,366,352	408,725	3,990,632	(68,669)	25,087,002
Derivatives							1,322,376	29,807,706		31,130,082
Fair value revaluation of portfolio hedge (interest risk)								5,071,952		5,071,952
Investments in associates						146,494				146,494
Tangible fixed assets						1,297,180				1,297,180
Intangible assets and goodwill						193,715				193,715
Tax assets						694,928				694,928
Other assets	30,807	117,396	41,839	53,006	51,848	903,613			(1,937)	1,196,572
Non-current assets held for sale						29,089			(4,157)	24,932
TOTAL ASSETS	26,194,641	30,417,945	15,370,385	25,731,709	46,546,356	10,568,763	2,100,053	39,058,742	(1,581,420)	194,407,174
Regular way trade		940,806	328,994	5,779	7,832	546,385				1,829,796
Derivatives	545,368	168,148,203	83,580,672	108,512,729	225,350,413	12,453,113	0	0	0	598,590,498
OFF BALANCE SHEET	545,368	169,089,009	83,909,666	108,518,508	225,358,245	12,999,498	0	0	0	600,420,294
TOTAL FOR INTEREST RATE REPRICING RISK	26,740,009	199,506,954	99,280,051	134,250,217	271,904,601	23,568,261	2,100,053	39,058,742	(1,581,420)	794,827,469

B. Liabilities

(In thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Due to banks	9,219,042	10,040,040	527,856	1,519,619	33,020	9,828	58,411		21,407,816
Customer borrowings and deposits	50,223,668	13,864,814	969,343	744,148	627,171	11,697	73,019	14	66,513,874
Financial liabilities measured at fair value through profit or loss	0	1,101,127	1,236,204	1,778,518	696,776	4,076,017	85,526	192,544	9,166,712
Derivatives							2,042,912	36,122,476	38,165,388
Fair value revaluation of portfolio hedge (interest risk)								293,993	293,993
Debt securities		8,422,284	6,351,385	8,705,934	5,375,718		257,595		29,112,916
Subordinated debts			15,000	259,176	212,745	386,845	6,649	5,943	886,358
Technical provisions of insurance companies						18,047,274			18,047,274
Provisions and other obligations						477,169			477,169
Tax liabilities						258,560			258,560
Other liabilities	116,589	1,403,915	79,246	12,913	15,208	522,411	235		2,150,517
Liabilities included in disposal groups held for sale									0
TOTAL LIABILITIES	59,559,299	34,832,180	9,179,034	13,020,308	6,960,638	23,789,801	2,524,347	36,614,970	186,480,577
Regular way trade	187,780	1,340,928	282,276	2,751	15,403	553,158			2,382,296
Derivatives	0	159,292,740	97,603,161	106,847,473	237,437,491	12,888,519	0	0	614,069,384
OFF BALANCE SHEET	187,780	160,633,668	97,885,437	106,850,224	237,452,894	13,441,677	0	0	616,451,680
TOTAL FOR INTEREST RATE REPRICING RISK	59,747,079	195,465,848	107,064,471	119,870,532	244,413,532	37,231,478	2,524,347	36,614,970	802,932,257

C. Net position

(In thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity
On-balance-sheet sensitivity gap	(33,007,070)	4,041,106	(7,784,420)	14,379,685	27,491,069	(13,663,217)

The actual interest rate risk of Belfius 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 client transactions only. Transactions made by external or internal clients, 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 client flow management activities includes general interest rate, foreign exchange, equity prices, credit spread and other risks (inflation, CO₂). 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)		2013				2014			
(In thousands of EUR)	IR ⁽¹⁾ & FX ⁽²⁾	Equity	Spread	Other risks ⁽³⁾		IR ⁽¹⁾ & FX ⁽²⁾	Equity	Spread	Other risks ⁽³⁾
By activity									
Average	5,951	1,246	10,711	1,634		6,201	1,321	10,459	879
EOY	4,843	837	10,468	1,551		4,380	1,832	10,124	1,448
Maximum	10,347	2,603	14,517	2,287		9,595	5,742	13,422	1,944
Minimum	3,392	643	9,120	1,120		2,299	680	8,597	555
Global									
Average		19,543					18,860		
EOY		17,700					17,785		
Maximum		24,180					23,320		
Minimum		15,197					14,018		
Limit		41,000					32,000		

(1) IR: interest rate risk.

(2) FX: forex risk.

(3) Inflation and CO₂ 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. Banking and insurance companies

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)	2013		2014	
	Interest rate	Equity	Interest rate	Equity
Banking companies ALM ⁽¹⁾				
Sensitivity	103,000		803,000	
Insurance				
Sensitivity	65,000		45,600	
Limited VaR (99%, 10 days)		37,000		39,344

(1) Treasury excluded.

B. ALM equity - Listed shares sensitivity

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)	31/12/13	31/12/14
Bank		
Acquisition cost	24,000	24,000
Market value	2,000	2,707
Earnings at risk	0	0
Insurance		
Acquisition cost	826,000	756,687
Market value	888,000	840,505
Earnings at risk	(10,000)	(10,581)

3. Bond portfolio

A. Outstanding nominal amounts

(In thousands of EUR)	31/12/13	31/12/14
Bank ⁽¹⁾	19,625,139	16,052,948
Insurance	12,046,503	11,493,371

(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 million at the end of 2014.

C. Credit-spread sensitivity

This calculation estimates the sensitivity of the bond portfolio after one basis point spread widening.

(In thousands of EUR)	31/12/13	31/12/14
Bank ⁽¹⁾	(19,711)	(21,385)
Insurance	(9,285)	(10,275)

(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.

Breakdown residual maturity

Current accounts and saving deposits are included in the column "At sight and on demand" even if they have no fixed repayment date.

All other assets and liabilities are split over the different periods.

1. 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	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 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 or loss	0	338,505	5,457	318,847	1,038,132	3,656,579	8,051	146,663	0	5,512,234
Financial assets available for sale		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 (interest risk)								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
TOTAL ASSETS	19,832,388	11,234,148	10,149,163	38,523,052	65,016,082	10,358,882	2,383,931	26,878,658	(1,598,882)	182,777,422
Regular way trade		1,326,229	8,188							1,334,417
Foreign exchange derivatives		7,268,551	4,086,720	3,734,417	8,922,811	0	0	0	0	24,012,499
CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE	0	8,594,780	4,094,908	3,734,417	8,922,811	0	0	0	0	25,346,916
TOTAL LIQUIDITY GAP	19,832,388	19,828,928	14,244,071	42,257,469	73,938,893	10,358,882	2,383,931	26,878,658	(1,598,882)	208,124,338

B. Liabilities

(In thousands of EUR)	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjustment	Total
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 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		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 (interest risk)								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
Liabilities included in disposal groups held for sale									0
TOTAL LIABILITIES	52,838,590	23,599,380	9,626,695	37,251,859	18,363,706	5,022,026	3,062,589	26,391,631	176,156,476
Core shareholders' equity						7,343,222			7,343,222
Gains and losses not recognised in the statement of income								(738,172)	(738,172)
TOTAL SHAREHOLDERS' EQUITY						7,343,222		(738,172)	6,605,050
Non-controlling interests						15,896			15,896
TOTAL EQUITY						7,359,118		(738,172)	6,620,946
TOTAL LIABILITIES AND EQUITY	52,838,590	23,599,380	9,626,695	37,251,859	18,363,706	12,381,144	3,062,589	25,653,459	182,777,422
Regular way trade		2,546,848							2,546,848
Foreign exchange derivatives		7,233,867	4,238,386	3,786,898	8,931,288				24,190,439
CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE		9,780,715	4,238,386	3,786,898	8,931,288				26,737,287
TOTAL LIQUIDITY GAP	52,838,590	33,380,095	13,865,081	41,038,757	27,294,994	12,381,144	3,062,589	25,653,459	209,514,709

C. Net liquidity gap

(In thousands of EUR)	Breakdown of gross amount and premium/discount					
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity
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 Belfius is analysed based on more advanced hypotheses.

