Annual report

2015

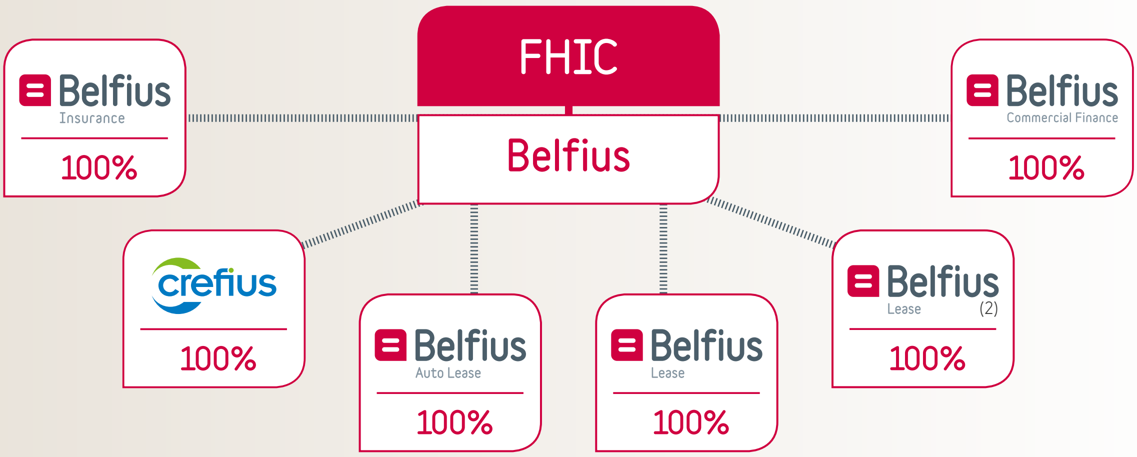
Belfius
Bank & Insurance

Contents

Profile of Belfius

Belfius is a Belgian banking and insurance group wholly owned by the Belgian federal state through the Federal Holding and Investment Company (FHIC). Belfius shares are not listed. At the end of 2015, total consolidated balance sheet amounted to EUR 177 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 2015, 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 2015, total balance sheet of Crefius amounted to EUR 42 million[2].

3. Belfius Auto Lease

Company for operational vehicle leasing and car fleet management, maintenance and claims management services. At the end of 2015, total balance sheet of Belfius Auto Lease amounted to EUR 242 million[2].

4. Belfius Lease

Company for financial leasing and renting of professional capital goods. At the end of 2015, total balance sheet of Belfius Lease amounted to EUR 653 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 2015, total balance sheet of Belfius Lease Services amounted to EUR 1,742 million[2].

6. Belfius Commercial Finance

Company for financing commercial loans to debtors, debtor in-solvency risk cover and debt recovery from debtors (factoring). At the end of 2015, total balance sheet of Belfius Commercial Finance amounted to EUR 676 million[2].

Our staff members

At the end of 2015, Belfius' operations give employment to 6,703 staff members, and there are approximately 4,100 persons working in the bank's and insurer's independent networks.

Our activities

Commercial activities of Belfius are essentially organised around two client markets.

1. Retail and Commercial

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 724 points of sale, internet and mobile banking applications, a contact center 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 Corporate

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 having a decision-making center in Belgium and also at corporates offering their services to the public sector.

Our ratings

As at 1 April 2016	Long-term rating	Outlook	Short-term rating
Fitch	BBB+	Positive	F2
Moody's	A3	Stable	P-2
Standard & Poor's	A-	Negative	A-2

(1) For more details, see the annual report 2015 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.

The Belfius remit and ambition

The satisfaction of our customers is the driving force behind our organisation, the standard by which all of our decisions are governed. Our ambition? To be pioneers of a new customer-oriented banking culture. And it is with a simple and transparent model, anchored in the long term, that we manage savings, grant loans and protect our customers and their assets. Together we are working for a sustainable future. As a 100% Belgian bank-insurer, we continue in particular to create added value for the Belgian economy and the country's society.

"CUSTOMER SATISFACTION" IS A CENTRAL THEME

Giving 100% for our customers' satisfaction: that ambition is in our genes and those of all our members of staff. We have the energy to do more every day, because we will only be satisfied if our customers are.

FINANCIAL SOLIDITY

Over time, Belfius has built a robust financial profile and a strong position in terms of liquidity and solvency. It aims to make gains in its profitability and the net value of its assets, even greater efficiency in all of its processes, in the service of customers and based on a simple and effective range of services as well as prudent risk management.

Client satisfaction

95%.

Our commitment 100%.

A PARTNER TO SOCIETY

A universal bank-insurer with a presence throughout Belgium, Belfius is a stable partner to Belgian society, continuing to invest in sectors of activity which are vital to all, such as housing, retirement homes, hospitals, public infrastructures, education, energy, mobility and the local economy. Together with its employees, Belfius also actively and freely supports local initiatives which give a chance to those who are less fortunate.

COMMITTED STAFF

Belfius sees itself as a major and attractive employer, and wishes to remain so. With its genuine enterprise culture, it offers its members of staff opportunities and responsibilities in a pleasant and flexible working environment. The commitment and expertise which arises from this motivates them ceaselessly to seek solutions which will benefit customers and society alike.

Key figures

Consolidated statement of income

(In millions of EUR)	2013	2014	2015
INCOME	1,834	2,071	2,184
EXPENSES	(1,424)	(1,448)	(1,396)
GROSS OPERATING INCOME	410	623	787
Cost of risk	109	(59)	(93)
Impairments on (in)tangible assets	(1)	(5)	(13)
NET INCOME BEFORE TAX	518	560	682
Tax (expense) income	(73)	(100)	(176)
NET INCOME AFTER TAX	445	460	506
Non-controlling interests	0	2	0
NET INCOME GROUP SHARE	445	462	506
of which			
Bank	*230*	*245*	*290*
Insurance	*215*	*217*	*216*

Consolidated balance sheet

(In millions of EUR)	2013	2014	2015
TOTAL ASSETS	182,777	194,407	176,962
of which			
Loans and advances due from banks and central banks	*31,569*	*33,472*	*24,894*
Loans and advances to customers	*87,722*	*87,158*	*87,189*
Investments held to maturity	*0*	*2,835*	*5,017*
Financial assets measured at fair value through profit or loss	*5,512*	*6,100*	*3,223*
Financial assets available for sale	*28,074*	*25,087*	*19,734*
Derivatives	*23,190*	*31,130*	*25,944*
TOTAL LIABILITIES	176,156	186,481	168,302
of which			
Due to banks	*29,236*	*21,408*	*11,538*
Customers borrowings and deposits	*61,625*	*66,514*	*68,163*
Financial liabilities measured at fair value through profit or loss	*8,461*	*9,167*	*6,916*
Debt securities and subordinated debts	*28,077*	*29,999*	*28,691*
Derivatives	*28,602*	*38,165*	*30,060*
TOTAL EQUITY	6,621	7,927	8,660
of which			
Core shareholders' equity	7,343	7,804	8,309
Gains and losses not recognised in the statement of income	(738)	119	350

Ratios(1)

	2013	2014	2015
Return on equity (ROE)	6.1%	6.0%	6.3%
Return on assets (ROA)	0.22%	0.24%	0.27%
Cost-income ratio (C/I ratio)	77.6%	69.9%	63.9%
Asset quality ratio	2.36%	2.33%	2.29%
Coverage ratio	53.6%	56.0%	57.1%
Liquidity Coverage Ratio (LCR)	120%(2)	122%	132%
Net Stable Funding Ratio (NSFR)	N/A	100%	108%

Solvency ratios(1)

	2013	2014	2015
CET 1 ratio Phased In(3)	13.8%	14.7%	15.9%
CET 1 ratio Fully Loaded(3)	11.5%	13.2%	14.9%
Total capital ratio Phased In(3)	15.1%	16.1%	17.7%
Total capital ratio Fully Loaded(3)	12.5%	14.3%	16.2%
Solvency I ratio(4)	185%	205%	221%
Solvency II ratio(5)	N/A	N/A	212%

(1) Unaudited.
(2) Pro forma.
(3) 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".
(4) Before dividend.
(5) As of 01/01/2016, before dividend.

Management report

Message from the chairmen

In 2015, we definitively turned a page in our history. On the back of our good performances and our financial solidity, today we are in a position to achieve our main objectives a year ahead of the schedule planned for the end of 2016, to pay a first dividend to our shareholder, and further to increase our contribution to the economy and prosperity of Belgium.

The strategic emphasis Belfius places on customer satisfaction is the foundation of our excellent results and the increasing feeling of confidence it inspires in our customers as a bank and insurer. By investing resolutely in providing added value for its customers, Belfius stands out from others, widening its range of services, increasing its earnings and reducing its costs.

Excellent performances and sound capital ratios

Not only is our consolidated net income up for the fourth consecutive year, at EUR 506 million, but pre-tax income from our commercial activities also increased by 20% to reach EUR 860 million, despite a difficult market. Net income from our commercial activities rose by 5% to EUR 611 million, by virtue of the remarkable combination of increasing revenues and ongoing cost reductions. The cost-income ratio for commercial activities has consequently improved significantly, by 5%, compared to 2014, to reach 59.6%.

In 2015, our historic Legacy was reduced by a further EUR 2.5 billion, and this had a negative impact of EUR 105 million on our net income. Our excellent performances in terms of risk reduction coupled with successive retained earnings are reflected by a strong position in terms of solvency and liquidity. At the end of 2015, the CET 1 Basel III ratio Phased In was 15.9%, the Fully Loaded ratio was 14.9% and the Liquidity Coverage Ratio was 132%. The Solvency II ratio for Belfius Insurance was 212% and therefore represents more than double the required minimum. Total equity rose to EUR 8.7 billion, up EUR 5.4 billion since the end of 2011.

Strategic attention paid to customer satisfaction

The strategic emphasis Belfius places on customer satisfaction is the foundation of our excellent results, the increasing feeling of confidence it inspires in our customers as a bank and insurer and a profound change of internal culture, each cost and expenditure being examined with regard to the real added value it provides for the customer.

In 2015, Belfius achieved an overall satisfaction score of 94.7% and even exceeded the target of 95% in the second half-year. For the group as a whole, both the number of new active customers (+213,000) and the number of products per customer rose in 2015.

An excellent year for the franchise

2015 was a great year for the franchise in almost all segments and fields. Here are some significant achievements which speak for themselves.

Belfius granted EUR 13.6 billion in new long-term lending (+23%) to the Belgian economy, including EUR 5.6 billion (+32%) for Business and Corporate customers, segments in which Belfius intends to progress considerably over coming years.

Like the market, new long-term lending to the public and social sector flagged, but Belfius remained undisputed leader, granting EUR 4.7 billion in innovative short and long-term lending. The production of mortgage loans for retail customers rose by 40% to reach a historic record.

The organic growth of investments by individuals and the Business segment increased by the same percentage, to EUR 1.9 billion. On a lifeless market, receipts of Non-Life premiums via banking channels rose by 9% to EUR 153 million, proof that our strengthened insurance strategy is being well received.

As in previous years, Belfius continued to set the trends in mobile banking. At the end of 2015, our innovative apps for smartphones and tablets had 600,000 active users (+67%). We are investing in "digital" and are convinced that this digital revolution offers significant opportunities to strengthen our proximity to our customers and their satisfaction.

Belfius meets its commitments a year ahead of schedule

Belfius has proved that it is a bank-insurer which keeps its word. What we promised in 2012 for the end of 2016, we achieved one year ahead of schedule. We are exceeding our objectives for net annual income, the cost-income ratio of our franchise, our solvency ratios and the creation of value for our shareholder. The grant of new long-term lending and the reduction of our historic Legacy are going to plan.

Belfius is here again. At a commercial level, we are posting sound results and are proving our excellence in financial and risk management. We are succeeding in combining higher earnings and lower costs, increasing our efficiency and providing even better service to our customers. We are investing in their digital comfort and in optimising the service we provide, from the exclusive viewpoint of providing customers with added value.

We are presenting excellent results to our shareholder, a net asset value which has more than doubled since the end of 2011, strong solvency and the prospect of a dividend. We are reinvesting savings gathered in an amount of EUR 13.6 billion in support for the Belgian economy.

We are offering work to 10,000 families and wish to continue doing so. 92% of our members of staff say they are satisfied to work for Belfius and actively and freely associate themselves with our social actions, such as the Special Olympics, the Red Nose Day and Viva for Life. At a cultural level too, Belfius has demonstrated its commitment to society by making its art collection accessible once more to the general public and by investing in Belgian artistic talents.

The manner of achieving the objective is as important as the objective itself

The manner in which we have achieved our objectives is as important as their actual achievement. After receiving support from our shareholder in October 2011, we have built our current success on our own endeavours and our own means, genuinely in line with our identity, with customer satisfaction the driving force behind our organisation, and with a clear and simple business model, inspired by the essence of our role as banker and insurer in society.

In future years, this corporate culture which is our very own will enable us to make the difference, to assert ourselves in a particularly demanding macroeconomic and financial climate increasingly dominated by digital. Our strategic plan for 2020 is ready.

In the light of the results of the past year and the future challenges we will have to face, we would like to thank our members of staff for their ongoing commitment and our customers and shareholder for their unfailing confidence.

Marc Raisière
Chairman of the Management Board
Belfius Bank

Jozef Clijsters
Chairman of the Board of Directors
Belfius Bank

Management report

Consolidated financial statements

Non-consolidated financial statements

Corporate Social Responsibility: a question of values

For Belfius, corporate social responsibility (CSR) is at the very heart of its business as banker and insurer serving the Belgian economy. Moreover, it is an integral part of its general strategy. With values such as authenticity and solidarity, strongly anchored in its operation, Belfius aims to provide added value to its members of staff, to its customers and to Belgian society.

At the core of this strategy are, on the one hand, the continuous support to local authorities, social organisations, freelances, entrepreneurs, major companies and households and, on the other hand, the optimum satisfaction of its 3.5 million customers. As for society, Belfius seeks to be as close as possible to the inhabitants of Belgium and their fundamental needs, and in particular also those with greater needs.

The actions it supports through its Foundation or directly with the *Rode Neuzen Dag* and *Viva for Life*, on both sides of the linguistic frontier, have gained a momentum which is a source of social cohesion within communities and draws attention to their most vulnerable members. Even if, as in the case of the *Rode Neuzen Dag*, it breaks the taboo still surrounding mental health issues among young people and, whilst doing so, gathers funds in order to offer the appropriate assistance. Children living in poverty were the stars of the glass cube installed in Charleroi as part of *Viva for Life*, causing a wave of emotion and awareness in raising funds.

Belfius has undertaken to develop sustainable business management, which at the same time is to be found in the CSR projects it supports. The same applies to the "Smart Cities" programme, which concentrates all the associated issues. In partnership with the EIB, the European Investment Bank, Belfius also offers huge support to sustainable projects anticipating the potential improvement of their future efficiency, when techniques will have evolved further. This is the "SMART" spirit. Along with its digitisation, Belfius collaborates with other Belgian businesses to connect towns and to develop innovative solutions for the population. The "Smart Cities & Sustainable Development" initiative was also recognised by the English magazine World Finance which included it in its prestigious "World Finance 100".

As part of its strategy to improve its operational efficiency, Belfius undertakes to reduce the quantity of paper it consumes, to reduce the number of its buildings and, at the same time, its overall energy consumption. The group also favours home-working and, like Belfius Insurance, its insurance subsidiary, the complete digitisation of files, which can be consulted remotely.

Through Candriam, its preferred fund manager, Belfius offers its customers a broad range of "green" funds, which are sustainable but nonetheless post performances comparably with other equivalent forms of investment. In line with its general strategy, Belfius CSR is an expression of the profound values of a business focussing on the elementary needs and legitimate expectations of its customers.