The market value of the derivatives is reported in the column "Fair value adjustment".

The liquidity position 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.

2. 2014

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	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity				
Cash and balances with central banks	2,412,799						56			2,412,855
Loans and advances due from banks	20,107,125	10,412,570	139,457	132,014	195,703	16,969	28,111	36,026	(9,201)	31,058,774
Loans and advances to customers	3,643,909	9,295,905	6,254,162	21,295,563	46,062,696	1,837,263	292,022	(26,075)	(1,497,456)	87,157,989
Investments held to maturity				40,263	2,751,531		42,737			2,834,531
Financial assets measured at fair value through profit or loss		300,108	231,473	75,828	1,208,134	4,100,098	6,026	178,501		6,100,168
Financial assets available for sale		775,673	665,756	5,046,979	12,899,772	1,368,134	408,725	3,990,632	(68,669)	25,087,002
Derivatives							1,322,376	29,807,706		31,130,082
Fair value revaluation of portfolio hedge (interest risk)								5,071,952		5,071,952
Investments in associates						146,494				146,494
Tangible fixed assets						1,297,180				1,297,180
Intangible assets and goodwill						193,715				193,715
Tax assets						694,928				694,928
Other assets	30,807	114,747	40,853	56,251	52,238	903,613			(1,937)	1,196,572
Non-current assets held for sale						29,089			(4,157)	24,932
TOTAL ASSETS	26,194,640	20,899,003	7,331,701	26,646,898	63,170,074	10,587,483	2,100,053	39,058,742	(1,581,420)	194,407,174
Regular way trade		1,821,109	8,622			65				1,829,796
Foreign exchange derivatives		6,176,814	4,020,943	4,220,332	9,143,752					23,561,841
CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE		7,997,923	4,029,565	4,220,332	9,143,752	65				25,391,637
TOTAL LIQUIDITY GAP	26,194,640	28,896,926	11,361,266	30,867,230	72,313,826	10,587,548	2,100,053	39,058,742	(1,581,420)	219,798,811

B. Liabilities

(In thousands of EUR)	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjustment	Total
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity			
Due to banks	9,219,043	9,917,100	527,856	1,638,974	36,604	9,828	58,411		21,407,816
Customer borrowings and deposits	50,223,668	13,787,325	1,000,493	790,488	627,171	11,696	73,019	14	66,513,874
Financial liabilities measured at fair value through profit or loss		160,781	557,595	2,322,398	1,771,851	4,076,017	85,526	192,544	9,166,712
Derivatives							2,042,912	36,122,476	38,165,388
Fair value revaluation of portfolio hedge (interest risk)								293,993	293,993
Debt securities		1,874,337	5,672,450	11,639,509	9,669,025		257,595		29,112,916
Subordinated debts			15,000	259,176	212,745	386,845	6,649	5,943	886,358
Technical provisions of insurance companies		253,421	1,831,302	6,130,005	9,501,404	331,142			18,047,274
Provisions and other obligations					477,169				477,169
Tax liabilities					258,560				258,560
Other liabilities	116,589	1,403,937	79,246	12,913	15,209	522,388	235		2,150,517
Liabilities included in disposal groups held for sale									0
TOTAL LIABILITIES	59,559,300	27,396,901	9,683,942	22,793,463	22,569,738	5,337,916	2,524,347	36,614,970	186,480,577
Core shareholders' equity						7,804,446			7,804,446
Gains and losses not recognised in the statement of income								119,376	119,376
TOTAL SHAREHOLDERS' EQUITY						7,804,446		119,376	7,923,822
Non-controlling interests						2,775			2,775
TOTAL EQUITY						7,807,221		119,376	7,926,597
TOTAL LIABILITIES AND EQUITY	59,559,300	27,396,901	9,683,942	22,793,463	22,569,738	13,145,137	2,524,347	36,734,346	194,407,174
Regular way trade		2,382,284	12						2,382,296
Foreign exchange derivatives		6,194,591	4,114,669	4,280,751	9,080,131				23,670,142
CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE		8,576,875	4,114,681	4,280,751	9,080,131				26,052,438
TOTAL LIQUIDITY GAP	59,559,300	35,973,776	13,798,623	27,074,214	31,649,869	13,145,137	2,524,347	36,734,346	220,459,612

C. Net liquidity gap

(In thousands of EUR)	Breakdown of gross amount and premium/discount					
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity
Net liquidity gap	(33,364,660)	(7,076,850)	(2,437,357)	3,793,016	40,663,957	(2,557,589)

The actual liquidity risk of Belfius 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 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.

9.7. Currency risk and foreign exchange

1. Currency risk

(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
NET ON BALANCE POSITION	(3,559,407)	2,840,649	690,273	28,485	0
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
OFF BALANCE SHEET - NET POSITION	3,539,386	(2,821,483)	(720,819)	159,330	156,414
NET POSITION	(20,021)	19,166	(30,546)	187,815	

(In thousands of EUR)	31/12/14				
	EUR	GBP	USD	Other	Total
Total assets	178,740,183	8,207,948	4,875,665	2,583,378	194,407,174
Total liabilities and equity	180,915,303	5,406,601	5,386,346	2,698,924	194,407,174
NET ON BALANCE POSITION	(2,175,120)	2,801,347	(510,681)	(115,546)	0
Off balance sheet - to receive	8,776,043	1,239,536	10,338,401	3,381,974	23,735,954
Off balance sheet - to deliver	6,740,479	4,021,515	9,867,986	3,146,766	23,776,746
OFF BALANCE SHEET - NET POSITION	2,035,564	(2,781,979)	470,415	235,208	(40,792)
NET POSITION	(139,556)	19,368	(40,266)	119,662	

2. Exchange rates

		31/12/13		31/12/14	
		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.5415	1.3946	1.4789	1.4720
Canadian dollar	CAD	1.4648	1.3769	1.4016	1.4611
Swiss franc	CHF	1.2273	1.2292	1.2026	1.2119
Koruna (Czech republic)	CZK	27.3630	26.0349	27.7205	27.5637
Danish krone	DKK	7.4603	7.4577	7.4662	7.4538
Euro	EUR	1.0000	1.0000	1.0000	1.0000
Pound sterling	GBP	0.8335	0.8504	0.7765	0.8015
Hong Kong dollar	HKD	10.6896	10.3217	9.3848	10.2174
Forint	HUF	297.1150	298.0004	316.5500	310.7136
Shekel	ILS	4.7741	4.7900	4.7123	4.7397
Yen	JPY	144.7000	130.3038	145.0650	140.6855
Mexican peso	MXN	18.0222	17.1202	17.8454	17.6583
Norwegian Krone	NOK	8.3781	7.8690	9.0576	8.4182
New Zealand dollar	NZD	1.6729	1.6300	1.5491	1.5995
Swedish krona	SEK	8.8819	8.6648	9.4801	9.1220
Singapore dollar	SGD	1.7411	1.6679	1.6038	1.6745
Turkish lira	TRY	2.9654	2.5672	2.8290	2.8977
US dollar	USD	1.3785	1.3307	1.2103	1.3173

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

10.1. Significant changes in scope of consolidation

1. As at 31 December 2013

As from the first quarter the participation in Belfius Insurance increased to 100%.

The entities Coquelets, North Light and Pole Star were purchased.

The entity Sepia is included again in the consolidation scope.

2. As at 31 december 2014

In 2014 Belfius Funding merged with Belfius Financing Company and Corona Invest merged with Corona.

The entity Malvoz was purchased in the first quarter. Promotion Léopold was sold in the third quarter.

In the second quarter the entities Delp Invest and Belfius Re were liquidated.

10.2. Acquisitions and disposals of consolidated companies

1. Main acquisitions

A. Year 2013

On 27 June 2013, Coquelets SA was purchased.

It concerns an investment in an entity specialized in retirement homes.

B. Year 2014

On 31 January 2014, Immo Malvoz SPRL has been acquired.

It concerns an investment in an entity specialized in retirement homes.

The assets and liabilities acquired were as follows:

(In thousands of EUR)	2013	2014
	Coquelets	Immo Malvoz SPRL
Cash and cash equivalents	7	390
Loans and advances due from banks	196	0
Tangible fixed assets	17,384	11,395
Other assets	34	0
Customer borrowings and deposits	(11,623)	(3,656)
Other liabilities	(706)	(114)
NET ASSETS	5,292	8,015
Purchase price (in cash)	5,292	8,015
Less: cash and cash equivalents in the subsidiary acquired	7	390
NET CASH OUTFLOW THROUGH ACQUISITION	5,285	7,625

2. Main disposals

A. Year 2013

There were no significant disposals in 2013.

B. Year 2014

There were no significant disposals in 2014.

3. Assets and liabilities included in disposal groups held for sale

There were no subsidiaries recorded as a group held for sale end 2013 nor end 2014.

10.3. Subsidiaries, equity accounted enterprises, affiliated enterprises and enterprises in which the group holds rights representing at least 20% of the issued capital

1. Fully-consolidated subsidiaries

Name	Head office	% of capital held ⁽¹⁾	Business code
Audit en Ingénierie Sociale Consulting SA	Route du Creton F-18110 Vasselay	99.99	30
Belfius Asset Finance Holding SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	10
Belfius Auto Lease SA	Place Rogier 11 B-1210 Bruxelles	100	5
Belfius Commercial Finance SA	Place Rogier 11 B-1210 Bruxelles	100	15
Belfius Financing Company SA	20, rue de l'Industrie L-8399 Windhof	100	49
Belfius Immo SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	31
Belfius Insurance SA	Avenue Galilée 5 B-1210 Bruxelles	100	28
Belfius Insurance Invest SA	Avenue Galilée 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
Copharma Industries Unlimited ⁽²⁾	International Financial Services Centre 6 George's Dock IRL-Dublin 1	16.69	47
Coquelets SA	Avenue Galilée 5 B-1210 Bruxelles	100	31
Corona SA	Avenue de la Métrologie 2 B-1130 Bruxelles	100	28
Crefius SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	6
Dexia Secured Funding Belgium SA	Boulevard Pachéco 44 B-1000 Bruxelles	10	49
Elantis SA	Rue des Clarisses 38 B-4000 Liège	100	6

(1) Percentage of capital held by holding company.

(2) The subsidiaries of Belfius Insurance located in Ireland are in liquidation.

Name	Head office	% of capital held ⁽¹⁾	Business code
Eurco Ltd ⁽²⁾	International Financial Services Centre 6 George's Dock IRL-Dublin 1	100	47
Eurco Re Ltd ⁽²⁾	International Financial Services Centre 6 George's Dock IRL-Dublin 1	100	27
Ibro Holdings Unltd ⁽²⁾	International Financial Services Centre 6 George's Dock IRL-Dublin 1	100	47
Immo Malvoz SPRL	Avenue Galilée 5 B-1210 Bruxelles	100	31
International Wealth Insurer SA	2, rue Nicolas Bové L-1253 Luxembourg	99.99	25
Legros-Renier Les Amarantes Seigneurie de Loverval SA	Avenue Galilée 5 B-1210 Bruxelles	100	31
LFB SA	Avenue Galilée 5 B-1210 Bruxelles	100	31
Mercurius Funding SA	Boulevard Pachéco 44 B-1000 Bruxelles	0	49
Penates Funding SA	Rue Royale 97 B-1000 Bruxelles	10	49

2. Non-consolidated subsidiaries

Name	Head office	% of capital held ⁽¹⁾	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 Pachéco 44 B-1000 Bruxelles	100	Non-significant	23
Belfius Part SA	Boulevard Pachéco 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 Pachéco 44 B-1000 Bruxelles	100	Non-significant	10
DVV Kantoor Eke BVBA	's Gravendreef 1 B-9810 Nazareth	100	Non-significant	30
Fynergie SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	Non-significant	32
GCC II Feeder BV	Herengracht 338 NL-1016 CG Amsterdam	100	Non-significant	41
Immorenta SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	Non-significant	31
Immo Zeedrift SA	Avenue Galilée 5 B-1210 Bruxelles	100	Non-significant	31
Service Communal de Belgique SC	Avenue Louise 106 B-1050 Bruxelles	63.59	In liquidation	47
Shop Equipments SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	Non-significant	31
VDL - Interass NV	Brusselsesteenweg 346C B-9090 Melle	100	Non-significant	30

(1) Percentage of capital held by holding company.