Some projects realised in 2015

Our social commitment

1. Viva for Life

Viva for Life supports associations which, in Brussels and Wallonia, fight for children living in poverty. Of the EUR 3,028,755 gathered in this third edition, well broadcast on "la Une RTBF" and Vivacité on the radio, EUR 226,722 came from staff members at the Belfius head office and in its branch network. This support took the form of a "warm-up tour" which criss-crossed Wallonia and took the famous "donation box" from Liège to Charleroi. For several weeks, Belfius staff members joined forces without respite to make Viva for Life a success, all on a voluntary basis.

2. Rode Neuzen Dag

In line with its values of generosity and solidarity, Belfius was one of the initiators, alongside Medialaan (VTM and Qmusic), of the first edition of the Rode Neuzen Dag on Flemish soil, directly inspired by the international Red Nose Day. For several months, Belfius branches spared no efforts to collect a maximum of funds through the sale of red noses. The major involvement of Belfius staff members, coupled with those in local authorities, associations and other volunteers, enabled EUR 3,858,814 to be collected, a sum which will provide appropriate assistance more easily accessible to a maximum number of psychologically vulnerable young people..

3. Belfius Brussels Marathon

On Sunday 4 October 2015, more than 2,500 Belfius sponsored customers and members of staff took part in the Belfius Brussels Marathon. Together they covered an impressive distance of 11,032 kilometres, or almost the distance from Brussels to Singapore. A double challenge was launched internally: to represent Belfius in large numbers and at the same time to collect as much money as possible to help Viva for Life and the Rode Neuzen Dag, the two causes supported by the bank in 2015. The challenge was accepted with alacrity: on 4 October, almost one thousand members of staff braved the Brussels streets.

4. Special Olympics

Gold Sponsor of the Special Olympics Belgium, Belfius again, as it did last year, invited its staff to join 1,700 volunteers involved in this annual event, during which 3,378 athletes won more than 5,662 medals. It was the occasion to throw positive light on mental handicap, which in Belgium daily affects some 165,000 people and their families, but above all to foster their integration into Belgian society. Belfius also sponsored *idea@work*, the pilot project of the Antwerp Management School and the University of Liège aimed at integrating the mentally ill into the world of business.

5. Belfius Collection: the new gallery

On 18 September 2015, Prime Minister Charles Michel and a large delegation from the Federal Government attended the opening of the new Belfius Art Gallery situated on the 32nd floor of the Belfius Tower, the bank's Brussels head office, before its official opening to the general public in mid-October. On its walls are some sixty works, from among the 4,300 masterpieces in the Belfius collection, the largest private art collection in Belgium, displayed and renewed each year. Eager to give the general public the advantage of viewing these jewels of Belgian art, Belfius decided to make the gallery accessible to the general public, twice a month, by appointment, and to offer a virtual 360° tour, hosted on a dedicated site, *belfius.com/art*. The collection can also be viewed outside the gallery through the implementation of a policy to lend some one hundred works in 2015, to such places as the Museum of Walloon Life in Liège, the Ixelles Museum and the SMAK in Ghent.

6. Belfius Foundation

The work of the Belfius Foundation is expressed in patronage through supporting causes of general interest, generally on the theme of solidarity and without any commercial purpose. In 2015, the Foundation ran two main operations:

A. Colour your hospital

In order to help hospitals to improve patient comfort, Belfius launched the 4th edition of *Colour your hospital*, its competition in hospitals around the country aimed at bringing together the best projects in this regard. An independent jury awarded 21 prizes to 170 applicants who will share the EUR 150,000 provided by Belfius to implement their projects. This is the case, for instance, at the Hôpital de la Citadelle in Liège, which was able to purchase an MRI (Magnetic Resonance Imagery) simulator and thus prepare children psychologically for the real examination, relieving their stress and drastically reducing the use of anaesthetics.

B. Helping Hands

Addressing Belfius staff members as volunteers, members or supporters of an active solidarity association in Belgium, this operation allowed the funding of a social-purpose project in an amount of EUR 5,000 maximum per initiative. For this 5th edition, Belfius rewarded projects with the aim of helping vulnerable people, such as children in to care, disabled people or disoriented young immigrants.

Our commitment to the Belgian economy

Public sector and social funding are in the Belfius DNA. As market leader, Belfius contributes a great deal to the funding of schools, hospitals, swimming pools and other public infrastructures, providing added value from the viewpoint of a sustainable and future-oriented society. At the same time, Belfius is actively involved in a certain number of specific projects:

1. "Smart Cities" and sustainable development

Around the world, populations are still concentrated more in urban centers. This is where tomorrow's issues will be focussed. Belfius is committed with its partners to helping local authorities and businesses to cope with the challenges of "smart cities". The European Investment Bank (EIB) and Belfius have decided to join forces, in an amount of EUR 200 million each, to develop the "Smart Cities & Sustainable Development" programme. Although the 31 projects are not all validated at the time of going to press, 20 have already been financed in 2015, in an amount of EUR 100 million (out of the EUR 400 million provided). They will affect a total of 900,000 inhabitants. Let us pinpoint two projects: the Municipal Hall in Gembloux, which centralises all municipal services in one particularly ecological building, and the installation of a compressed natural gas (CNG) station in Harelbeke, on the territory of 11 municipalities in the inter-municipality of IMOC, the project principal. This clean gas reduces carbon dioxide (CO_2) emissions by 95% and nitrogen monoxide (NO) emissions considerably. Another example: a mixed-use building in Schelle, the efficiency of which already exceeds the environmental standards which will only come into force in … 2021.

2. Smart City Institute

Belfius supports the Smart City Institute. Housed in the School of Management at the University of Liège (HEC-Liège) and continuing the activities begun by the Accenture Chair of Sustainable Strategy (http://www.smartcityinstitute.be/), it was opened in 2015, under the direction of Professor Nathalie Crutzen, and with the support of public partners (City of Liège) and private partners (Belfius and Accenture). This new university institute aims to stimulate research, training, innovation and entrepreneurship in the field of "Smart Cities". It proposes to tackle this subject adopting a managerial (and not only technical) approach, whilst showing a true desire for multidisciplinary openness.

3. Smart City Award

With the Belfius Smart City Award, launched in 2015, Belfius and its partners, the Roularta Group, Proximus, Accenture and Agoria, rewarded the most creative city or municipality with regard to sustainable projects. A professional jury named 10 projects, which then benefited from a communication campaign. At the first Smart City Awards ceremony on 2 December 2015, the Belfius Smart City Award 2015 was won by the City of Antwerp and its StadsLab2050 - *Energie voor het Antwerpse hart* (Energy for the heart of Antwerp). Among the 14 measures and concrete experiments by that urban laboratory, we would mention an "ephemeral energy shop" intended for shopkeepers wishing their buildings to comply with the best possible energy performance standards, an *Energiezorg* (energy counter) help desk and a pilot project aiming to reduce the energy bills for school buildings by 30%.

4. Public and social sector studies and analyses

Major studies performed by Belfius help public authorities better to understand the challenges they face during their legislature. As it does each year, the bank launched an annual analysis of the finances of all local authorities (municipalities, CPAS, police zones and so on), based on the budget for 2015, through an overall study. A similar analysis was also undertaken for hospitals, and qualitative studies are also available on public enterprises, the socio-economic typology of municipalities and the impact of population ageing and pensions.

Our commitment to innovation

1. InnovFin SME Guarantee

A first in Belgium: Belfius and the European Investment Fund (EIF) signed an agreement in favour of innovative small and medium-sized enterprises (SME) and those with small capitalisations (*small caps*). On the initiative of the EU, eager to finance the latter, the agreement named *InnovFin SME Guarantee* gives them access to the largest loans possible to enable them to develop. This agreement authorises Belfius to grant funding to innovative companies in Belgium, up to a total amount of EUR 100 million over two years, with the guarantee of the EIF and within the framework of *Horizon 2020*, the EU programme aimed at promoting research and innovation.

2. Candriam: responsible investment policy for social and environmental matters

Candriam, the preferred fund manager for Belfius, is one of the pioneers of Socially Responsible Investment (SRI), since 1996 applying the principles of sustainable development to financial investments. It has its own team of specialists and can boast several years of experience in the composition and management of socially responsible investment funds.

3. Sustainable investments

Combating global warming and reducing greenhouse gas emissions are both a concern and a priority. Belfius has granted funding for projects in the renewable energy sector (biomass, solar, onshore and offshore wind farms) in an amount of almost EUR 1 billion. The various projects in which it participates via this funding represent an annual production of renewable energy which covers the needs of approximately one million Belgian households and avoids the emission of +/- 1.3 million tonnes of CO_2 per annum. In 2015, the number of renewable energy projects increased. Belfius Bank has indeed been able to approve funding in this field in a total amount of EUR 156 million.

Our commitment to the environment and to mobility

1. Energy: "Digital paperless stream plan"

Paper is major expenditure for Belfius with an average consumption of 190 kg per annum per person. It is with the aim of reducing this use by one half by 2017 that the "Digital paperless stream plan" was launched. By November 2015, a 30% reduction had already been achieved from the start of the year. Actions for awareness or reduction of the number of printers were elements of the overall strategy adopted by Belfius, which also limits its publication of account extracts (-18% compared to 2010) and sending envelopes (-20%), whilst seeking to control its entire waste production. Furthermore, overall and advanced digitisation of its range of products also involves the introduction of an ever increasing number of "*100% paperless*" work-flows.

2. Mobility

Belfius is considered to be one of the best performing companies in terms of sustainable mobility at its Brussels head office. In 2015, no fewer that 78.2% of its staff members working in the capital travelled to work and back each day on public transport, a few more than in 2014 (78%). Only 18.2% of them came to work by car, against 18.7% in 2014. 2% travelled to and from work by bicycle, 5% having used this means of transport daily to go to a railway station.

Belfius Insurance intensified its structural tele-working for 60% of its staff, up to 2 days a week. Beneficial to the environment, this arrangement positively impacts mobility through a reduction of "home-place of work" journeys, thus also reducing the number of buildings to be heated and maintained. This is a trend which, since 2011, has been a major reason for the good energy performances achieved by Belfius Insurance. We would stress that for several years the insurer has been immediately digitising all incoming files, now virtually available everywhere.

René Magritte and Rik Wouters in the new Belfius Art Gallery.

Human Resources

Talent and commitment enable new strategy

2015 was the year in which Belfius and the staff of the Bank and the Insurer set their sights decidedly on the future.

The strategic orientations are the response to a rapidly changing customer behaviour, the digital revolution, regulatory framework requirements and the context of sustained low interest rates. They are put to practice in an innovative service model, and have a direct impact on the staff and the organisation. It calls for commitment, entrepreneurship and deployment of all the potential talent in the organisation to bring all this about.

Proud of Belfius

With the participation of more than 3,600 staff members of Belfius, the commitment barometer for 2015 shows that employees are proud to be working for Belfius. Belfius thinks and works in a future-oriented manner and this is reflected in a significant increase in the "pride" (+7%) the staff feels for being part of the organisation.

Employee satisfaction and the belief in the quality of the products and services were already high and are still on the rise. The difference with previous years is that we dare again to be open about such matters and that employees are again ambassadors for our company.

However, there are still points that require attention. The commitment barometer indicates that transparent internal communication up to every level of the organisation and supporting leadership are on the rise, but that they must still be constantly improved. Various initiatives are producing results. Attention will continue to be focused on this aspect to support the positive trend.

An organisation in transformation

With a focus on "95% customer satisfaction" on one side and the investment in a new strategy on the other side, the organisation has been analysed extensively to streamline the processes in a more customer-oriented manner and to release resources in order to be able to invest in new initiatives. This led also to other organisational structures and changes in the composition of teams in the entire organisation. This in turn requires developing skills such as an entrepreneurial mindset and the ability to deal with change.

Experience has shown that such changes can only be realised if the organisation's full potential is used. A great deal of attention and effort are focused to that end: communication, team design and support for the staff. Employees are assigned on the basis of their strengths and can use "interest sheets" to indicate when they want to change jobs. For employees with potential, this provides opportunities for advancement. If another job cannot be found at once, employees can opt for temporary assignments and follow re-orientation paths by way of preparation for a subsequent job. For instance, in 2015, more than 500 participants attended various workshops on dealing with change and finding a new challenge.

Enhanced leadership as a lever to achieve our ambitions

Charting new directions, motivating all staff accordingly and having to take difficult decisions at times require leadership. This is the way forward to an even more entrepreneurial and stimulating culture.

When your superior has confidence in you and gives you autonomy, you in turn are expected to assume responsibility and be committed to achieving results together. In that sense, every employee is a leader. Therefore, this does not always need to be in a management function. Everyone can take charge of what they do. Leadership is everybody's concern.

The Belfius Leadership Model has been developed to help executives and staff develop their (personal) leadership, by providing 6 areas of focus on which they can work.

These 6 areas of focus provide a grip and a guide to help our co-workers further acquire the skills and conduct they need to tackle the challenges of the future.

Getting results together: a matter of open dialogue and permanent feedback

Unknown paths are often trodden through the new strategic initiatives and rearranged teams in terms of focus or composition. This requires entrepreneurship and an ability to adapt from all staff members. Achieving results can no longer be merely a matter of routine or "just execution." They can be obtained only if employees embrace the common goal, engage in open dialogue on how they can go about it, and give regular feedback.

In 2015, this philosophy was given shape through a new approach to performance management. Emphasising simplicity, active involvement of all employees and stimulating open feedback.

In line with the bank's strategy (95% customer satisfaction), every team has a specific objective concerning customer satisfaction. All positions in the bank (support and front-office positions alike) contribute to that satisfaction and have a role to play to that end. In addition, all executives received leadership objectives, where achieving results together, dialogue, autonomy and employee development take center stage. Finally, every employee was asked to propose a personal objective in which they want to invest. Assessment begins with self-assessment and is focused on providing feedback as well as on the development of the potential.

Young Professionals and the Belfius Young Community

In 2015, Belfius launched a programme to recruit young Master's degree graduates with or without work experience. Selected for their skills as much as for their personality, these young graduates join the "Young Professionals" programme. They have the opportunity to undergo practical training on key projects for Belfius before taking up a fixed position. It's a win-win situation for young talent and for Belfius.

Our Young Pros are also welcomed by the Belfius Young Community. Created in 2014 by Belfius employees under 36, this network is confirming its vitality and essential contribution.

This gives young Belfius employees a voice in the company thereby stimulating discussions at all levels. It is also a way for them to try to outdo themselves in the company in a spirit of constructive cooperation, as new recruits are welcomed better into the organisation thanks to this network.

In brief, the BYC, as it is commonly known, continues to leave its mark on the new corporate culture of Belfius.

Continuing to invest in development

In 2015, Belfius Bank organised more than 30,000 training days. These training courses are geared primarily to arm everyone who stands up for the Belfius brand at the bank to provide the best possible service to our customers. *Learning@Belfius* provides a learning mix which is evolving towards more "digital" or "up close learning", i.e. learning at the place and time suitable for the person in question, using e-learning material such as clips, programmes with test questions, shared learning platforms, but also syllabi or on-the-job learning. By way of example, the "Start2 Sell" course was revamped with emphasis on group learning regarding the commercial approach and the acquisition of more technical knowledge through alternative forms of learning.

In addition, career advancement opportunities are created for employees by enabling them to assume new duties or to develop further in their job. The potential is mapped through our HR tool People Explorer and a series of development courses are organised through which talented employees are assigned to strategic projects and helped to grow.

Also Belfius Insurance invested to provide a range of courses as well as advice and support within *Learning@Belfius* and the specialised training organisations Fopas and Insert. More than 4 days of training per employee of such initiatives were made available.

Building on success: "Flexible working and alternative remuneration"

Flexible working

Belfius Insurance opted resolutely for teleworking in 2014. This initiative was continued successfully in 2015. More than 60% of its staff have embraced this 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."