3. Affiliated companies accounted for by the equity method

Name	Head office	% of capital held ⁽¹⁾	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 Intercommunale	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 ⁽²⁾	Boulevard Saint-Lazare 4-10 B-1210 Bruxelles	60	31
Pole Star SA ⁽²⁾	Boulevard Saint-Lazare 4-10 B-1210 Bruxelles	60	31
Sepia SA	Avenue Galilée 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 Louvrex 95 B-4000 Liège	20.57	10

4. Affiliated companies not accounted for by the equity method

Name	Head office	% of capital held ⁽¹⁾	Reason for exclusion	Business code
Arkafund NV	Alfons Gossetlaan 30 B-1702 Groot-Bijgaarden	25	Non-significant	21
Arlinvest NV	Hamiltonpark 24-26 B-8000 Brugge	49	Non-significant	16
Assurcard NV	Fonteinstraat 1A b 0301 B-3000 Leuven	20	Non-significant	47
Bancontact-Mister Cash 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 + Bis GCV	Karel Oomsstraat 37 B-2018 Antwerpen	25.27	Non-significant	10
DG Infra + Ter GCV	Karel Oomsstraat 37 B-2018 Antwerpen	25	Non-significant	10
Domaine de Balzat SA	Chaussée de Boondael 339 B-1050 Bruxelles	50	Non-significant	31
Finimmo SA	Boulevard Pachéco 44 B-1000 Bruxelles	50	Non-significant	16
Himba NV	Hamiltonpark 24 b26 B-8000 Brugge	48.51	Non-significant	31
IDE Lux Finances SCRL	Drève de l'Arc-en-Ciel 98 B-6700 Arlon	36.87	Non-significant	16
Imsol NV	Molenbergstraat 2 B-2000 Antwerpen	39.98	Non-significant	31
Inforum GIE	Rue d'Arlon 53 b4 B-1040 Bruxelles	50	Non-significant	41
Justinvest Antwerpen NV	Heistraat 129 B-2610 Antwerpen	33.33	Non-significant	32
Leskoo SA	Avenue des Communautés 100 B-1200 Woluwe-Saint-Lambert	50	Non-significant	31
Ondernemerstalent NV	P/A Universiteit Hasselt Agoralaan gebouw D B-3590 Diepenbeek	44.29	Non-significant	10

(1) Percentage of capital held by holding company.

(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 ⁽¹⁾	Reason for exclusion	Business code
Rabot Invest NV	Heistraat 129 B-2610 Antwerpen	25	Non-significant	32
RED Laboratories NV	Z1 Researchpark 100 B-1731 Zellik	22.18	Non-significant	33
Re-Vive Brownfield CVBA	Oude Brusselseweg 71 B-9050 Ledeberg	25	Non-significant	31
Société Mixte de Développement Immobilier SA	Avenue Maurice Destenay 13 B-4000 Liège	25.04	Non-significant	32
Sofibru SA	Rue de Stassart 32 B-1050 Bruxelles	20	Non-significant	16
Syneco Agence Conseil ASBL	Place l'Ilon 13 B-5000 Namur	20	Non-significant	47
TDP SA (ex Inframan SA)	Boulevard Pachéco 44 B-1000 Bruxelles	50	Non-significant	47
TEB Foncière SA (ex TEB Immobilier SA)	Rue Louvrex 95 B-4000 Liège	20.49	Non-significant	31
TINC CVA (ex DG Infra +)	Karel Oomsstraat 37 B-2018 Antwerpen	25.27	Non-significant	10
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

5. Belfius Bank Branches

Name	Head office	% of capital held ⁽¹⁾	Business code
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-Boitsfort 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	25.66	4
Belfius Dilbeek-Lennik CVBA	Ninoofsesteenweg 117 B-1700 Dilbeek	26	4
Belfius Druivenstreek CVBA	Stationsplein 17 B-3090 Overijse	26	4
Belfius Durmevallei CVBA	Marktplein 3 B-9220 Hamme	26	4
Belfius Eeklo Gent-Oost CVBA	Grondwetlaan 9 B-9040 Sint-Amandsberg	26	4

(1) Percentage of capital held by holding company.

Name	Head office	% of capital held ⁽¹⁾	Business code
Belfius Entre Sambre & Meuse SCRL	Rue de France 50-52 B-5600 Philippeville	25.74	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	Brugsesteenweg 514 B-9030 Gent	26	4
Belfius Geraardsbergen-Ninove CVBA	Oudenaardsestraat 4-6 B-9500 Geraardsbergen	26	4
Belfius Hageland Noord CVBA	Bogaardenstraat 26 B-3200 Aarschot	26	4
Belfius Hainaut Centre & Senne SCRL	Rue Albert 1 ^{er} 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 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 Limburg CVBA	Dorpsstraat 1A B-3530 Houthalen-Helchteren	26	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
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

(1) Percentage of capital held by holding company.

Name	Head office	% of capital held ⁽¹⁾	Business code
Belfius Pays de Mons SCRL	Avenue Jean d'Avesnes 9 B-7000 Mons	26	4
Belfius Regio Aalst CVBA	Stationsstraat 4 B-9300 Aalst	26	4
Belfius Regio Antwerpen Oost CVBA	André Hermanslaan 1 B-2100 Deurne	26	4
Belfius Regio Asse-Ternat CVBA	Kattestraat 2 B-1730 Asse	26	4
Belfius Regio Dendermonde Buggenhout CVBA	Kerkstraat 64-66 B-9200 Dendermonde	26	4
Belfius Regio Erpe-Mere CVBA	Marktplaats 36 B-9520 St.-Lieve-Houtem	26	4
Belfius Regio Genk-Maaseik CVBA	Fruitmarkt 7 B-3600 Genk	26	4
Belfius Regio Hasselt CVBA	Havermarkt 36-38 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 Charleroi Airport SCRL	Place des Martyrs 2 B-6041 Gosselies	25.16	4
Belfius Région Huy-Andenne SCRL	Avenue du Bosquet 41 b11 B-4500 Huy	26	4
Belfius Région Liège Airport SCRL	Chaussée du Roi Albert 50 B-4431 Loncin	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	Monnikenwerve 200 B-8000 Brugge	26	4
Belfius Regio Roeselare Izegem CVBA	Hendrik Consciencestraat 23 b6 B-8800 Roeselare	26	4
Belfius Regio Sint-Niklaas CVBA	Hendrik Heymanplein 9 B-9100 St.-Niklaas	25.32	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
Belfius Sud Luxembourg SCRL	Rue d'Alba 1 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

(1) Percentage of capital held by holding company.

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Name	Head office	% of capital held ⁽¹⁾	Business code
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 Vallée de la Dyle SCRL	Place Alphonse Bosch 15 B-1300 Wavre	25.66	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 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 computerised payment media
23. Trust company	49. Financing
24. Foreign currency exchange	50. Merchant banking
25. Life insurance	
26. Non-life insurance	

10.4. Involvement with unconsolidated structured entities

1. The nature, purpose, and activities of a structured entity

Belfius' involvement with unconsolidated structured entities is mainly from an investors perspective. The purpose of Belfius is to generate a stable interest margin from these investments.

Belfius has following types of exposures towards unconsolidated structured entities in its side portfolio

→ Mortgage backed securities (MBS): these structured entities invest in residential and/or commercial mortgage loans which are financed through the issue of notes. Belfius has invested in the most senior tranches.

→ Asset Backed Securities (ABS): these entities invest in loans, debt securities, leases and/or receivables which are financed through the issue of notes. Belfius has invested in the most senior tranches.

→ Multi issuer covered bonds: These structured entities are set up by several banks, each participating for a certain percentage in the covered pool.

→ Derivatives: Belfius has some derivatives with unconsolidated structured entities such as Total Return Swaps and Interest Rate Swaps.

2. Concerned amounts

	31/12/14	
	Carrying amount	Maximum credit risk exposure
FINANCIAL ASSETS	4,383,427	4,403,843
Financial assets held for trading	1,336,660	1,357,076
Financial assets available for sale	1,194,472	1,194,472
Loans and receivables	1,852,295	1,852,295
FINANCIAL LIABILITIES	129,373	0
Financial liabilities held for trading	129,373	0

XI. Litigations

We refer to the chapter "General information", Material 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” as at 31 December 2014. The exposure of Belfius 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 ⁽¹⁾		Subsidiaries	
	31/12/13	31/12/14	31/12/13	31/12/14
Loans ⁽²⁾	652	791	6,723	5,976
Interest income	23	18	159	121
Deposits ⁽²⁾	1,576	1,361	5,426	13,629
Interest expense	(13)	(12)	(20)	(15)
Net commission	0	0	179	103
Guarantees issued and commitments provided by the Group ⁽³⁾	0	0	6,587	12,448
Guarantees and commitments received by the Group	2,000	2,101	0	0

(In thousands of EUR)	Associates		Joint ventures in which the entity is a venturer	
	31/12/13	31/12/14	31/12/13	31/12/14
Loans ⁽²⁾	371,897	340,001	22,585	21,483
Interest income	11,197	14,381	839	885
Deposits ⁽²⁾	142,261	111,553	19,752	17,015
Interest expense	(1,532)	(752)	(15)	(13)
Net commission	16,253	20,508	41	53
Guarantees issued and commitments provided by the Group ⁽³⁾	44,059	177,256	3,888	3,888
Guarantees and commitments received by the Group	66,082	69,001	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)	31/12/13	31/12/14
Short-term benefits ⁽¹⁾	3,237	3,401
Post-employment benefits ⁽²⁾	28	0

(1) “Short-term benefits” include the salaries, bonuses and other advantages.

(2) “Post-employment benefits”: service cost calculated in accordance with IAS 19.

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, transaction participants and rating agencies required a larger first loss tranche (economically expensive for DRECM) or a counter guarantee from a rated entity. In this context Belfius Bank as a successor of Artesia Banking Corporation SA has delivered the said comfort letters because the bank had a sufficient rating to reduce the requirement for credit enhancement.

B. The legal nature of the comfort letters

The first obligation to respect the terms of the Mortgage Loan Purchase Agreements and the Indemnification Agreements is the responsibility of 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, because 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 has five traditional securitisation vehicles: Atrium-1, Atrium-2, Dexia Secured Funding Belgium, Penates Funding and Mercurius Funding. The total assets of these companies amount to EUR 16,438 million as at 31 December 2014 compared to EUR 18,112 million as at 31 December 2013.

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 and Domus Flandria NV (the borrower) and guaranteed by the Flemish Region. The guarantee of the Flemish Region was transferred to the special purpose vehicle (SPV). 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 still Aa2sf). As at 31 December 2014 EUR 20.4 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 and Domus Flandria NV (the borrower) and guaranteed by the Flemish Region. The guarantee of the Flemish Region was transferred to

the SPV. 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 still Aa2sf). As at 31 December 2014 EUR 24.7 million is still outstanding under class A2.

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, namely DSFB-2 and DSFB-4.

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 has guaranteed the full and timely payment of principal and interest on the notes. As at 31 December 2014 EUR 1,174 million were still outstanding. The notes have a rating of A-sf/A-sf/Baa1 sf.

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), EUR 300 million non-

rated Class B notes and EUR 60 million non rated Class C notes. At the end of December 2014, EUR 3,121 million were still outstanding. The Class A notes had a rating of AA-sf on 31 December 2014.

The DSFB transactions have been fully subscribed by Belfius and by Caisse Française de Financement Local.

Penates Funding NV is a Belgian securitisation vehicle (SIC) with currently six compartments, of which two with activity, namely Penates-1 and Penates-4.

On 27 October 2008, Belfius closed a EUR 8,080 million RMBS securitisation transaction. The SPV, Penates Funding acting through its compartment Penates-1, securitised Belgian residential mortgage loans originated by Belfius and issued five classes of notes: EUR 7,600 million Class A Mortgage-Backed Floating Rate Notes due 2041 (Fitch AAAsf/S&P AAAsf); EUR 160 million Class B Mortgage-Backed Floating Rate Notes due 2041 (Fitch AAsf); 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). As at 31 December 2014 the Class A Notes were Asf at S&P and A+sf at Fitch. The outstanding amounts for all classes of notes are still at their initial amount except for the Class A and the Class E notes where the balance decreased to EUR 2,813 million and EUR 66 million respectively. There was hence EUR 3,279 million outstanding under Penates-1 as at 31 December 2014.

On 19 December 2011, Belfius closed a EUR 9,117 million RMBS securitisation transaction. The SPV, Penates Funding acting through its compartment Penates-4, securitised Belgian residential mortgage loans originated by Belfius and issued four classes of notes: EUR 8,077.5 million Class A Mortgage-Backed Floating Rate Notes due 2045 (Fitch AAAsf/Moody's Aasf/DBRS AAAsf); EUR 472.5 million Class B Mortgage-Backed Floating Rate Notes due 2045 (Fitch Asf/Moody's A3sf/DBRS Asf); EUR 450 million Class C Mortgage-Backed Floating Rate Notes due 2045 (unrated) and EUR 117 million Subordinated Class D Floating Rate Notes due 2045 (unrated). As at 31 December 2014, the Class A and the Class B Notes have a A+sf

and A-sf respectively by Fitch, Aa1(sf) and A3(sf) respectively by Moody's and A(high)(sf) and A(low)(sf) by DBRS. As at 31 December 2014, the outstanding amounts for all classes of notes were still at their initial amount except for the Class A notes where the balance decreased to EUR 4,168 million. There was hence EUR 5,208 million outstanding under Penates-4 as at 31 December 2014.

The Penates transactions have been fully subscribed by Belfius Bank and its subsidiary Belfius Ireland. The notes can be used as collateral in repurchase agreements with the European Central Bank.

Mercurius Funding NV is a Belgian securitisation vehicle (SIC) with currently six compartments. It was established in 2012. One compartment, Mercurius-1, had outstanding notes at the end of 2014.

On 7 May 2012, Belfius closed a EUR 4,124 million SME (Small & Medium Enterprises) securitisation transaction. The SPV, Mercurius Funding acting through its compartment Mercurius-1, securitised Belgian SME loans originated by Belfius and issued two classes of notes: EUR 3,200 million Class A SME Loan-Backed Fixed Rate Notes due 2035; EUR 924 million Class B SME Loan-Backed Fixed Rate Notes due 2037.

On 12 May 2014, the Mercurius-1 issued new notes: EUR 3,200 million Class A SME Loan-Backed Fixed Rate Notes due 2035 (Fitch A+(sf)/Moody's A1(sf)/DBRS A(high)(sf)); EUR 924 million Class B SME Loan-Backed Fixed Rate Notes due 2037 (not rated). The proceeds were used to purchase an additional portfolio of SME loans and to redeem the old notes.

All the notes still had their initial Fitch, Moody's and DBRS rating at the end of 2014. As at 31 December 2014, the outstanding amounts for the Class B Notes were still at their initial amount. The balance of the Class A Notes decreased to EUR 2,687 million. There was hence EUR 3,611 million outstanding under Mercurius-1 at 31 December 2014.