Again, teleworking more than proved its mettle and utility for Belfius in 2015. The quality of customer service is guaranteed when there are problems with commuting to the bank and insurance head offices in Brussels.

In addition to teleworking, Belfius Bank has embarked on a number of trial projects to experiment with alternative forms of the organisation of work, ranging from decentralised working to abolishing time recording. Commitment and a sense of responsibility on the part of the staff should make it possible to continue to provide good customer service whilst optimising the balance between work and private life.

Alternative Rewards

Launched by Belfius Bank in 2014, the cafeteria plan was again a success and was extended in 2015. This flexible form of remuneration gives employees the opportunity to convert a nice budget into other benefits such as an Internet connection, a PC, an upgrade of their train pass, an (electric) bicycle, a car, etc. Employee satisfaction with this alternative form of remuneration is sustainable, as the more than 70% participation rate indicates.

Management report
Consolidated financial statements
Non-consolidated financial statements

Belfius Bank & Insurance workforce

Members of staff

6,703

3,252

3,451

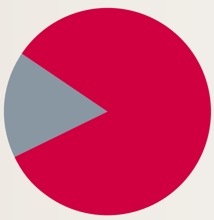
Average age

45

45.9 years

46.8

Contracts



16.4% PART-TIME

83.6% FULL-TIME

Nationalities

Key figures
on 31 December 2015

Financial Results

Preliminary notes to the consolidated financial statements

1. Changes to the scope of consolidation

End 2014, Belfius Insurance purchased the real estate company Immo Zeedrift as part of the investments of the technical reserves. It is fully consolidated from the beginning of 2015. The securitization vehicles Penates 7, Penates 8, Penates 9 and Penates 10 also joined the scope of consolidation during 2015.

As Belfius Insurance has purchased the 50% stake, formerly held by KBC Insurance, in Sepia NV, Sepia NV is since 2015 fully consolidated instead of through the equity method (previously a joint venture). Note that Belfius Insurance and KBC Insurance entered at closing date into a reinsurance contract whereby KBC retains half of the risks of the Sepia insurance portfolio, so that the risk sharing on the portfolio did not change.

The company AIS Consulting was liquidated during 2015. Companies Eurco Ireland Ltd (previously Eurco Re) and IBRO Holdings NV were deconsolidated as they are being liquidated. In addition, Belfius Insurance has decided to sell its wholly owned subsidiary "International Wealth Insurer" (subject to certain conditions precedent to be fulfilled), as such, the participation has been classified as "Non current assets (disposal group) held for sale and discontinued operations".

Ecetia Finances is no longer evaluated through the equity method in 2015 because the largest part of the equity participation has been converted into a loan.

2. Fundamentals of the consolidated financial statements

The consolidated financial statements of Belfius are prepared in accordance with the International Financial Reporting standards 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 2015, the **balance sheet total** amounted to EUR 177.0 billion, a decrease of EUR 17.4 billion or 9.0% compared to 31 December 2014. The balance sheet is composed of EUR 152.9 billion for the banking group (compared to EUR 170.7 billion end 2014) and EUR 24.1 billion for the insurance group (compared to EUR 23.7 billion end 2014). Note that these amounts represent the contribution of the banking or insurance group and do not reflect the stand alone balance sheet totals.

Consolidated balance sheet

(In millions of EUR)	31/12/14	Contribution Bank[1]	Contribution Insurance[1]	31/12/15	Contribution Bank[1]	Contribution Insurance[1]	Evolution 2014/2015
TOTAL ASSETS	194,407	*170,682*	*23,725*	176,962	*152,889*	*24,073*	-17,445
Of which							
Loans and advances due from banks and central banks	33,472	*33,180*	*291*	24,894	*24,436*	*458*	-8,577
Loans and advances to customers	87,158	*80,654*	*6,504*	87,189	*81,285*	*5,904*	+31
Investments held to maturity	2,835	*2,835*	*0*	5,017	*5,017*	*0*	+2,183
Financial assets available for sale	25,087	*11,073*	*14,014*	19,734	*6,294*	*13,440*	-5,353
Derivatives	31,130	*31,130*	*0*	25,944	*25,941*	*2*	-5,187
Non current assets (disposal groups) held for sale and discontinued operations	25	*25*	*0*	3,355	*15*	*3,339*	+3,330
TOTAL LIABILITIES	186,481	*163,482*	*22,999*	168,302	*145,063*	*23,240*	-18,178
Of which							
Due to banks	21,408	*21,287*	*120*	11,538	*11,206*	*332*	-9,870
Customers borrowings and deposits	66,514	*66,502*	*12*	68,163	*68,158*	*5*	+1,649
Debt securities	29,113	*29,113*	*0*	27,778	*27,778*	*0*	-1,335
Derivatives	38,165	*38,131*	*34*	30,060	*30,057*	*3*	-8,105
Liabilities included in disposal groups and discontinued operations	0	*0*	*0*	3,243	*0*	*3,243*	+3,243
TOTAL EQUITY	7,927	*7,201*	*726*	8,660	*7,826*	*833*	+733
Of which							
Core shareholders' equity	7,804	*7,940*	*(135)*	8,309	*8,370*	*(62)*	+504
Gains and losses not recognised in the statement of income	119	*(739)*	*859*	350	*(544)*	*894*	+231

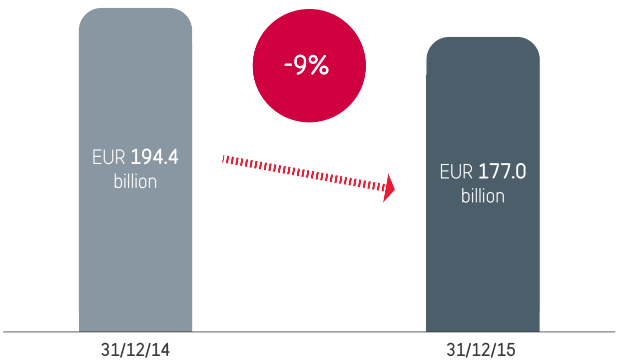
(1) Information based on unaudited figures.

The decrease of the balance sheet total primarily results from:

→ (i) the repayment of the government-guaranteed bonds issued by Dexia Crédit Local (DCL) for EUR 10 billion and the use of these proceeds for the full repayment of the remaining Long-Term Refinancing Operations (LTRO) at that time; and
→ (ii) the decrease of the fair value of derivatives as well as the related cash collateral following interest rate evolution.

In addition, the presentation of the insurance subsidiary "International Wealth Insurer" as "Non current assets (disposal groups) held for sale and discontinued operations" is to be noted.

Evolution of the balance sheet total



1. Assets

Loans and advances due from banks and central banks decreased with 25.6% or EUR 8.6 billion, to EUR 24.9 billion as at 31 December 2015. The decrease of the loans and advances due from banks is mainly due to the repayment of the government-guaranteed bonds issued by Dexia Crédit Local (DCL) for EUR 10 billion as well as a decrease of the cash collateral paid for EUR 3.5 billion and a decrease of the monetary reserves for EUR 1.8 billion. This decrease was partially compensated by an increase of reverse repurchase agreements for EUR 6.1 billion for treasury management purposes.

End December 2015, **loans and advances to customers** amounted to EUR 87.2 billion and remained stable compared to end December 2014. Following the low interest rate environment in 2015, the important wave of prepayments of mortgage loans continued but slowed down compared to 2014, and was globally offset by refinancings and the issuance of new loans.

Investments held to maturity increased with EUR 2.2 billion to EUR 5.0 billion at the end of December 2015, mainly following reclassification from "Financial assets available for sale" of Belgian and French government bonds as well as purchases in covered bonds and Asset-Backed Securities (ABS) with an AA/AAA rating for treasury management purposes.

Financial assets available for sale decreased by EUR 5.4 billion to EUR 19.7 billion as at 31 December 2015. Financial assets available for sale amounted to EUR 6.3 billion for the banking group (compared to EUR 11.1 billion end 2014) and EUR 13.4 billion for the insurance group (compared to EUR 14.0 billion end 2014). The total decrease is due to:

- (i) sales by Belfius Bank following the tactical de-risking policy,
- (ii) sales from the portfolio of Belfius Insurance in line with decreasing life Branch 21 and 26 reserves;
- (iii) the reclassification of bonds for EUR 1.5 billion to "Investments held to maturity"; and
- (iv) the reclassification of the insurance subsidiary "International Wealth Insurer" as "Non current assets (disposal groups) held for sale and discontinued operations".

The positive fair value of **derivatives** decreased by EUR 5.2 billion to EUR 25.9 billion following the higher 2015 end-year interest rates compared to 2014 year-end (on the longer term part of the yield curve) and unwinds.

2. Liabilities

Liabilities due to banks decreased with EUR 9.9 billion to EUR 11.5 billion as at 31 December 2015. Next to the repayment of EUR 3.4 billion in Long-Term Refinancing Operations (LTRO) to the European Central Bank (ECB), a decrease in cash collateral received can be noted for EUR 1.0 billion as well as a decrease in deposits for EUR 1.8 billion and in repurchase agreements for EUR 3.7 billion.

End December 2015, **customer borrowings and deposits** amounted to EUR 68.2 billion, up with EUR 1.6 billion compared to end 2014, mainly related to the growth of commercial deposits with EUR 4.0 billion, partially offset by a decrease in repurchase agreements for EUR 2.2 billion.

Debt securities decreased with EUR 1.3 billion to EUR 27.8 billion as at 31 December 2015. The decrease is mainly related to long term debt securities that came to maturity for EUR 2.6 billion as well as to saving certificates for EUR 1.2 billion. This decrease was partially offset by an increase of certificates of deposits for EUR 1.3 billion and the issuance of covered bonds for EUR 1.1 billion.

The negative fair value of **derivatives** decreased by EUR 8.1 billion to EUR 30.1 billion following the higher 2015 end-year interest rates compared to 2014 year-end (on the longer term part of the yield curve) and unwinds.

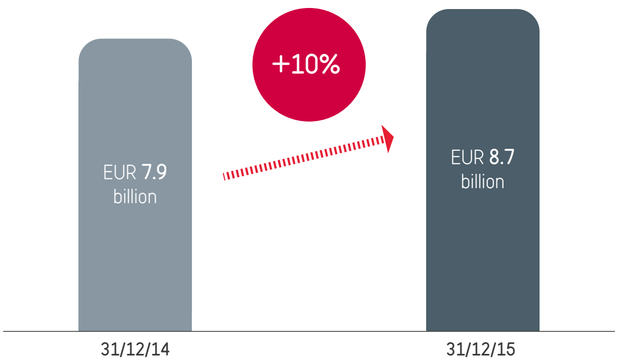
3. Equity

End December 2015, **total equity** amounted to EUR 8.7 billion, against EUR 7.9 billion as of 31 December 2014. The EUR 733 million increase is explained by the profit of the period, while the gains and losses not recognised in the statement of income increased with EUR 231 million.

The **core shareholders' equity** rose with EUR 504 million to EUR 8.3 billion due to the net income for the year 2015.

Gains and losses not recognised in the statement of income increased by EUR 231 million to EUR 350 million at 31 December 2015 from EUR 119 million at year-end 2014. The Available For Sale (AFS) reserve for the banking group amounts to EUR -633 million (an improvement by EUR 195 million). The increase of the AFS reserve for the banking group can be explained by the improved credit spreads and further tactical de-risking. The AFS reserve for the insurance group amounts to EUR 847 million (in line with last year): the decrease following the higher yields compared to 2014 year end and sales was entirely offset by a lower transfer of part of the AFS reserve to technical reserves for insurance contracts (shadow accounting).

Evolution of the total equity



Analysis of the consolidated statement of income

1. Net income group share

In 2015, Belfius recorded a **net income group share** of EUR 506 million, against EUR 462 million in 2014, up 9.6%. The bank's contribution to the consolidated net income amounted to EUR 290 million (compared to EUR 245 million in 2014) and the insurance group EUR 216 million (compared to EUR 217 million in 2014).

The net profit reflects a good performance of both Belfius Bank and Belfius Insurance. The result of Belfius Bank was mainly driven by the good commercial activity, a strict cost control and the positive evolution of fair value adjustments, partially compensated by tactical de-risking losses, higher collective provisions in Legacy books and higher taxes. For Belfius Insurance, the result was in line with last year.

2. Income

In 2015, **total income** amounted to EUR 2,184 million, up 5.5% or EUR 113 million more than in 2014. Despite the low interest rate environment, the maturity of the government-guaranteed bonds issued by DCL and the important wave of prepayment of mortgages, the interest margin remained globally in line with 2014. Fee income increased significantly thanks to an excellent development of asset management business in mutual funds and mandates. Also, an increase in "net income from financial instruments at fair value through profit and loss" can be noted due to a positive evolution in CVA (Credit Value Adjustment) fair value adjustments.

The **net interest income** decreased with EUR 63 million to EUR 2,024 million mainly due to the loss of interest income on government-guaranteed bonds issued by DCL which came to maturity and on covering assets for Branch 21-26 insurance contracts at Belfius Insurance following the decrease in outstanding in line with market trend, however almost entirely compensated by good commercial dynamics in terms of volumes and by adequate Asset and Liability Management (ALM).

The **net income from financial instruments at fair value through profit and loss** increased from EUR -222 million in 2014 to EUR 38 million in 2015, explained by positive evolution in fair value adjustments, mainly CVA following improved credit spreads and higher interest rates.

The **net fee and commission income** increased with EUR 50 million, or 11.2%, to EUR 497 million, mainly at Belfius Bank, as customers are more and more interested in off-balance sheet products following the low interest rate environment.

Other income remained stable, while a significant increase of EUR 136 million in **other expense** can be noted, to EUR 312 million in 2015. The negative evolution is mainly related to an increase in financial sector levies (subscription and European Single Resolution Fund levies).

Consolidated statement of income

(In millions of EUR)	31/12/14 (PF)	*Contribution Bank*[1]	*Contribution Insurance*[1]	31/12/15	*Contribution Bank*[1]	*Contribution Insurance*[1]	Evolution 2014/2015
INCOME	2,071	*1,580*	*491*	2,184	*1,700*	*484*	+5,5%
Of which							
Net interest income	2,087	*1,439*	*649*	2,024	*1,429*	*594*	
Net income from financial instruments at fair value through profit and loss	(222)	*(224)*	*2*	38	*37*	*0*	
Net fee and commission income	447	*442*	*5*	497	*495*	*2*	
Other income	137	*122*	*15*	139	*120*	*19*	
Other expense	(176)	*(166)*	*(10)*	(312)	*(301)*	*(10)*	
EXPENSES	(1,448)	*(1,245)*	*(203)*	(1,396)	*(1,183)*	*(214)*	-3,5%
GROSS OPERATING INCOME	623	*335*	*288*	787	*517*	*270*	*+26,4%*
Cost of risk	(59)	*(66)*	*8*	(93)	*(98)*	*6*	
Impairments on (in)tangible assets	(5)	*0*	*(5)*	(13)	*(13)*	*0*	
NET INCOME BEFORE TAX	560	*269*	*291*	682	*406*	*276*	+21,8%
Tax (expense) income	(100)	*(24)*	*(76)*	(176)	*(116)*	*(60)*	
Non-controlling interests	2	*0*	*2*	0	*0*	*0*	
NET INCOME GROUP SHARE	462	*245*	*217*	506	*290*	*216*	+9,6%

(1) Information based on unaudited figures.

Note that a proforma has been performed on the 2014 results due to the reclassification of the Deposit Guarantee Scheme cost, previously recorded in the interest margin, now in "other expense".

3. Expenses

In 2015, **total expenses** amounted to EUR 1,396 million, a decrease of EUR 51 million or 3.5% compared to 2014. This decrease is the result of the continued strict cost control and can be observed, both in staff expenses (for EUR 27 million) and in other (non-staff) expenses (for EUR 24 million).