The Mercurius transaction has been fully subscribed by Belfius Bank and its subsidiary Belfius Ireland. The notes can be used as collateral in repurchase agreements with the European Central Bank.

Belfius Bank SA

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2014⁽¹⁾

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 2014, 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 194,407,174 (000) EUR and the consolidated statement of income shows a consolidated profit (group share) for the year then ended of 461,642 (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 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.

(1) The original text of this report is in Dutch.

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 2014, 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 2015

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises

BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by

Philip Maeyaert

Bart Dewael

Non-consolidated financial statements (BE GAAP)

as at 31 December 2014

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Balance sheet (after appropriation)

Assets		
(In thousands of EUR)		
	31/12/13	31/12/14
I. Cash in hand, balances with central banks and post office banks	561,748	501,240
II. Treasury bills eligible for refinancing with central banks	63,725	346,290
III. Loans and advances to credit institutions	16,603,114	22,030,122
A. Repayable on demand	14,996,113	19,815,800
B. Other loans and advances (with agreed maturity dates)	1,607,001	2,214,322
IV. Loans and advances to customers	63,075,793	65,816,881
V. Debt securities and other fixed-income securities	45,066,918	38,092,295
A. Issued by public bodies	7,098,846	7,407,091
B. Issued by other borrowers	37,968,072	30,685,204
VI. Shares and other variable-yield securities	90,952	110,929
VII. Financial fixed assets	2,533,332	2,520,397
A. Participating interests in affiliated enterprises	1,992,810	1,993,490
B. Participating interests in other enterprises linked by participating interests	160,693	143,481
C. Other shares held as financial fixed assets	28,829	32,426
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	49,418	61,312
IX. Tangible fixed assets	693,225	652,035
X. Own shares	0	0
XI. Other assets	2,461,075	4,038,550
XII. Deferred charges and accrued income	16,030,790	28,117,514
TOTAL ASSETS	147,230,090	162,287,565

Liabilities			
(In thousands of EUR)		31/12/13	31/12/14
I.	Amounts owed to credit institutions	28,516,788	21,085,531
	A. Repayable on demand	6,287,146	8,611,513
	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	22,229,642	12,474,018
II.	Amounts owed to customers	76,697,765	81,052,464
	A. Savings deposits	29,743,712	31,140,411
	B. Other debts	46,954,053	49,912,053
	1. Repayable on demand	18,020,069	21,616,024
	2. With agreed maturity dates or periods of notice	28,933,984	28,296,029
	3. As a result of the rediscounting of trade bills	0	0
III.	Debts evidenced by certificates	14,394,299	19,263,845
	A. Debt securities and other fixed-income securities in circulation	12,740,827	15,636,619
	B. Other	1,653,472	3,627,226
IV.	Other liabilities	2,750,829	4,516,582
V.	Accrued charges and deferred income	16,331,576	27,550,037
VI.	A. Provisions for liabilities and charges	249,044	270,993
	1. Pensions and similar obligations	680	352
	2. Taxation	9,503	16,100
	3. Other liabilities and charges	238,861	254,541
	B. Deferred taxes	0	0
VII.	Fund for general banking risks	988,737	988,737
VIII.	Subordinated liabilities	1,180,761	1,173,766
CAPITAL AND RESERVES		6,120,291	6,385,610
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	224	221
XII.	Reserves	2,452,769	2,718,091
	A. Legal reserve	334,049	345,807
	B. Reserves not available for distribution	2,344	2,344
	1. In respect of own shares held	0	0
	2. Other	2,344	2,344
	C. Untaxed reserves	26,167	26,167
	D. Reserves available for distribution	2,090,209	2,343,773
XIII.	Profits (Losses (-)) brought forward	0	0
TOTAL LIABILITIES		147,230,090	162,287,565

Off-balance sheet

(In thousands of EUR)	31/12/13	31/12/14
I. Contingent liabilities	21,614,608	19,565,722
A. Non-negotiated acceptances	95,138	74,196
B. Guarantees serving as direct credit substitutes	19,827,526	17,941,050
C. Other guarantees	1,599,251	1,425,391
D. Documentary credits	92,693	125,085
E. Assets charged as collateral security on behalf of third parties	0	0
II. Commitments which could give rise to a risk	21,545,862	21,825,010
A. Firm credit commitments	263,371	785,577
B. Commitments as a result of spot purchases of transferable or other securities	495,083	549,319
C. Undrawn margin on confirmed credit lines	20,787,408	20,460,114
D. Underwriting and placing commitments	0	30,000
E. Commitments as a result of open-ended sale and repurchase agreements	0	0
III. Assets lodged with the credit institution	96,265,797	97,199,085
A. Assets held by the credit institution for fiduciary purposes	0	0
B. Safe custody and equivalent items	96,265,797	97,199,085
IV. Uncalled amounts of share capital	33,110	13,469

Management
report

Consolidated financial
statements

Non-consolidated financial
statements

Statement of income (presentation in list form)

(In thousands of EUR)		31/12/13	31/12/14
I.	Interest receivable and similar income	3,142,120	2,998,858
	<i>of which: from fixed-income securities</i>	<i>1,116,727</i>	<i>1,014,167</i>
II.	Interest payable and similar charges (-)	(2,024,606)	(1,677,010)
III.	Income from variable-yield securities	12,262	50,490
	A. From shares and other variable-yield securities	722	553
	B. From participating interests in affiliated enterprises	3,000	44,301
	C. From participating interests in other enterprises linked by participating interests	7,014	4,106
	D. From other shares held as financial fixed assets	1,526	1,530
IV.	Commissions receivable	518,548	548,789
	A. Brokerage and commissions	0	0
	B. Allowances for services of administration, advice and custody	0	0
	C. Other commissions receivable	518,548	548,789
V.	Commissions payable (-)	(440,564)	(415,081)
VI.	Profit (Loss (-)) on financial transactions	(121,021)	(167,536)
	A. On trading of securities and other financial instruments	(70,597)	(304,771)
	B. On disposal of investment securities	(50,424)	137,235
VII.	General administrative expenses (-)	(1,048,040)	(1,000,124)
	A. Remuneration, social security costs and pensions	(613,395)	(565,607)
	B. Other administrative expenses	(434,645)	(434,517)
VIII.	Depreciation/Amortisation of and other write-downs on (-) formation expenses, intangible and tangible fixed assets	(65,140)	(63,673)
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"	(40,839)	(79,241)
X.	Decrease/Increase (-) in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	123,360	10,210
XI.	Utilisation and write-backs of provisions for liabilities and charges other than those included in the off-balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	86,181	63,465
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"	(50,761)	(70,033)
XIII.	Transfer from (Transfer to) the fund for general banking risks	0	0
XIV.	Other operating income	115,080	117,252
XV.	Other operating charges	(133,285)	(61,360)
XVI.	Profits (Losses (-)) on ordinary activities before taxes	73,295	255,006
XVII.	Extraordinary income	58,946	19,668
	A. Adjustments to depreciation/amortisation of and to other write-downs on intangible and tangible fixed assets	1,838	1,275
	B. Adjustments to write-downs on financial fixed assets	3,976	0
	C. Adjustments to provisions for extraordinary liabilities and charges	0	0
	D. Gain on disposal of fixed assets	53,132	18,393
	E. Other extraordinary income	0	0
XVIII.	Extraordinary charges (-)	(1,557)	(3,987)
	A. Extraordinary depreciation/amortisation of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets	(519)	(2,628)
	B. Write-downs on financial fixed assets	0	(206)
	C. Provisions for extraordinary liabilities and charges	0	0
	D. Loss on disposal of fixed assets	(862)	(857)
	E. Other extraordinary charges	(176)	(296)
XIX.	Profits (Losses (-)) for the period before taxes	130,684	270,687
XIXbis.	A. Transfer to deferred taxes (-)	0	0
	B. Transfer from deferred taxes	0	0
XX.	Income taxes	(1,855)	(5,368)
	A. Income taxes (-)	(2,751)	(9,729)
	B. Adjustment of income taxes and write-back of tax provisions	896	4,361
XXI.	Profits (Losses (-)) for the period	128,829	265,319
XXII.	Transfer to untaxed reserves (-)	0	0
	Transfer from untaxed reserves	0	0
XXIII.	Profit (Losses (-)) for the period available for approbation	128,829	265,319

Approbation account

(In thousands of EUR)	31/12/13	31/12/14
A. Profits (Losses (-)) to be appropriated	128,829	265,319
1. Profits (Losses (-)) for the period available for approbation	128,829	265,319
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	128,829	265,319
1. To capital and share premium account	0	0
2. To legal reserve	6,441	11,758
3. To other reserves	122,388	253,561
D. Result to be carried forward	0	0
1. Profits to be carried forward (-)	0	0
2. Losses to be carried forward	0	0
E. Shareholders' contribution in respect of losses	0	0
F. Distribution of profits (-)	0	0
1. Dividends ⁽¹⁾	0	0
2. Director's entitlements ⁽¹⁾	0	0
3. Other allocations ⁽¹⁾	0	0

(1) Only applicable to Belgian limited liability companies.

Belfius Bank SA

Statutory auditor's report to the shareholders' meeting on the annual accounts for the year ended 31 December 2014⁽¹⁾

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 2014 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 162,287,565 (000) EUR and a profit for the year of 265,319 (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 2014 and of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

(1) The original text of this report is in Dutch.

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 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 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.
- As described in its management report, the Board of Directors examined in its meeting on 1 April 2015 the proposal to indemnify the directors of Belfius Bank against any financial consequences arising from a liability action. In accordance with Article 523 of the Company Code, each director informed the other directors and the statutory auditor of his/her conflict of interests, as he/she is the direct beneficiary of the proposed indemnity. An extract from the minutes of the Board of Directors in relation to this item on the agenda is reproduced below.

The Board of Directors takes note of the general policy proposal to indemnify the Board of Directors and staff members of Belfius Bank against the financial consequences arising from a liability action, namely:

Belfius Bank undertakes irrevocably to indemnify unconditionally and irrevocably all those who have been exercising or will exercise the mandate of director of the bank as of 9 February 2012, insofar as the law allows, for actions, proceedings and claims introduced against them, and for any liability (including any objective liability, but excluding any intentional wrong), loss, costs, expenses (including reasonable judicial costs) or any damage associated therewith, insofar as the action, proceedings or claim, from any viewpoint whatsoever, are in keeping with any act or negligence in the exercise of their mandate or any other function which they have exercised since 20 October 2011 as directors and at the request of the bank. This guarantee would only be applicable if and insofar as the director does not have the benefit of a guarantee or indemnification from a third party (for instance an insurance company) and it would not impact the bank's right of action against third parties for its own loss or damage.

The Management Board is in charge to implement this general policy. He is also responsible to grant the same guarantee to all or to specific staff members who were in service on 9 February 2012 or who entered into service thereafter, only for acts or negligence committed since 20 October 2011 as staff members of the bank. The Management Board must report regularly to the Board of Directors on the application of this general policy and the costs arising therefrom for the company.

The Board of Directors observes that market practice shows that indemnification of directors and staff members against the financial consequences arising from a liability action may be in the corporate interest. This is also the case for Belfius Bank. We are seeing an exponential increase in regulations applicable to financial institutions and an undeniable corporate evolution, which considerably increases the risk of liability action.

Furthermore, the insurance market does not allow such a risk to be sufficiently covered, not to mention the possible cost of such insurance. Moreover, as a systemic bank, Belfius Bank needs to recruit qualified directors and staff members and it must be able to retain their services.

Hence it is in the bank's corporate interest to indemnify its directors and its staff members, insofar as the law allows and when the costs and compensation associated with their liability are not covered by an insurance policy.

The compliance of the indemnity proposal in its current form with Belgian law has been confirmed by external legal opinion.

The proposal therefore is for the Board of Directors to approve a general policy to indemnify directors and staff members and to instruct the Management Board to execute this general policy.

The Management Board should be instructed to grant the same guarantee to all or to specific employees who were in service on 9 February 2012 or who entered into service thereafter, only for acts or negligence committed since 20 October 2011 as staff members of the bank.

The Board of Directors is of the opinion that the Management Board must report regularly to the Board of Directors on the application of this general policy and the costs arising therefrom for the company.

Each director informs the other directors of their conflict of interest, in accordance with Article 523 of the Company Code, given that he or she is a direct beneficiary of the proposed exemption.

The auditor is also informed in writing by each director, in accordance with Article 523 of the Companies Code.

The Chairman of the Board of Directors proposes that they firstly deliberate and vote on the indemnity to be granted to executive directors, Jozef Clijsters included (namely in favour of Marc Raisière, Dirk Gyselinck, Dirk Vanderschrick, Johan Vankelecom, Eric Hermann, Olivier Onclin and Jozef Clijsters), that they then deliberate and vote on the indemnity to be granted to independent non-executive directors and, finally, to deliberate and vote on the indemnity to be granted to non-executive directors who are not classified as independent directors.

1. Indemnity in favour of executive directors

The Chairman of the Board of Directors, Jozef Clijsters, and the members of the Management Board, Marc Raisière, Dirk Gyselinck, Dirk Vanderschrick, Johan Vankelecom, Eric Hermann and Olivier Onclin leave the meeting. They take part neither in the deliberations nor in the voting on this item on the agenda.

The directors present (Chris Sunt, Lutgart Van den Berghe, Guy Quaden, Pierre Francotte, Rudi Vander Vennet, Wouter Devriendt, Marie-Gemma Dequae and Carine Doutrelepon represented by proxy by Guy Quaden) state that the general policy to indemnify executive directors and staff members against the financial consequences of a liability action is in conformity with the corporate interest and unanimously approve this general policy. They ask the Management Board to implement this general policy and to report regularly on the application of this general policy and the costs arising therefrom for the company.

The directors present note that the shareholder, the SFPI, has been informed about this indemnity proposal and raised no objections to it. The directors present mark their consent unanimously to the indemnity proposal not being submitted for approval to the meeting of shareholders of Belfius Bank. The auditor has been informed.

The Chairman of the Board of Directors and members of the Management Board then rejoin the meeting.