4. Gross operating income

As a result, **gross operating income** increased significantly to EUR 787 million in 2015, up EUR 164 million or 26.4% compared to 2014. The banking group contributed EUR 517 million (compared to EUR 335 million in 2014) and the insurance group EUR 270 million (compared to EUR 288 million in 2014).

The consolidated cost-income ratio improved as such from 69.9% in 2014 to 63.9% in 2015.

5. Cost of risk

The **cost of risk** increased with EUR 34 million to EUR 93 million. The evolution is stemming from a higher cost of credit risk in the Side activities and stable cost of credit risk in the Franchise activities.

6. Impairments on tangible and intangible assets

The **impairments on tangible and intangible assets** increased with EUR 8 million to EUR 13 million as some impairments were recorded on intangible assets following the digitalization strategy, whereby software considered to have become obsolete was impaired.

7. Net income before tax

The **net income before tax** stood at EUR 682 million, up with EUR 122 million or 21.8% compared to 2014. The banking group contributed EUR 406 million (compared to EUR 269 million in 2014) and the insurance group EUR 276 million (compared to EUR 291 million in 2014).

8. Tax (expense) income

Tax expense, including deferred taxes recorded in the profit and loss accounts, amounted to EUR 176 million in 2015.

9. Net income group share

As a result, Belfius **net income group share** amounted to EUR 506 million for 2015, compared to EUR 462 million in 2014.

10. Dividend

On proposal of the Board of Directors of February 24, 2016, the General Assembly of April 27, 2016 will decide on an ordinary dividend of EUR 75 million in respect of accounting year 2015.

11. Solvency

The Phased In Common Equity Tier 1 capital ratio (CET 1 ratio) stood at 15.9% end December 2015, compared to 14.7% end 2014.

This increase is the result of the net income 2015 of Belfius Bank (regulatory accounts) of EUR 369.8 million, after deduction of EUR 75 million (foreseeable) dividend and the increase in "Additional Valuation Adjustment" of EUR 79 million. The change in Basel III grandfathering rules had a negative impact of 28 bps on the CET 1 ratio. With the application of the 2015 grandfathering rules, the CET 1 ratio pro forma for 2014 would have amounted to 14.4% compared to the CET 1 ratio of 14.7% as reported for 2014.

Tier 1 capital ratio of Belfius is equal to its CET 1 ratio, as Belfius has no additional Tier 1 capital.

The Phased In total capital ratio amounted to 17.7% at 31 December 2015, compared to 16.1% at the end of 2014.

The regulatory risk exposure decreased to EUR 47.0 billion, a decrease of 2.5 billion (Phased In), thanks to further de-risking and lower regulatory credit risk exposures on some public counterparties.

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

Segment reporting

Analytically, Belfius splits its activities and accounts in two segments: the Franchise and the Side.

The **Franchise** activities contain the key activities of the commercial business lines of Belfius:

- **Retail and Commercial** (RC), managing the commercial relationships with individual customers and with small & medium sized enterprises both at bank and insurance level;
- **Public and Corporate** (PC), managing the commercial relationships with public sector, social sector and corporate clients both at bank and insurance level;
- **Group Center** (GC) containing mainly the residual results not allocated to the two commercial segments of the Franchise and to the Side activities, as well as the residual interest rate and liquidity management results through the internal transfer pricing mechanism.

The **Side** segment incorporates the Legacy, inherited from the Dexia-era and that is managed under a tactical de-risking strategy and in natural run-off mode.
This segment consists of:

- (i) the Legacy portfolios (bonds & credit guarantees);
- (ii) transactions with Dexia Group entities;
- (iii) some other run-off activities with clients, inherited from the Dexia-era and not part anymore of the commercial activities of Belfius.

Key figures of the segment reporting

Balance sheet	Assets		Liabilities		Equity	
(In billions of EUR)	31/12/14	31/12/15	31/12/14	31/12/15	31/12/14	31/12/15
FRANCHISE	134.8	135.7	150.7	143.1	5.2	6.1
RETAIL AND COMMERCIAL (RC)	54.5	55.4	80.4	79.3	2.4	2.1
of which banking activities	*34.3*	*35.8*	*60.6*	*60.1*	*1.1*	*0.9*
of which insurance activities	*20.2*	*19.7*	*19.8*	*19.2*	*1.3*	*1.2*
PUBLIC AND CORPORATE (PC)	42.1	41.8	22.3	24.8	0.9	0.8
of which banking activities	*39.4*	*38.4*	*19.9*	*21.6*	*0.7*	*0.6*
of which insurance activities	*2.6*	*3.4*	*2.4*	*3.2*	*0.2*	*0.2*
GROUP CENTER (GC)	38.2	38.4	48.0	39.0	1.9	3.2
of which banking activities	*37.3*	*37.4*	*47.2*	*38.2*	*1.8*	*3.1*
of which insurance activities	*0.8*	*1.0*	*0.8*	*0.8*	*0.1*	*0.1*
SIDE	59.7	41.3	35.8	25.2	2.8	2.5
TOTAL	194.4	177.0	186.5	168.3	7.9	8.7
of which banking activities	*170.7*	*152.9*	*163.5*	*145.1*	*6.4*	*7.2*
of which insurance activities	*23.7*	*24.1*	*23.0*	*23.2*	*1.5*	*1.5*

The assets and liabilities allocated to Retail and Commercial (RC) and Public and Corporate (PC) reflect the commercial activities of those business lines. Where RC shows an excess of funding, PC is more asset driven. As a whole, the commercial balance sheet shows a funding excess with a sound 91% loan to deposit ratio (L/D-ratio) end 2015.

Income statement	2014					
(In millions of EUR)	Franchise	*RC*	*PC*	*GC*(1)	Side(1)	Belfius total
INCOME	2,223	*1,766*	*392*	*64*	(152)	2,071
EXPENSES	(1,434)	*(1,109)*	*(210)*	*(114)*	(14)	(1,448)
GROSS OPERATING INCOME	789	*656*	*182*	*(49)*	(166)	623
Cost of risk	(67)	*(56)*	*(21)*	*10*	9	(59)
Impairments on (in)tangible assets	(5)	*0*	*0*	*(5)*	0	(5)
NET INCOME BEFORE TAX	716	*600*	*161*	*(45)*	(157)	560
Tax (expense) income	(137)	*(179)*	*(52)*	*94*	38	(100)
NET INCOME AFTER TAX	579	*421*	*109*	*50*	(119)	460
Non-controlling interests	(2)	*0*	*0*	*(2)*	0	(2)
NET INCOME GROUP SHARE	581	*421*	*109*	*51*	(119)	462

(1) The allocation of 2014 between Group Center and Side has been restated to allow the comparison with 2015.

Income statement	2015					
(In millions of EUR)	Franchise	*RC*	*PC*	*GC*	Side	Belfius total
INCOME	2,321	*1,790*	*444*	*87*	(137)	2,184
EXPENSES	(1,384)	*(1,086)*	*(211)*	*(87)*	(13)	(1,396)
GROSS OPERATING INCOME	937	*704*	*233*	*0*	(150)	787
Cost of risk	(65)	*(38)*	*(28)*	*1*	(28)	(93)
Impairments on (in)tangible assets	(13)	*(8)*	*(4)*	*(1)*	0	(13)
NET INCOME BEFORE TAX	860	*658*	*201*	*0*	(178)	682
Tax (expense) income	(248)	*(203)*	*(67)*	*22*	73	(176)
NET INCOME AFTER TAX	611	*455*	*134*	*22*	(105)	506
Non-controlling interests	0	*0*	*0*	*0*	0	0
NET INCOME GROUP SHARE	611	*455*	*134*	*22*	(105)	506

Franchise

Financial Results Franchise

Net income after tax (Franchise net income) at Belfius rose from EUR 581 million in 2014 to EUR 611 million in 2015, up 5% and already exceeding the target of EUR 600 million Belfius had set for 2016. Belfius Bank part therein represented EUR 395 million, a strong increase of 8% compared to 2014. With EUR 216 million, Belfius Insurance maintained its high contribution of 2014.

Franchise net income after tax is stemming for EUR 455 million from the Retail and Commercial (RC) segment, for EUR 134 million from the Public and Corporate (PC) segment and for EUR 22 million from Group Center (GC).

In 2015, total income of Franchise amounted to EUR 2,321 million, up 4.4% or EUR 98 million more than in 2014, and this despite higher sector levies and the impact on interest income from the material wave of mortgage prepayments in 2015.

Despite the low interest rate environment, net interest income of Franchise increased with EUR 57 million or 3% to EUR 2,067 million.

Net fee and commission income of Franchise increased in 2015 with EUR 51 million, or 11% to EUR 498 million, mainly at Belfius Bank, as customers are more and more interested in Belfius' large offering in off-balance sheet products following the low interest rate environment.

Franchise net income on investments and liabilities, net income from financial instruments at fair value through profit or loss, dividend income and net income from equity method companies increased from EUR 98 million in 2014 to EUR 193 million in 2015, an increase that can be mainly explained by the positive evolution in fair value adjustments on derivatives such as CVA (Credit Value Adjustment) following improved credit spreads and higher interest rates at year-end 2015 versus year-end 2014 (on long term).

The significant decrease of other income and expenses from EUR -37 million in 2014 to EUR -151 million in 2015 is mainly related to the strong increase of financial sector levies.

In 2015, total expenses of Franchise amounted to EUR 1,384 million, a decrease of EUR 50 million or 3.5% compared to 2014. This decrease is the result of the continued strict cost control and can mainly be observed in staff expenses for EUR 26 million and in other (non-staff) expenses for EUR 24 million.

As a result, gross operating income of Franchise increased significantly to EUR 937 million in 2015, up EUR 148 million or 19% compared to 2014

Cost of risk amounted to EUR 65 million in 2015, stable compared to 2014, demonstrating good credit quality of our commercial activities.

Financial Results Franchise (In millions of EUR)	2014	2015
INCOME	2,223	2,321
Of which		
Net interest income	*2,010*	*2,067*
Net fee and commission income	*447*	*498*
Technical margin on insurance activities	*(296)*	*(286)*
Net income on investments and liabilities, net income from financial instruments at fair value through profit or loss, dividend income and net income from equity method companies	*98*	*193*
Other income and expenses	*(37)*	*(151)*
EXPENSES	(1,434)	(1,384)
GROSS OPERATING INCOME	789	937
Cost of risk	(67)	(65)
Impairments on (in)tangible assets	(5)	(13)
PRE-TAX INCOME	716	860
Tax (expense) income	(137)	(248)
NET INCOME AFTER TAX	579	611
Non-controlling interests	(2)	0
NET INCOME GROUP SHARE	581	611
of which		
Bank	*364*	*395*
Insurance	*217*	*216*

Ratios	2014	2015
Cost-income ratio (in %)	64.5%	59.6%
Normative Regulatory Equity (in millions of EUR)(1)	4,739	3,849
RoNRE (in %)(1)	12.7%	14.3%

(1) RoNRE is the Return on Normative Regulatory Equity, with Normative Regulatory Equity defined as the CET 1 capital that is required to bring Franchise (and its sub-segments) to a CET 1 ratio (Fully Loaded) of 10.5%.

In addition, some impairments (EUR 13 million) were recorded on intangible fixed assets following the digitalization strategy whereby some older but future obsolete software was impaired.

Pre-tax income of Franchise stood at EUR 860 million, up with EUR 144 million or 20% compared to 2014.

Tax expenses, including deferred taxes recorded in the profit and loss accounts, amounted to EUR 248 million in 2015 compared to EUR 137 million in 2014. This strong increase is mainly due to higher profit before taxes and lower tax shield from notional interest deduction in line with the decrease of the applicable yield on this notional equity.

As a result, Belfius' Franchise net income group share amounted to EUR 611 million for 2015, compared to EUR 581 million in 2014.

Franchise cost-income ratio strongly improved to 59.6% compared to 64.5% in 2014. Return on Normative Regulatory Equity (RoNRE) increased from 12.7% in 2014 to 14.3% in 2015.

Retail and Commercial (RC)

Towards 2020: modern digital and physical bank-insurance service delivery in a client convenient way

In the course of 2015, also in light of the digital revolution, Belfius' 2020 strategy towards RC clients was designed.

The RC strategy aspires to achieve four ambitions by 2020:

- → To go from 95% customer satisfaction towards committed customers who are prepared to recommend Belfius actively.
- → To further develop a differentiated and digitally supported business model, with an ideal balance between qualitative relationship management on the one hand, and efficient, user-friendly direct channels on the other. Two complementary omni-channel approaches are being developed to that end: one with digital focus geared to retail customers combined with value-added branch interactions at key life moments, and the other with account management focus geared to privilege, private and business customers supported by very convenient digital tools.
- → To increase the dynamic market share in core products to our aspired market share of minimum 15%.
- → To further implement our continued focus on processes with true added value for our customers, and as such target a further improvement in cost-income ratio to ≤ 60%.

Five crucial changes are being implemented in order to achieve these four crucial targets:

- → A finer sub-segmentation of our customers with appropriately designed value propositions for each of them.
- → An accelerated digital transformation to enable client convenient direct sales of the 10 most important bank and insurance product ranges, and this assisted by customer data analysis, the principle of mobile first, and paperless sales transactions supplemented by digital tools and services to support the account manager.
- → An innovative distribution strategy with a customer-oriented approach which is becoming more omni-channel on every front. In the future, branches will concentrate even more on proactive advice for the privilege, private and business segments. Information, service and sales for retail customers will increasingly be conducted through digital channels. A Remote Advice and Sales Center is being set up to improve accessibility for customers by catering their needs from early in the morning to late in the evening.
- → A 100% dedicated bank-insurance business unit has been created in RC to group knowledge and experience in insurance at Belfius in order to further improve our well appreciated one-stop-shopping approach in conveniently proposing banking and insurance products to our clients in "one go".
- → The launch of an all-in property offer and a company to manage and market investment funds and other asset management products, for the purpose of completing the investment products offering of Belfius towards our RC clients .

Belfius Insurance also accessible via various distribution channels

Belfius Insurance holds the fifth position on the Belgian insurance market.

Through the **Belfius Bank channel**, Belfius Insurance addresses individuals, self-employed and SMEs in search of solutions (for life and for non-life insurance products) via the 724 Belfius Bank points of sale. In the future, Belfius Insurance aims to make even more use of the growth potential of the bank-insurance channel and to further bolster the fast take-up of the "one stop shopping" concept.

DVV insurance has been an insurance benchmark for more than 85 years, both for life and non-life insurance. Through 332 points of sale, each with exclusive advisers, DVV insurance offers individuals, self-employed and small enterprises a complete range of insurances, mortgage loans and a widely renowned, first-class tailored service.

Corona Direct is a fast growing direct insurer. It offers its more than 187 thousand customers through direct channels (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 agile ability to innovate at the service of clients, for instance with its kilometre-linked car insurance.

Since 2012, this multi-channel and multi-brand approach of Belfius Insurance has also integrated the **Elantis** brand, which offers mortgage loans and consumer loans through independent brokers.

(1) Affinity partners are external parties with whom Corona collaborates and that offer Corona insurance products. For instance, 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 that address the needs of the different customer segments seamlessly: retail, privilege, private but also business (that consist of the self-employed, the liberal professions and small and medium-sized enterprises).

1. Payment products

Payment products come in the form of packages of current accounts linked to a debit card (and sometimes a credit card and 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, the driving force behind the Belgian economic and social activities. This includes tax funding, operating capital facilities (particularly Belfius Business Cash+) and investment loans.

Furthermore Belfius assists starters to get easier access to financing with its programme rolled out together with the European Investment Fund (EIF), where the EIF assumes half of the guarantee. Belfius Bank is the only one on the market that works together with the EIF and is in this way able to provide EUR 360 million through the EIF guarantee over a period of maximum 3 years.

The activity of granting 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 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 potentially 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 growth 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 insurance such as pension savings, mixed life insurance, savings insurance, guaranteed income cover, death insurance and credit balance insurance linked to mortgage loans are also offered. By virtue of this complete range, Belfius plays a crucial role as a locally anchored insurer aiming at protecting Belgian families, maintaining their income levels and increasing their assets.

Commercial performance in 2015

The commercial activity was particular dynamic in 2015: **total customer assets** grew e.g. by 2.8% in 2015 to EUR 99.0 billion.

On-balance sheet deposits totalled EUR 60.1 billion at the end of 2015, slightly down (by 0.8%) from the end of 2014. Customers adopted a rather wait-and-see attitude for deposits because of the historically low interest rates, which meant that less capital found its way to long-term capital investments (a drop of 17.5% for savings certificates and of 20.4% for bonds issued by Belfius). But there was very good growth in the funds deposited in current and savings accounts, which reached EUR 8.9 billion (+12.7%) and EUR 37.3 billion (+5.1%) respectively.

The slight decrease in on-balance sheet deposits was nonetheless more than compensated by a very good performance by **off-balance sheet investments**, which went up by 16.3% compared to the end of 2014, to EUR 28.6 billion, and this thanks to a more pronounced customers' preference for products with potentially higher yields (mutual funds, mandates).

Technical life insurance reserves sold via the bank channel amounted to EUR 10.4 billion, down by 6.3% compared to the end of 2014. Investments in Branch 21 life insurance products decreased because of the low interest rates, but that drop was partially offset by the successful Branch 44 product (mainly Belfius Invest Top Funds Selection) and Branch 23 products (with the new Belfius Invest Target Return amongst others).

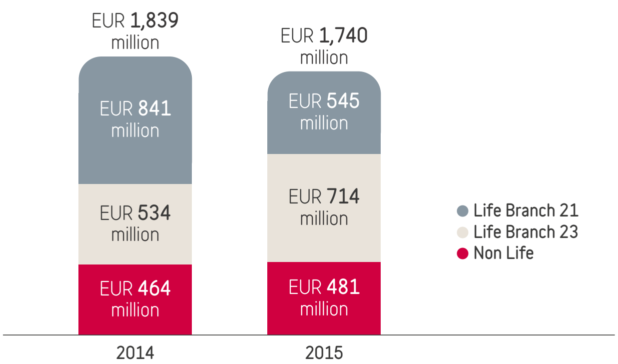
Retail and Commercial (In billions of EUR)	2014	2015	Evolution
TOTAL CUSTOMER ASSETS	96.3	99.0	+2.8%
DEPOSITS	60.6	60.1	-0.8%
Savings accounts	*35.5*	*37.3*	*+5.1%*
Savings certificates	*6.3*	*5.2*	*-17.5%*
Bonds issued by Belfius	*10.3*	*8.2*	*-20.4%*
Current accounts	*7.9*	*8.9*	*+12.7%*
Term accounts	*0.6*	*0.5*	*-16.7%*
OFF-BALANCE SHEET INVESTMENTS	24.6	28.6	+16.3%
TECHNICAL LIFE INSURANCE RESERVES THROUGH BANK CHANNEL	11.1	10.4	-6.3%
Life Branch 21	*9.3*	*8.1*	*-12.9%*
Life Branch 23	*0.5*	*0.6*	*+20.0%*
Life Branch 44	*1.3*	*1.7*	*+30.8%*

Total loans to customers rose to EUR 35.8 billion at the end of 2015. The increase occurred in mortgage loans (+6.9 %) and business loans (+1.0%). Mortgage loans, which account for nearly two thirds of all loans, amounted to EUR 23.1 billion at the end of 2015, while consumer loans and business loans stood at EUR 1.6 billion and EUR 10.2 billion respectively.

New long term loans granted to retail clients during 2015 amounted to EUR 6.1 billion of which 90% were mortgage loans, and EUR 2.4 billion new long term business loans.

Retail and Commercial (In billions of EUR)	2014	2015	Evolution
TOTAL LOANS TO CUSTOMERS	34.3	35.8	+4.4%
Mortgage loans	*21.6*	*23.1*	*+6.9%*
Consumer loans	*1.6*	*1.6*	*+0.0%*
Business loans	*10.1*	*10.2*	*+1.0%*
Other loans	*1.0*	*0.9*	*-10.0%*

Insurance premiums



The **gross production of insurance products** to customers in the Retail and Commercial segment amounted to EUR 1,740 million in 2015, compared with EUR 1,839 million in 2014, i.e. a 5.4% drop, in line with market tendencies stemming from low client interest in Life Branch 21 insurance.

Life insurance premiums amounted to EUR 1,259 million, compared with EUR 1,375 million in 2014; a 9% drop. The strong increase in

Life Branch 23 premiums (+34%), particularly via the bankchannels was compensated by a decrease in Life Branch 21 premiums (-35%). This is in due to low client appetite in low interest rate environment.

Non-life insurance premiums amounted to EUR 481 million, up 4% compared to the end of 2014. This increase was possible thanks to further bank-insurance development and increased cross selling activities, in particular with mortgage loans.

Indeed, thanks to the "one-stop-shopping" concept of Belfius, we witnessed a mortgage loan cross sell increase with fire insurance from 77% in 2014 to 80% in 2015. The mortgage loan cross sell ratio for credit balance insurance remained rather stable at 138%.

Total **life insurance reserves**, in the Retail and Commercial segments, dropped by 3.4% to EUR 17.3 billion at the end of 2015 as a result of a difficult context characterised by low interest rates. A clear shift between products can be noted in the reserves. Life Branch 23 reserves increased by 15%, whereas Life Branch 21 and 26 reserves dropped by 8.6%.

Retail and Commercial (In billion of EUR)	2014	2015	Evolution
LIFE INSURANCE RESERVES (ALL CHANNELS)	17.9	17.3	-3.4%
Life Branch 21 and 26	*13.9*	*12.7*	*-8.6%*
Life Branch 23	*4.0*	*4.6*	*+15.0%*

With an estimated 13% for savings accounts and 13% for mortgage loans, the market share of Belfius Bank remained stable. Belfius Insurance has a market share of ca. 7% on the Belgian market (8% in the Life segment and 5% in the Non-Life segment)(1).

Financial Results RC

RC net income after tax rose from EUR 421 million in 2014 to EUR 455 million in 2015, up 8% thanks to continued solid commercial dynamics.

In 2015, total income amounted to EUR 1,790 million, up 1.4% or EUR 24 million more than in 2014, despite higher financial sector levies and the impact of mortgage prepayments.

Net interest income amounted to EUR 1,508 million, a small decrease of 3.5% due to the switch from balance sheet products to off-balance sheet products and the impact of mortgage prepayments.

Net fee and commission income increased in 2015 with EUR 42 million, or 10% to EUR 456 million, mainly at Belfius Bank, as customers are more and more interested in the large offering in off-balance sheet products following the low interest rate environment.

The insurance business within RC generates around 30% of total RC income.

In 2015, total expenses amounted to EUR 1,086 million, a decrease of EUR 23 million or 2.1% compared to 2014. This decrease is the result of continued strict cost control.

As a result, gross operating income increased significantly to EUR 704 million in 2015, up EUR 48 million or 7% compared to 2014.

Cost of risk decreased from EUR 56 million in 2014 to EUR 38 million in 2015, demonstrating the good credit quality of the RC franchise. In addition, some impairments (EUR 8 million) were recorded on

(1) 2014 data – Assuralia; 2015 data not available yet.

Financial Results RC (In millions of EUR)	2014	2015
INCOME	1,766	1,790
Of which		
Net interest income	*1,562*	*1,508*
Net fee and commission income	*414*	*456*
EXPENSES	(1,109)	(1,086)
GROSS OPERATING INCOME	656	704
Cost of risk	(56)	(38)
Impairments on (in)tangible assets	0	(8)
PRE-TAX INCOME	600	658
Tax (expense) income	(179)	(203)
NET INCOME AFTER TAX	421	455
Non-controlling interests	0	0
NET INCOME GROUP SHARE	421	455

Ratios	2014	2015
Cost-income ratio (in %)	62.8%	60.7%
Normative Regulatory Equity (in millions of EUR)(1)	2,279	2,105
RoNRE (in %)(1)	17.7%	20.0%

(1) RoNRE is the Return on Normative Regulatory Equity, with Normative Regulatory Equity defined as the CET 1 capital that is required to bring RC to a CET 1 ratio (Fully Loaded) of 10.5%.

intangible fixed assets following the digitalization strategy whereby some older but future obsolete software was impaired.

Pre-tax income stood at EUR 658 million, up with EUR 58 million or 10% compared to 2014.

Tax expenses amounted to EUR 203 million in 2015 compared to EUR 179 million in 2014. This increase is mainly due to higher profit before taxes.

As a result, Belfius' RC net income group share amounted to EUR 455 million for 2015, compared to EUR 421 million in 2014.

RC cost-income ratio improved to 60.7%, compared to 62.8% in 2014. The Return on Normative Regulatory Equity (RoNRE) increased from 17.7% in 2014 to 20.0% in 2015.

Public and Corporate (PC)

Growth in Corporate and a reinforced leadership in Public and Social

1. Strategy

Belfius is market leader in the Public and Social sectors. Investments of those sectors are however limited due to measures to decrease the budget deficits at all public sector levels.

However, Belfius remains the reference partner of the Public and Social sectors in Belgium, and will continue to invest in fully dedicated and convenient products and services for these clients, as such ensuring them to be served in any case. Further capitalizing on its strong client intimacy and unique knowledge of these sectors, Belfius will assist Belgian corporates in their offering towards the Public and the Social sectors, as such offering them a unique edge in this very competitive but interesting market. In addition, as Belfius disposes of all products and services Belgian corporates require, and further building on its local knowledge and unique proximity, Belfius continues to develop its renewed ambitions towards Belgian corporates, as such fully taking on its role of supporting the Belgian economy.

As such, the Public and Corporate strategic axes are:

- → Continued leadership in the Public and Social segment based on a unique intimacy and service offering.
- → Clear growth strategy to Belgian corporates based on our proximity and Business-to-Government (B2G) services.

In concrete terms, these ambitions are to be reflected in an increase of Belfius' market share in the Belgian corporate market, from 8% to 13% over the next 3 to 5 years. Sizeable investments have been made to support this development: a 25% increase in the number of corporate bankers, recruitment of more credit analysts, a new organisation of our marketing and sales teams, and of the financial markets' teams in order to provide even better business services.

To remain the undisputed leader in the Public and Social sectors, Belfius will continue to assist these clients in funding collection through the capital markets, to focus on the professional management of outstanding debt, and extend its successful services linked to the "Smart Cities" needs of public clients.

Finally, also for these PC clients, Belfius started the bank-insurance approach and is able to serve both their banking and insurance needs.

2. Activities

In its Public and Corporate 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), and medium-sized and large companies (Corporate).

The Public and Social segment, which displays a total of some 12,000 customers, works on behalf of local public authorities (municipalities, provinces, police zones, Public Centers 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 the uncontested leader in the public and social sector in Belgium and to provide answers for societal challenges such as funding of sustainable projects through its unique projects and services like Smart Cities & Sustainable Development project, which is designed to support official bodies in Belgium in the context of smart 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, for a total amount of EUR 400 million, half of which is provided by the EIB and half by Belfius. Two projects under this programme have already been inaugurated: the new town hall in Gembloux and the CNG service station at the IMOG site in Harelbeke.

Furthermore, on 2 December 2015, Belfius held its first Belfius Smart City Award. An award given to the most creative Belgian city or municipality on the sustainable innovation front, in 2015 this award went to Antwerp for its "Stadslab2050 – Energie voor het Antwerpse hart" [Energy at the heart of Antwerp]. Nine other cities were also in the running, including Mechelen and Liège, each of which won one of the four Agoria Smart City Technology Awards 2015 for their "Lunavision" and "Vélocité" projects. The other two Agoria Smart City Technology Awards 2015 went to Ghent, for its "Online tool energiezuinig renoveren" [Online tool for energy saving renovation] project and to the Brussels Regional Public Service for its "Fix My Street.Brussels" application.

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 to the service and great satisfaction of those customers.

The Corporate segment services approximately 6,000 medium-sized and large companies (representing some 2,700 separate commercial groups), having each an annual turnover or balance sheet total exceeding EUR 10 million.

Drawing on its experience in the public sector, Belfius is providing the bridge-over between this corporate and the public sector, thereby capitalising on tried and tested expertise to put at the disposal of our Corporate customers. Belfius is in fact uniquely positioned with a presence in 4 out of every 10 corporates in Belgium. 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 important Business-to-Government (B2G) market.

Belfius, fully (100%) embedded in Belgium in both parts of the country, and with exclusively local decision-making centers, holds all the cards to be or to become such a reliable partner.

As such we are convinced that we have all tools and skills needed to provide advice and support to Belgian corporates, in all phases of their development, and to help turn the ideas of Belgian entrepreneurs into successful reality.

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

The commercial network of Public and Social includes 41 relationship managers spread across three regions. Customers in this segment demanding an even more local service are handled by the network of Belfius Bank branches. The commercial network of Corporate Banking includes 45 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, e.g. for matters related to investments, loans, insurance, leasing, electronic banking or cash management. This "hub-and-spokes" approach is at the heart of our Public and Corporate customer service model.

Highly specialised products and services providing high added value for customers

First of all, 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 wide range of insurance products of Belfius Insurance and various financial and operational leasing solutions through our Belfius Lease and Belfius Auto Lease subsidiaries.

Customers in the Public and Social segment also benefit from a uniquely specialized 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.

Financing as well as stimulating sustainability

In order to create a true dynamic round thinking Smart City, we organise each year a "Smart City Award", which is a competition for all Belgian cities and municipalities and for companies working with government institutions. All cities and municipalities, great and small, can enter a project, and the winners are proclaimed in the autumn.

In 2015 the city of Antwerp was given the Belfius Smart City Award for its "Stadlab2050-Energy for the Heart of Antwerp" project. The cities of Mechelen, Liège, Ghent and Brussels received an Agoria Smart City Technology Award in a competition that was organised with the support of Proximus and Accenture.

Belfius' debt management services enable customers to deploy resources for new investments for the benefit of the community.

Every year, Belfius also conducts numerous high quality and very reputable studies offering its customers considerable insights added value, into e.g. the development of local, municipal and provincial finances complete with individual details for each local authority. The social sector is another specialty of Belfius, with unique 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 our customers.

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

Belfius has also signed a new agreement with the European Investment Bank (EIB) for a EUR 200 million loan from the latter to boost the amount of loans granted to SMEs and Midcaps in Belgium. A total of EUR 400 million is thus made available to small and medium-sized enterprises at this time, half of which is provided by Belfius. This new operation has made it possible to renew a first line of credit to SMEs and Midcaps, enabling more than 1,500 projects to be financed under preferential conditions over 18 months of use.

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 swiftly to changes in customer requirements in ways that match their specific characteristics. Belfius is currently the only bank to provide a professional app on the market that enables the customer to sign payments "on the go" without any amount limit and to consult the public sector entities' or corporate balances and transactions in real time.

Belfius distributes a range of publications aimed specifically at corporates, including a series of newsletters such as the B2G newsletters. It also publishes a comprehensive online report about the potential and specific features that public procurement contracts represent for companies.

In 2015, Belfius again confirmed its market leader position 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 example, Aquafin, a water treatment company, appointed Belfius as Joint Lead Manager and Joint Book Runner (with HSBC) to structure and place its first Green Bond. This type of issue enables Aquafin to diversify its financing sources and by doing so to capitalise on new competitive market opportunities. Aquafin managed to place EUR 45 million, making it the first green bond issuing company in Belgium. Aquafin will use the capital raised for ecological and sustainable investments with a small carbon footprint.