2. Indemnity in favour of independent non-executive directors

The independent directors (namely Lutgart Van den Berghe, Guy Quaden (who also represents Carine Doutrelepon by proxy), Pierre Francotte, Rudi Vander Vennet and Marie-Gemma Dequae) leave the meeting. They take part neither in the deliberations nor in the voting on this item on the agenda.

The directors present (Jozef Clijsters, Dirk Gyselinck, Marc Raisière, Johan Vankelecom, Dirk Vanderschrick, Olivier Onclin, Wouter Devriendt, Chris Sunt and Eric Hermann) state that the general policy to indemnify independent non-executive directors and staff members against the financial consequences of a liability action is in conformity with the corporate interest and unanimously approve this general policy. They ask the Management Board to implement this general policy and to report regularly on the application of this general policy and the costs arising therefrom for the company.

The directors present note that the shareholder, the SFPI, has been informed about this indemnity and raised no objections to it. The directors present mark their consent unanimously to the indemnity proposal not being submitted for approval to the meeting of shareholders of Belfius Bank. The auditor has been informed.

The independent directors then rejoin the meeting.

3. Indemnity in favour of non-executive directors who are not classified as independent

The non-executive directors who are not classified as independent leave the meeting (namely Jozef Clijsters, Wouter Devriendt and Chris Sunt). They take part neither in the deliberations nor in the voting on this item on the agenda.

The directors present (Dirk Gyselinck, Lutgart Van den Berghe, Guy Quaden, Carine Doutrelepon represented by proxy by Guy Quaden, Marc Raisière, Johan Vankelecom, Pierre Francotte, Dirk Vanderschrick, Rudi Vander Vennet, Olivier Onclin, Marie-Gemma Dequae and Eric Hermann) state that the general policy to indemnify non-executive directors and staff members against the financial consequences of a liability action is in conformity with the corporate interest and unanimously approve this general policy. They ask the Management Board to implement this general policy and to report regularly on the application of this general policy and the costs arising therefrom for the company.

The directors present note that the shareholder, the SFPI, has been informed about this indemnity proposal and raised no objections to it. The directors present mark their consent unanimously to the indemnity proposal not being submitted for approval to the meeting of shareholders of Belfius Bank. The auditor has been informed.

The non-executive directors who are not classified as independent directors then rejoin the meeting.

Taking into account that the indemnification is unlimited in certain cases and depends on the occurrence of future events, we are not in a position to evaluate the possible financial consequences of this decision on the financial position of the company.

Diegem, 3 April 2015

The statutory auditor

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

Philip Maeyaert

Bart Dewael

Additional information

Additional Addresses of Belfius Bank and Belfius Insurance's main subsidiaries and branch⁽¹⁾

Belfius Auto Lease

Operational vehicle leasing and car fleet management, maintenance and claims management services

Place Rogier 11
B-1210 Brussels
Tel.: + 32 2 285 37 77
Fax: + 32 2 285 35 35
www.belfius-autolease.be

Belfius Bank Dublin Branch

Credit Spread Portfolio management

6 George's Dock
IRL-IFSC Dublin 1
Tel.: + 353 16 45 50 31
Fax: + 353 18 29 15 77

Belfius Commercial Finance

Financing commercial loans to debtors, debtor insolvency risk cover and debt recovery from debtors

Place Rogier 11
B-1210 Brussels
Tel.: + 32 2 285 26 11
Fax: + 32 2 285 26 99
www.belfius-commercialfinance.be

Belfius Insurance

Insurance company marketing life and non-life insurance products, savings products and investments for individuals, the self-employed, liberal professions, companies and the public and social sector

Avenue Galilée 5
B-1210 Brussels
Tel.: + 32 2 286 76 11
Fax: + 32 2 286 76 99
www.dvvlap.be
www.belfius-assurances.be

Belfius Insurance Invest

Investment management company for Belfius Insurance

Avenue Galilée 5
B-1210 Brussels
Tel.: + 32 2 286 69 22
Fax: + 32 2 286 72 20

Belfius Ireland Unltd

Managing a Public Sector bond portfolio

6, George's Dock
IRL-IFSC Dublin 1
Tel.: + 353 1 645 50 00
Fax: + 353 1 829 15 77

Belfius Lease

Financial leasing and renting of professional capital goods to the public sector

Place Rogier 11
B-1210 Brussels
Tel.: + 32 2 222 37 08
Fax: + 32 2 222 26 23
www.belfius-lease.be

Belfius Lease Services

Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions

Place Rogier 11
B-1210 Brussels
Tel.: + 32 2 222 37 08
Fax: + 32 2 222 26 23
www.belfius-lease.be

(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).

Corona

Direct life and non-life insurance products for individuals

Avenue de la Métrologie 2
B-1130 Brussels
Tel.: + 32 2 244 22 11
www.coronadirect.be

Crefius

Granting and managing mortgage loans

Registered office

Boulevard Pachéco 44
B-1000 Brussels
Tel.: + 32 2 222 11 11
Fax: + 32 2 222 40 32

Operating offices

Chaussée de Dinant 1033
B-5100 Wépion
Tel.: + 32 81 46 82 11
Fax: + 32 81 46 05 55

H. Consciencestraat 6

B-8800 Roeselare
Tel.: + 32 51 23 21 11
Fax: + 32 51 23 21 45

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

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

Sepia

Insurer specialising in sector pension plans

Avenue Galilée 5
B-1210 Brussels
Tel.: + 32 2 286 63 27
Fax: + 32 2 284 74 76

General information about Belfius Bank

Company name and legal form

Belfius Bank SA

Contact

Tel.: + 32 2 222 11 11

Fax: + 32 2 222 11 22

Registered office

Boulevard Pachéco 44

B-1000 Brussels

Main postal address

Place Rogier 11

B-1210 Brussels

Company number

RPM Brussels VAT BE 403.201.185

FSMA number

19649 A

Website

www.belfius.be

www.belfius.com

Complaints

If you encounter a problem, you can take it initially to your branch, then to your relationship manager or to the Complaints department.

Belfius Bank

Complaints department – RT 15/14

Boulevard Pachéco 44

B-1000 Brussels

E-mail: claim@belfius.be

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

Belfius Bank

Mediation department – RT 15/14

Boulevard Pachéco 44

B-1000 Brussels

E-mail: mediation@belfius.be

If you are a natural person acting in a private capacity and you are not satisfied with the responses you have received from the bank's official bodies mentioned above, you can take your complaint to the Ombudsman in financial conflicts if it relates to banking products.

Ombudsman in financial conflicts

Rue Belliard 15/17, boîte 8

B-1040 Brussels

E-mail: ombudsman@ombfin.be

For insurance products, you can take your complaint to the Insurance Ombudsman.

Insurance Ombudsman

Square de Meeûs 35

B-1000 Brussels

E-mail: info@ombudsman.as

Contact

For further general info on Belfius Bank,
feel free to surf www.belfius.com.

Got a question about Belfius Bank's results or strategy?
Then please e-mail financialcommunication@belfius.be.

Any other queries? Then call +32 2 222 12 01
(Mon-Fri: 8 am-10 pm/Sat: 9 am-5 pm).

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YouTube.com/BelfiusBe