The reference partner to entities in the public and social sectors, as well as to Belgian corporates

In 2015, Belfius remained true to its main mission of being a financial institution "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 sign new funding agreements to the public and social sectors totalling EUR 1.9 billion, as well as granting EUR 3.2 billion of new loans to companies in 2015. Belfius has an active role in Debt Capital Markets business and reached 84% of the public issuers. For the third 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.

Despite the continuing difficult economic environment, Belfius continued to fully support local authorities. Belfius is the only bank that fully responded to all of their applications for financing. As such the bank fully plays its role as their reference partner and as such reinvests the savings deposited by Belgians citizens in numerous projects delivering significant added value for the community (public buildings, schools, crèches, hospitals, road network,...).

Commercial performance in 2015

At 31 December 2015, **total customer assets** were EUR 29.1 billion, an increase of 6.6% compared with the end of 2014. **On-balance sheet deposits** rose by 8.5%, from EUR 19.9 billion to EUR 21.6 billion. The **off-balance sheet customer investments** registered a slight growth of 1.4% to reach EUR 7.5 billion.

Public and Corporate (In billions of EUR)	2014	2015	Evolution
TOTAL CUSTOMER ASSETS	27.3	29.1	+6.6%
Deposits	*19.9*	*21.6*	*+8.5%*
Off-balance sheet investments	*7.4*	*7.5*	*+1.4%*

Total outstanding loans went down slightly (2.5%) to EUR 38.4 billion. This decline was due to lower demand, increased competition on the Public and Social Sector market, and the increase in alternative financing (in particular disintermediation, where Belfius is the market leader in the Public and Social market). Outstanding loans for the Corporate segment increased to stand at EUR 8.9 billion at the end of December 2015. **Off-balance sheet commitments** rose by EUR 1.3 billion to EUR 20.0 billion at the end of December 2015.

Public and Corporate (In billions of EUR)	2014	2015	Evolution
OUTSTANDING LOANS	39.4	38.4	-2.5%
Public and Social	*31.1*	*29.6*	*-4.8%*
Corporate	*8.3*	*8.9*	*+7.2%*
OFF-BALANCE SHEET COMMITMENTS	18.7	20.0	+6.7%

With regards to **insurance activities**, the Public and Corporate segment recorded good income dynamics, in particular for non-life insurance products.

Non-life insurance premiums increased by 18.6% to EUR 121 million. This demonstrates the success of the strategy developed for property & casualty insurance products (fire, accidents, other risks), i.e. through sales via specialised brokers, and is reflected in the increase in premium revenues for occupational accident cover and property damage cover.

Gross premiums received in the **life segment** amounted to EUR 259 million, an increase of 2.4% thanks to the strong position and expertise enjoyed by Belfius in its niche market. Despite the constant reduction of the local authorities' room to manoeuvre and pressures on public finances, Belfius PubliPension (a "first-pillar" pension product) continues to respond to customer needs.

Public and Corporate (In millions of EUR)	2014	2015	Evolution
TOTAL PREMIUMS RECEIVED	355	380	+7.0%
Life	*253*	*259*	*+2.4%*
Non-life	*102*	*121*	*+18.6%*

Financial Results PC

PC net income after tax rose from EUR 109 million in 2014 to EUR 134 million in 2015, up 24% thanks to continued solid commercial dynamics.

In 2015, total income amounted to EUR 444 million, up 13% or EUR 52 million more than in 2014.

Net interest income amounted to EUR 402 million, up 2% compared to 2014, mainly benefiting from higher cross sell ratios between lending and non-lending products.

Net fee and commission income increased in 2015 from EUR 39 million in 2014 to EUR 49 million, mainly from growth in fees on savings and investments.

The insurance business within PC clients generates around 12% of total PC income.

In 2015, total expenses amounted to EUR 211 million, stable compared to 2014.

As a result, the gross operating income increased significantly to EUR 233 million in 2015, up EUR 51 million or 28% compared to 2014.

The cost of risk increased from EUR 21 million in 2014 to EUR 28 million in 2015, and as such remains very low, demonstrating the good credit quality of the PC franchise.

Pre-tax income stood at EUR 201 million, up with EUR 40 million or 25% compared to 2014.

Tax expenses amounted to EUR 67 million in 2015 compared to EUR 52 million in 2014. This increase is mainly due to higher profit before taxes.

As a result, Belfius' PC net income group share amounted to EUR 134 million for 2015, compared to EUR 109 million in 2014.

The PC cost-income ratio strongly improved to 47.5% compared to 53.6% in 2014. The Return on Normative Regulatory Equity (RoNRE) increased from 12.6% in 2014 to 15.8% in 2015.

Financial Results PC (In millions of EUR)	2014	2015
INCOME	392	444
Of which		
Net interest income	*395*	*402*
Net fee and commission income	*39*	*49*
EXPENSES	(210)	(211)
GROSS OPERATING INCOME	182	233
Cost of risk	(21)	(28)
Impairments on (in)tangible assets	0	(4)
PRE-TAX INCOME	161	201
Tax (expense) income	(52)	(67)
NET INCOME AFTER TAX	109	134
Non-controlling interests	0	0
NET INCOME GROUP SHARE	109	134

Ratios	2014	2015
Cost-income ratio (in %)	53.6%	47.5%
Normative Regulatory Equity (in millions of EUR)(1)	941	778
RoNRE (in %)(1)	12.6%	15.8%

(1) RoNRE is the Return on Normative Regulatory Equity, with Normative Regulatory Equity defined as the CET 1 capital that is required to bring PC to a CET 1 ratio (Fully Loaded) of 10.5%.

Group Center (GC)

At the bank, Group Center contains mainly the residual results not allocated to the two commercial segments of the Franchise and to the Side activities, as well as the residual interest rate and liquidity management results through the internal transfer pricing mechanism.

The carry cost of the collateral needed by Franchise activities is also allocated to Group Center. The results on hedge solutions implemented for clients (Flow Management activities) and the results on treasury activities (Money Market) are also allocated to Group Center. Finally, Group Center also contains the result or carry costs of assets not allocated to a specific business line or assets that do not deliver or obtain interest (e.g. equity, property, equipment).

At the level of the insurer, Group Center contains income from assets not offered to and allocated to a specific business line, the cost of subordinated debt, the results of some subsidiaries and the costs not allocated to a specific business line.

Financial Results GC

GC net income after tax stood at EUR 22 million in 2015, compared to EUR 51 million in 2014.

In 2015, total income amounted to EUR 87 million, or EUR 22 million more than in 2014. This increase came mainly from better non allocated ALM results, partly offset by higher non allocated financial sector levies.

In 2015, total expenses decreased from EUR 114 million in 2014 to EUR 87 million in 2015 thanks to the strict cost control at the level of the bank.

Like in 2014, reversals were booked at the level of cost of risk for an amount of EUR +1 million in 2015.

Taxes amounted to EUR +22 million in 2015 compared to EUR +94 million in 2014. To note, taxes in 2015 were positively impacted by reversals of formerly not recognised deferred tax assets.

As a result, Belfius' GC net income group share amounted to EUR 22 million in 2015, compared to EUR 51 million in 2014.

Side

At the time of the separation from Dexia Group at the end of 2011, Dexia Bank owned an investment portfolio, inherited from its period within Dexia Group, totalling EUR 74 billion notional value:

- a Legacy bond portfolio of approximately EUR 18 billion;
- a Legacy credit guarantee (intermediation) portfolio of approximately EUR 12 billion;
- funding to other Dexia entities for approximately EUR 44 billion.

Since the end of 2011, Belfius has implemented a tactical de-risking plan leading to a significant reduction of those Side portfolios, including a reduction of funding to Dexia entities to almost zero by the end of February 2015.

In the light of Belfius' ambitions towards a lower risk profile, the bank will continue its tactical de-risking efforts in order to bring the Side portfolios, by the end of 2016, to a risk profile in line with Franchise's risk profile. As such, the Side portfolios' risk profile targeted by Belfius shows the following key characteristics:

- an average rating of the portfolios of A-;
- a non-investment grade (NIG) share of maximum 2%;
- concentration limits in line with Belfius corporate portfolios within the Franchise.

In 2015 the executed tactical de-risking amounted to EUR 1.6 billion, of which EUR 1 billion in the Legacy bond portfolio and EUR 0.6 billion in the Legacy credit guarantee portfolio. This tactical de-risking resulted in a reduction of risk exposure of EUR 0.6 billion and in a net loss (after tax) of EUR -108 million in 2015. Belfius has already made significant progress in its tactical de-risking policy, especially in its ambition to significantly decrease the non-investment grade exposures within the Legacy portfolios.

The Legacy bond portfolio

At the end of 2015, the Legacy bond portfolio stood at EUR 8.1 billion, down EUR 1.4 billion compared to December 2014. Tactical de-risking (EUR 1.0 billion) and natural amortization of the portfolio was partially compensated by foreign currency effects. End 2015, the portfolio was composed of sovereign and public sector (13%),

Financial Results GC (In millions of EUR)	2014	2015
INCOME	64	87
EXPENSES	(114)	(87)
GROSS OPERATING INCOME	(49)	0
Cost of risk	10	1
Impairments on (in)tangible assets	(5)	(1)
PRE-TAX INCOME	(45)	0
Tax (expense) income	94	22
NET INCOME AFTER TAX	50	22
Non-controlling interests	(2)	0
NET INCOME GROUP SHARE	51	22

corporate (44%) and financial institutions (26%) bonds and asset-backed securities (17%).

Since 2011, the Legacy bond portfolio has been decreased by more than half (56%) or EUR 10.2 bn of which two-third due to tactical de-risking and one-third of natural amortizations. Tactical de-risking has been mainly executed in the asset categories financial institutions (-83%), "asset backed securities" (-73%), international sovereigns & public sector (-51%) and covered bonds (-6%). The outstanding amount of corporate exposure is slightly increasing due to foreign currency effects.

The Legacy bond portfolio has an average life of 15 years. With an average rating of A-, the portfolio remains of good credit quality; 94% of the portfolio is investment grade.

The Legacy Credit guarantee (intermediation) portfolio

At the end of 2015, the credit guarantee portion of Belfius' Legacy portfolio amounted to EUR 5.4 billion, down EUR 1.1 billion (of which EUR 0.6 billion due to tactical de-risking) compared to December 2014. It relates essentially to Credit Default Swaps and Financial Guarantees issued on corporate/public issuer bonds (70%), ABS (28%) and covered bonds (2%). The good credit quality of the underlying reference bond portfolio, additional protection against credit risk incorporated in the bond itself and the protections purchased by Belfius from various monoline insurers (US reinsurance companies, essentially Assured Guaranty) result in a portfolio that is 100% investment grade. Since 2014, the average rating of the portfolio has further improved from BBB+ to A-. End 2015, the average residual life of the portfolio stood at 7.9 years. Since the end of 2011, the Legacy credit guarantee portfolio has been reduced by EUR 6.2 billion or 54%.

Funding to Dexia

At the end of 2014, Dexia funding amounted to EUR 10.6 billion, of which EUR 10.5 billion bonds issued by Dexia Crédit Local (DCL) with the guarantee from the Belgian, French and Luxembourg governments. Funding to Dexia further decreased at the beginning of 2015, with EUR 5.25 billion of these bonds maturing in January and EUR 5.25 billion in February 2015. As a result, funding to Dexia was reduced to below EUR 100 million. As at 31 December 2015, the remaining funding relates to a loan to Dexia Crediop (EUR 4.2 million) for which Dexia Crediop has made a deposit of the same amount with Belfius, the co-financing of a loan (EUR 57.3 million) granted by DCL to a very creditworthy British real estate (social housing) company, that technically passes through the accounts of DCL, and EUR 0.3 million auto lease financing for Dexia SA.

Please note also that, while it was still part of the Dexia Group, the former Dexia Bank (now Belfius Bank) was the Dexia Group's "competence center" for derivatives (mainly interest rate swaps): this meant that all Dexia entities could cover their market risks with derivatives with Dexia Bank, mainly under the standard contractual terms related to cash collateral. The former Dexia Bank systematically covered these derivative positions externally, as a result of which these derivatives broadly appear twice in Belfius accounts: once in relation to Dexia and once for the hedging. The remaining outstanding notional amount[1] of derivatives with Dexia amounted to about EUR 49 billion at the end of December 2015, a decrease of EUR 6 billion compared to the end of 2014.

Other Side

Other run-off activities consist mainly of derivatives with (non-Franchise) foreign counterparties and of transactions with former related parties, inherited from the Dexia era.

(1) For more information, please refer to note 5.9 in the disclosures.

Financial Results Side (In millions of EUR)	2014	2015
INCOME	(152)	(137)
EXPENSES	(14)	(13)
GROSS OPERATING INCOME	(166)	(150)
Cost of risk	9	(28)
Impairments on (in)tangible assets	0	0
PRE-TAX INCOME	(157)	(178)
Tax (expense) income	38	73
NET INCOME AFTER TAXES	(119)	(105)
Non-controlling interests	0	0
NET INCOME GROUP SHARE	(119)	(105)

Financial Results Side

Side net income after tax amounted to EUR -105 million in 2015 compared to EUR -119 million in 2014.

In 2015, total income amounted to EUR -137 million, compared to EUR -152 million in 2014. Total income was impacted by the in 2015 accelerated tactical de-risking programme (EUR -133 million losses before taxes), positive fair value adjustments and lower outstanding volumes due to the repayments of the government-guaranteed bonds by Dexia Crédit Local in the beginning of the year.

In 2015, total expenses amounted to EUR 13 million, a decrease with EUR 1 million compared to 2014.

As a result, gross operating income amounted to EUR -150 million in 2015 compared to EUR -166 million in 2014.

Cost of risk amounted to EUR -28 million compared to EUR +9 million in 2014. The 2015 cost of risk was mainly impacted by the increase of collective provisions, due to additional (incurred but not reported (IBNR)) provisioning for some UK/US Legacy assets.

Pre-tax income stood at EUR -178 million in 2015 compared to EUR -157 million in 2014.

Taxes amounted to EUR +73 million in 2015 compared to EUR +38 million in 2014.

As a result, Side net income group share amounted to EUR -105 million in 2015 compared to EUR -119 million in 2014.

Capital Management

Capital management at the bank

1. Prudential supervision

Belfius Bank reports its solvency on a consolidated level in line with the CRR/CRD IV regulations (pillar 1). Belfius also has to comply with the regulatory solvency ratios as described in CRD IV (pillar 2).

As a result of the annual "Supervisory Review and Evaluation Process" (SREP) conducted by the ECB, Belfius must maintain as from December 2015 a minimum CET 1 ratio of 11.25%, which is composed of a minimum SREP CET 1 ratio of 10.75% (including capital conservation buffer) and a buffer for domestic systemically important institutions of 0.50% (which will grow to 1.50% in 2018).

2. Regulatory own funds

The regulator has authorised Belfius to apply article 49 of the CRR and hence to cease deducting the capital instruments of Belfius Insurance from regulatory own funds, but rather to include these in the total risk exposure by applying a weighting of 370% (the so-called "Danish Compromise").

For regulatory reporting purposes, the Belfius insurance group is not consolidated by Belfius and is thus treated as a financial fixed asset. As a result, there are some differences between the equity in the consolidated financial statements and in the regulatory calculations.

End 2015, the base for the regulatory core own funds amounted to EUR 8,347 million, an increase of EUR 445 million coming from the regulatory result for the period. Note that the regulatory result differs from the consolidated result due to the different consolidation scope and dividend received from Belfius Insurance, as described above.

(In millions of EUR)	31/12/14	31/12/15
Consolidated result	462	506
Elimination of Belfius Insurance	(217)	(216)
RESULT OF BELFIUS BANKING GROUP	**245**	**290**
Scope changes:		
dividend (Belfius Insurance)	29	141
other	(34)	14
PRUDENTIAL RESULT	240	445

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

(In millions of EUR)	31/12/14	31/12/15
ACCOUNTING CORE SHAREHOLDERS' EQUITY	7,804	8,309
Transformation of the insurance group in a financial fixed asset	98	38
Base for the regulatory core own funds	7,902	8,347

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

Regulatory own funds[1]

(In millions of EUR)	31/12/14	31/12/15
COMMON EQUITY TIER 1 CAPITAL (CET 1 CAPITAL)	7,276	7,479
BASE FOR THE REGULATORY CORE OWN FUNDS	7,902	8,347
DEDUCTION OF FORESEEABLE DIVIDEND		(75)
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	(38)	(43)
Remeasurement defined benefit plans	99	119
Remeasurement available-for-sale reserve on securities and frozen fair value adjustments of reclassified financial assets	(815)	(623)
Other reserves	(10)	(30)
Prudential filter on the fair value reserves related to gains and losses on cash flow hedges on financial instruments	10	30
Transitional measures	678	461
DEDUCTIONS AND PRUDENTIAL FILTERS	(589)	(750)
Deferred tax assets on losses carried forward	(291)	(218)
Investments in securitisation positions	(244)	(303)
Changes in the value of own credit standing	(24)	(27)
Value adjustments due to the requirements for regulatory prudent valuation	(79)	(158)
Intangible fixed assets	(80)	(70)
Goodwill	(104)	(104)
Transitional measures	233	131
TIER 2 CAPITAL	705	849
Tier 2 capital instruments	477	475
Excess of provisions over expected losses IRB	39	154
General credit risk adjustments SA (standard approach)	0	16
Transitional measures	190	204
REGULATORY OWN FUNDS (AFTER APPROBATION OF RESULT)	7,981	8,328

(1) Unaudited.

CET 1 capital amounted to EUR 7,479 million, compared with EUR 7,276 million at the end of 2014. The significant increase in CET 1 capital results from the regulatory profit and the improvement of the remeasurements of AFS or reclassified assets, slightly offset by an increase in the "Additional Valuation Adjustment", the compulsory deduction of the foreseeable dividend as well as the regulatory evolutions in the transitional measures. The changes in the transitional measures resulted in a negative impact on the 2014 CET 1 capital of EUR 142 million.

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

Tier 2 capital increased from EUR 705 million to EUR 849 million. This improvement was the result of a higher excess of the internal rating-based method (IRB) provision for estimated losses based on prudential models, being the difference between the recognised impairments and the estimated losses based on prudential models for credit risk on portfolios treated according to the IRB and of the increased general credit risk adjustment on portfolios treated in standardised method (SA).

End 2015, the total regulatory own funds amounted to EUR 8,328 million, compared to EUR 7,981 million end of 2014.

3. Regulatory risk exposure

The regulatory risk exposure includes risk-weighted exposures for credit risk, market risk and operational risk. Each of the underlying risks is detailed in the section on Risk Management in this report. Risk-weighted exposure also stems from the Danish Compromise, whereby the equity capital instruments of Belfius Insurance and held by Belfius Bank are included in the regulatory risk exposure via a weighting of 370%.

End 2015, regulatory risk exposure at Belfius amounted to EUR 47 billion, compared to EUR 49.5 billion at the end of 2014.

The decrease in regulatory credit risk exposure is mainly due to further tactical de-risking and the decrease of risk-weighted exposures in a number of business lines of the Public and Corporate segment by methodological refinements in the risk weighting of unused credit lines and loans to certain public counterparties.

Regulatory market risk exposure increased by EUR 0.7 billion, mainly as a result of the commercial development of the "client flow management business" (service in financial market products for customers) which resulted in a higher average Value at Risk (see section on Risk Management).

Regulatory operational risk exposure remained relatively stable.

(In millions of EUR)	31/12/14	31/12/15	Evolution
Regulatory credit risks exposure	39,564	36,345	-8.1%
Regulatory market risks exposure	1,105	1,777	+60.8%
Regulatory operational risks exposure	2,741	2,802	+2.2%
Danish Compromise	6,102	6,102	0%
REGULATORY RISK EXPOSURE	49,512	47,026	-5.0%

4. Solvency ratios at Belfius Bank(1)

At the end of 2015, the CET 1 ratio Phased In amounted to 15.9%, an increase of 121 bps compared to the end of 2014. This increase is mainly linked to the net income for the period which was partially offset by the decreased positive effect of the grandfathering rules as well as an increase in "Additional Valuation Adjustment". The change in grandfathering rules had a negative impact of 28 bps on the CET 1 ratio. With the application of the grandfathering rules of 2015, the CET 1 ratio for 2014 would have amounted to 14.4% compared to the CET 1 ratio of 14.7% as reported. The significant decrease of the regulatory risk exposure also contributed significantly to the improvement of the CET 1 ratio.

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

The total capital ratio Phased In amounted to 17.7%, an increase of 176 bps compared to the end of 2014.

	31/12/14	31/12/15
BASEL III (PHASED IN)		
Common Equity Tier 1 ratio (CET 1 ratio)	14.7%	15.9%
Tier 1-capital ratio (T 1 ratio)	14.7%	15.9%
Total capital ratio	16.1%	17.7%
BASEL III (FULLY LOADED)		
Common Equity Tier 1 ratio (CET 1 ratio)	13.2%	14.9%
Tier 1-capital ratio (T 1 ratio)	13.2%	14.9%
Total capital ratio	14.3%	16.2%

End 2015, the CET 1 ratio Fully Loaded stood at 14.9% compared to 13.2% at the end of 2014. Total capital ratio Fully Loaded increased from 14.3% end 2014 to 16.2% end 2015.

Capital management at Belfius Insurance

1. Prudential supervision

Belfius Insurance reports to the regulator, NBB, both on a consolidated and statutory level. For the insurance subsidiaries, statutory supervision is retained in those countries where they are located, i.e. Belgium (Corona SA) and Luxembourg (IWI).

Belfius Insurance reports on a quarterly basis to the NBB about its solvency margin and hedging assets. As part of prudential supervision over systemic insurers, highly detailed information is also provided to the NBB about the company's strategy, its ALM policy and the sufficiency of its technical reserves.

2. Solvency components

Total equity capital under IFRS rules is taken as the starting point for determining the company's solvency components. Subordinated liabilities that are eligible as solvency components are then added in accordance with the solvency regulations and prudential filters applied. Indeed, the regulator deems it necessary that certain adjustments be carried out in order for the calculation based on IFRS annual financial statements to correspond, to a large extent, with the objectives of prudential supervision over insurance companies.

The main prudential filters include the following:

- the technical provisions for equalisation and disaster not retained under IFRS 4 (phase 1) are added back in line with solvency regulations and then are consequently deducted from the solvency components;
- in defining the solvency components, the unrealised results recognised in IFRS equity capital are eliminated;
- the provisions for interest rate risks and future discretionary profit-sharing stated under technical provisions, will be added to the extent that the sufficiency tests carried out permit this as solvency components (net of deferred taxes);
- included under "other" will be the adjustments made for IAS 19, as well as deductions of holdings in financial institutions; and
- the prudential filters provide for deferred tax claims being allocated up to a maximum of 10% of equity capital as an asset component. This filter has not been applied for the past two years.

(1) Unaudited.

3. Solvency requirements

The solvency requirements will be calculated on a consolidated basis in line with the prudential standards of Solvency I. The requirements increase evenly with the growth in technical provisions. Despite the subsidiary, Sepia, being consolidated in full as part of our figures, we note a slight fall in the solvency requirements for Life between 2014 and 2015, which is explained by a shift to Branch 23 insurance for which the capital requirements are lower.

4. Solvency ratios at Belfius Insurance(1)

4.1. Solvency I

The table below provides a summary of the available equity capital and solvency requirements at the end of 2014 and 2015. The Solvency I consolidated solvency risk (before dividend payments) increased from 205% in 2014 to 221 % in 2015, making a surplus of EUR 980 million at the end of 2015.

The capital planning of Belfius Insurance provides for self-financing of growth, aiming at achieving a minimum solvency ratio of 150%, in both statutory and consolidated terms. On 22nd March 2016, the Board of Directors of Belfius Insurance SA decided to convene an extraordinary general meeting on 23 March 2016, in order to come to a decision with regards to the payment of a gross interim dividend of EUR 120,018,716 to be charged against the available statutory reserves. Taking this dividend payment into account, the consolidated solvency margin rose by 18% to 206% in 2015.

4.2. Solvency II

From the first quarter of 2016, the European regulations on the solvency of (re)insurers (Solvency II) come into effect. As of 31 December 2015, the Solvency II ratio (pro forma) was 212% before dividend payment and 202% after dividend. Belfius Insurance is aiming for a minimum Solvency II ratio of 160%.

If the Solvency II rules are applied pro forma to the figures at the end of 2015, then the total Solvency II capital was EUR 2,514 million at the end of 2015. This was composed 90% of Tier 1 capital. Tier 2 capital was EUR 258 million and consisted mainly of a subordinated loan from Belfius Bank.

Taking the standard model into account, the capital requirements were EUR 1,186 million. More than 60% of the required capital is the result of market risk, and more specifically of the credit and shares risk. The capital required for the interest rate risk is very limited in view of the good duration matching in the Belfius Insurance balance sheet.

In addition to the establishment of a complete risk framework, the new regulations also provide for a self-assessment in which, taking the business plan into account, the future capital buffers are highlighted and a number of sensitive areas implemented. It can be seen from this analysis that Belfius Insurance possesses the capital margins required to absorb shocks, as stated in the risk-appetite approved by the Board of Directors.

For example, a 1% fall in the interest level (compared with the level at the end of 2015) would have an impact of -7% on the Solvency II ratio. A stock market shock of -30% on share prices would have an impact of -17% and a 50 bps rise in the credit spreads across the whole portfolio would result pro forma at the end of 2015 in an impact of -25%.

	Shock	Solvency II ratio
Basis scenario	-	212%
Stress scenario		
Interest rate	*-1%*	*205%*
Equity	*-30%*	*195%*
Credit spread	*+50 bps*	*187%*

(1) Unaudited.

Solvency components – Solvency I

(In millions of EUR)	31/12/14	31/12/15
TOTAL EQUITY RECORDED IN THE IFRS BALANCE SHEET	**2,070**	**2,177**
SUBORDINATED LIABILITIES CONSIDERED AS A COMPONENT OF SOLVENCY	**351**	**355**
APPLICATION OF PRUDENTIAL FILTERS		
Intangible fixed assets	(10)	(12)
Provisions for equalisation and disaster	(41)	(45)
Provisions for interest rate risks and discretionary gains/losses carried forward	209	212
Unrealised results recognised in equity	(864)	(898)
Other	(14)	(1)
Limitation deferred tax claims (after application of above mentioned prudential filters)	0	0
SOLVENCY COMPONENTS	**1,700**	**1,789**
SOLVENCY REQUIREMENTS	**828**	**809**
SOLVENCY EXCESS	**873**	**980**
SOLVENCY RATIO BEFORE DIVIDEND PAY OUT	**205%**	**221%**
Dividend pay out	141	120
SOLVENCY RATIO AFTER DIVIDEND PAY OUT	**188%**	**206%**

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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 has been extended in 2015 to allow for a monthly monitoring for some of the risk appetite and capital adequacy ratios.

1. Economic capital

The economic capital is defined as the potential deviation of Belfius' economic value from its expected economic value, and this within a given interval of confidence and time horizon. The confidence threshold (99.94%) chosen for scenarios involving losses in value corresponds to the bank's targeted debt rating at a horizon of one year (A-rating for 2015).

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 the risks 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 central in the context of Belfius' risk appetite.

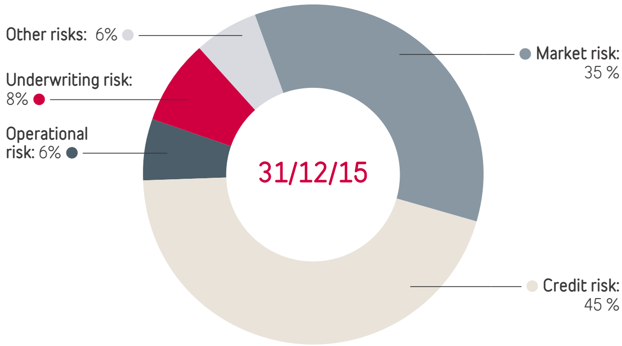
2. Economic capital adequacy

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 5,575 million at the end of 2015 (against EUR 5,761 million at the end of 2014).

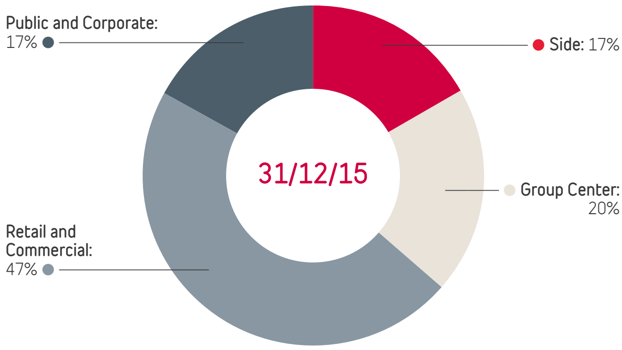
In 2015, the distribution between the main categories of risks remained stable: credit risk represented approximately 45% of the economic capital and was the main contributor; market risk (inter alia including interest rate risk, foreign-exchange rate risk, spread risk and equity risk) was 35%, underwriting risk 8%, operational risk 6% and other risks (prepayment, funding ...) 6%.

Breakdown of economic capital by type of risk



By business line, the economic capital was allocated as follows: the Side segment, including the investment portfolio of Legacy bonds and the portfolio of credit derivatives, accounted for 17% of the economic capital at Belfius; Retail and Commercial (RC) and Public and Corporate (PC) represented 47% and 17% respectively of Belfius' economic capital; the balance was made up of 20% 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



Risk Management

Macroeconomic environment in 2015

Belfius' activities are exposed to a number of risks such as – but not exclusively - credit risks, market risks, liquidity risk, operational risk, insurance risk, changes in regulations as well as the macroeconomic environment in general, that may have a negative impact on asset values or could generate additional costs beyond anticipated levels.

As the activities are concentrated in Belgium, mainly the Belgian macroeconomic environment is of importance. However this does not preclude international economic events and tendencies from exerting their influence.

The general economic environment improved moderately throughout the year 2015. The real GDP of Belgium is expected to increase by 1.4% when compared to the 2014 number. Both consumer and producer sentiment improved over the course of the year. This gave rise to increased spending on behalf of households and an improvement in labour market conditions. This improvement is based upon three favourable external conditions that Belfius expects to remain present in 2016:

- Thanks to the monetary policy conducted by the ECB, liquidity has been massively injected into the economic system. This has led to lower interest rates over the whole maturity spectrum and throughout the eurozone. As a positive consequence lending conditions have improved and consumption was stimulated, as the return on saving became really low. Moreover these observations could be made also in the peripheral countries of Europe. This stimulated investments and growth in these countries. Being an open economy trading mainly with the eurozone, a pick up of the growth in the European Union is advantageous to the Belgian economy.
- Oil prices have strongly decreased on the international markets and remained below USD 60 per barrel throughout the first 6 months of 2015 to end the year at a level of USD 30 per barrel. Most economists expect that for the foreseeable future oil prices remain well below USD 60 thanks to a continuing strong supply of crude oil. The recent nuclear deal with Iran and the lift of sanctions on Iranian products is also anticipated to amplify the existing excess supply of crude oil and natural gaz. The low oil prices exert a positive influence on household purchasing power and consumption, favouring the conditions for economic growth.
- The euro depreciated with respect to the currencies of most of Belgium's trading partners. The effective exchange rate decreased in value by about 3.0%, giving exporters some further tailwind. The exchange rate will remain a function among others of the difference in monetary policy between the US and Europe. Given the intention of the US to raise policy rates further in 2016 and the possibility of the European Central Bank to further strengthen its monetary expansion, the euro could depreciate somewhat further.

The international context represents a clear attention point. In August of last year the economic messages coming out of China started to point towards a rather important slowdown in economic activity in that country. This created a lot of uncertainty in the financial markets and the stock exchanges worldwide dropped significantly. Direct spill over effects towards the real Belgian economy are however expected to be small due to the rather limited trade relationships between our country and China. Indirectly, however, the Chinese slowdown impacts the country via the general negative sentiment that influences the investor climate and via lower import prices that influence the inflation rate and hence the interest rates via the monetary policy of the European Central Bank. In November, horrible terrorist attacks struck Paris. A lockdown of Brussels to avoid an attack on Belgian soil was put in place only a couple of days thereafter. Again the direct costs for the Belgian economy remained limited, but it added to a climate of risk aversion thereby contributing to more volatility on the markets and hampering a quicker economic recovery.

Governance

In line with Art. 194 of the "Bankenwet", Belfius is managing risks based on a group-wide (Belfius Bank + Belfius Insurance) coordinated and integrated risk framework. The overall objective is to have a risk coordination, ensuring consistency while respecting the entities' specificities, responsibilities and legal/regulatory obligations. The main pillars of this risk management are an appropriate governance, risk monitoring and decision taking process.

At the level of the Risk Departments of Belfius Bank and Belfius Insurance, the CRO's, assisted by their Risk Executive Committees (Risk ExCom), ensure adequate integration and coherence regarding methodologies, tools and risk management.

In terms of risk governance Belfius implements:

- similar Committee governance and decision taking process: Board of Directors, Risk Committee (Belfius Bank) - Risk & Underwriting Committee (Belfius Insurance), Risk ExComs Belfius Bank - Belfius Insurance, Risk Appetite Committee IC/ALCo (Belfius Bank) - ALCo (Belfius Insurance) ...;
- presence of Belfius Bank Board of Directors' members in Belfius Insurance Committees assuring enhanced coherence;
- common Belfius Bank Risk Committee/Belfius Insurance Risk & Underwriting Committee are organised.

Both entities have a similar Policies & Guidelines framework and approach:

- policies with focus on risk drivers, governance and decision making process;
- policies decided at Management Board level (with formal approval of Belfius Insurance Board of Directors);
- steered by Risk Department;
- target is implementing best practices: mutual exchange & implementations.

Both entities use similar and/or common tools ensuring consistency and enabling coherence as well as an integrated management of risks and internal controls:

- Risk Appetite Framework: defined and validated group-wide by Belfius Bank and cascading down to subsidiaries;
- Risk Management & Control executed through the "Senior Management Report on the Assessment of the Internal Control";
- ICAAP & Recovery Plan (Belfius Bank) and ORSA (Own Risk and Solvency Assessment; Belfius Insurance).

More information regarding the Risk Governance of Belfius Insurance can be found in the annual report of Belfius Insurance.

1. Risk Committees

A performant Risk Governance structure is considered as a central cornerstone to sound risk management. A robust committee set-up incorporates effective communication & reporting lines and a clear delineation of responsibilities & competences. 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

Three committees have been set up within the Management Board of Belfius Bank, prepared by the Risk Department and meeting at least every quarter:

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 Framework or RAF") 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 bank's risk and business profile and supervises its practical implementation.

The Basel III Steering Committee surveys Belfius Bank's regulatory status and ensures an overall smooth project organisation. It validates the business and methodological choices, the planning, the simulations, prudential changes, 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.

1.2. Risk Committees on tactical/operational level

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

The committees that are part of the tactical/operational level are committees on which the Risk Department generally participates alongside business divisions. Risk Committees which are steered by the Risk Department focus mainly on risk appetite and methodology. Risk/Business committees which are steered jointly by the Risk Department/Business focus mainly on guidelines, transactions and risks on counterparty risks. The Risk Department has a veto right in many of these committees, as well as the right to bring files for decision to a higher governance level.

2. Risk appetite

Risk appetite is the level of risk that an institution is prepared to take given the expectations of the main stakeholders (shareholders, creditors, regulators, rating agencies, customers, employees …), in order to 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, and also sets the rules and the framework for implementation of those rules.

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

- → for guiding strategy and planning;
- → for framing performance in terms of growth and value creation;
- → for facilitating day-to-day operating and commercial decisions.

The bank's risk appetite consists of a series of quantitative elements (target Key Risk indicators or KRI) and qualitative elements (statements) that are designed to express the risk levels and types that are not acceptable, that are tolerated and targeted in order to achieve business strategy. 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, for proposing measures to the Management Board to ensure the limits are met.

3. Stress tests

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

Different ad hoc stress tests were conducted during 2015 either upon demand form the Management or at the request of the regulators e.g. stress test on real estate portfolios or stress tests on selected items of the Legacy portfolios.

Belfius also performed an internal stress testing programme with its financial Plan 2016-2020. The bank developed a set of alternative and very severe macroeconomic scenarios designed to anticipate the bank's main weaknesses and to simulate how Belfius might be affected under these circumstances. These different stress tests measure the potential deviations from the "base case" Financial Plan and from Risk Appetite targets set by the management in terms of solvency, liquidity and profitability. These stress tests were submitted to the Management Board as well as to the Board of Directors.

4. Recovery Plan

An update of Belfius Recovery Plan has been submitted to the ECB during the first quarter 2016. This plan provides a set of recovery measures that would be taken to restore the bank's long-term viability in the event of a significant deterioration of its financial situation due to severe general macroeconomic and/or idiosyncratic stress situations.

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 key risk parameters Probability of Default (PD), Loss Given Default (LGD) and Credit Conversion Factor (CCF – the conversion of an available credit line in an expected amount draw down) for off-balance sheet commitments.

The ECB announced that it will be conducting a Target Review of Internal Models (TRIM) the coming years. This exercise, conducted by the regulator as an extension of the Asset Quality Review (AQR) it performed in 2014, demonstrates the growing attention paid by the supervisory bodies to models used in relation to calculating the bank's solvency ratios.

The internal models' lifecycle can be divided into three blocks: the development and approval of the internal model, the monitoring of its use and the maintenance of the model. The Model Manager is key 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. Next to that, controls 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 project. Formal validation of the model is carried out by the "Validation" direction, an autonomous direction which provides an independent and objective report on the models within the Risk Department.

1.2. The main control mechanisms

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

- Independent Quality Control on the ratings models, defined in accordance with the statutory guidelines, ensures appropriate use of the ratings models, operational efficiency and the existence of an audit trail in the rating process.
- Back testing consists of seeing whether, based on historical data, the model is still in line with historical statistics. For instance, following the conclusions of these exercises, the probabilities of default in relation to the exposures on counterparties part of "small professionals" segments were re-calibrated in 2015.
- Stress tests are performed to see how portfolios and models react under unexpected and/or extreme circumstances.
- 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 adequately validated internally? Is there sufficient quality control? Are the mandatory annual back tests being carried out? etc.).

1.3. Maintenance of the model

- There may be a number of different elements that could lead to an update 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 governance 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 every day, reported to higher governance bodies every quarter and on top of that 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.

The credit decision processes within Belfius Bank consist of three different types:

- 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 and based on the certification of their risk competencies, decision-taking powers have been delegated;
- the regular process of the credit committees.

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 customers, an individualised approach is implemented. Credit analysts examine the file autonomously and define the customer's internal rating. Then a credit committee takes a decision on the basis of various factors such as solvency, the customer relationship, the customer's prospects, the credit application and the guarantees. In the analysis process, credit applications are carefully examined and only accepted if the perspective of continuity and the borrower's repayment capacity are demonstrated. To support the credit decision process, a RAROC (Risk Adjusted Return on Capital) measures the expected profitability of the credit transaction or even of the full relationship with the customer, and compares it with a required RAROC level (target rate). As such, the RAROC is an instrument for differentiating the risks and for guiding the risk-return combinations in an optimal way.

Belfius Bank has further intensified its strategy of being close to its customers. This approach provides a significant added value to our customers, regardless of the segment in which they operate. Credit and risk committees are regionalised and the delegation of decision-making powers to the regional commercial and credit teams is continued, strengthening the principle of decision-by-proximity. This resulted in a greater involvement of the various 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 guarantees that any signs of risk can be detected in time and subsequently monitored and/or addressed. This review process is organised, according to the Credit Review Guideline, in an annual cycle, with in-depth analyses for customers with important credit exposures and/or significant (positive or negative) evolutions in their risk profile.

3. Fundamentals of credit risk in 2015

3.1. Banking activities in Retail and Commercial

The Belgian macroeconomic climate improved slightly in 2015. Against this background, lending to the Retail and Commercial business line – one of the core segments at the bank – remained at a high level, and this based on a stable lending policy in general, albeit adjusted for some elements (see further).

Demand for consumer credit remained stable in 2015. The criteria used for granting consumer loans remained generally unchanged from 2014 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, 2015 can be divided into two separate periods. The decision taken by the new Flemish government in the summer of 2014 to wind down the "housing bonus" system, resulted in a sharp increase in demand for housing loans in the second half of 2014 which continued during the first months of 2015. In addition, the historically low interest rates also led to an unprecedented wave of early repayments. The vast majority of prepaid existing mortgage loans were refinanced internally. Furthermore the bank was able to attract a considerable number of new customers with adequate credit quality by refinancing their former mortgage loans at other banks. During the second half of 2015 the production of new mortgage loans returned to levels less impacted by refinancing.

In this exceptional market environment, the Risk Department conducted reinforced internal monitoring of the potential higher risk segments of mortgage loans (combinations of longer repayment terms, higher loan-to-value financing ratios and higher debt service costs vs. income ratios). The bank took measures to keep production in these niches within strict limits. In the meantime the cost of risk on mortgage loans remains under control, even in light of a slight rise that originates from the market and loan allocation conditions in the years preceding the financial crisis of 2008-2011. Since then, the allocation policy has been gradually adjusted to take account of the changing market circumstances.

Belfius has 200,000 self-employed workers, professionals and SMEs as customers. Each one of them can rely on the personal service of a business banker. The bank's project to have lending decisions for business loans taken by local teams working close to the customer was further intensified in 2015. This strategy contributes clearly to a better knowledge of the customer and his or her situation, while numerous tests and realised statistics indicate that the risk remains well under control. The continuous fine-tuning of the decision-making logic and the enhanced and quickly reactive monitoring on deteriorating risk profiles is clearly bearing fruit.

The overall profitability and strength of Belgian SMEs remained good, although the latter are more and more confronted with a changing consumer pattern (e.g. e-commerce). In 2015, according to Graydon, 10,605 companies were forced to cease trading, which was 6.1% lower than the number in 2014. 23,050 jobs were as such put at risk. This is the lowest number since 2008, the beginning of the economic crisis, and a decrease of 11.6% in comparison with 2014. The main reason for this positive trend, also visible in risk statistics of the portfolio of business lending of Belfius Bank, was the economic growth of 1.3%. Consequently, the cost of business loans at Belfius Bank remained at a good risk/return level and within the target levels. Belfius therefore intends to keep supporting the production of business loans, also in relation to start-ups. At the same time, the Risk department continues the improvement of the process of early warning indicators in order to keep permanently the risks in this market segment well under control.

3.2. Banking activities in Public and Corporate

In 2015, Belfius kept providing the public and social sector, as well as mid & large corporations, with an extensive and integrated range of products and services. It strengthened its partnership with the customers from the public and social sector by continuing to invest in having an in-depth knowledge of their needs and continuing to be able as such to offer them new and tailored solutions to fund their operations, manage their finances and meet their insurance requirements. The strategy to become also the reference partner for corporates that service this public and social sector (Business-to-Government) was further implemented.

The Public Sector loans portfolio maintained its very low risk profile. The economic climate of low inflation, moderate growth and historical low interest levels resulted in a limited pressure on the expenditures of Belgian municipalities. Local tax increases with an eye to budget balance were for that reason rather limited. The indebtedness of municipalities remains stable and their financial costs have fallen as a result of the historical low interest rates. The increase of staffing and operating expenditures is being kept under control, among other things also thanks to the low inflation. Worth mentioning is that municipalities received in 2015 an increased support of regional authorities through various funds and subsidies. This additional effort of the regional authorities should not be underestimated considering that the latter experienced themselves the impact of the sixth State reform, the low inflation and the necessary budgetary discipline. Besides the current budgetary limits, some other structural reforms will weigh on the finances of municipalities in the coming years, such as the ongoing pension reform for their statutory staff, the contribution of local authorities to remedying Belgian public finance, the increasing costs of social aid and security (in particular the reform of the fire brigades) and finally the challenges of the ageing population.

From a risk management point of view, the hospital sector remains a focus of attention. The potential developments in the area of hospital funding are closely monitored. The indebtedness of Belgian hospitals has increased importantly the past 5 years. The operating profit of the sector globally improved but remains all in all rather limited. As a consequence, some hospitals display a structural short-fall in repayment capacity. According to our well-known studies, the Belgian hospital sector seems somewhat underfunded and an over-capacity regarding beds and infrastructure prevails. The Minister of Public Health works on a plan to address these challenges.

Belfius' corporate business is focused on Belgian companies with a turnover in excess of EUR 10 million. With 6,000 customers, we are actually positioned as a challenger in this segment, but a new growth strategy has been started in 2015. Belfius has taken the necessary measures to ensure that this growth strategy will go hand in hand with a good creditworthiness and acceptable risk concentrations. The credit profile of the corporate lending remained fairly stable during 2015, which also meant that the cost of risk remained at an acceptable level and within the limits set. The Belgian economy gradually recovered over 2015 but growth remained low. The rather unforeseen growth recession in China in the second half of the year disturbed the growth engine. The 2015 index jump imposed by the Belgian government however supported the competitiveness of Belgian companies, backed by the low import costs of energy and raw material. As a result, the general recovery of profitability of Belgian corporates - already started in 2014 – continued in 2015.

Belfius monitors sector risks in a proactive way and defined specific measures with regard to a limited number of more vulnerable sectors. The sustainable energy sector in Belgium for example faces since 2012 some challenges due to, among other things, the run-down of the subsidy mechanisms regarding green energy. A change in the energy policy could potentially bring some relief to this sector. In the meantime, the less performing files identified are being monitored with the appropriate attention as part of the existing watchlist process. In the shipping industry, Belfius Bank continued 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. Connections with companies that do not meet these criteria were further reduced. The shipping companies' performance globally improved, helped by reduced bunkering expenses and cost optimisations through alliances. The indicators and opinions on the future evolution of the shipping sector remain however divergent. Finally, the commercial property sector is also being watched closely, despite its usually good performance. The bank has further reinforced acceptance standards for these customers to enable any market corrections to be absorbed. Furthermore, a lot of work was put in the frequent monitoring of real estate during the full life cycle of the underlying credit loans.

3.3. Insurance

The management of the credit risk of Belfius Insurance is the responsibility of Belfius Insurance risk management team, albeit in collaboration with the credit and risk teams at Belfius Bank and within the risk management guidelines regarding credit limits, etc. that apply to the whole of the Belfius group. As such, this means that credit limits are defined on a consolidated basis and that transfers of limits between the bank and insurance arm of the business are permitted, provided that both parties agree. The CROs of Belfius Bank and Belfius Insurance coordinate the requests together.

3.4. Financial Markets

The mission of Financial Markets is of course aligned with the mission of Belfius Bank, to serve our clients and Belgian economy with essential financial services. Next to this general objective, Financial Markets operates as a competence and service center with regard to Belfius. In such a context, the risk and return generated by Financial Markets are reallocated to the business lines Retail & Commercial and Public & Corporate. As such, Financial markets complete the business lines' offering towards clients in order to ensure a long term relationship and ensure a quick and efficient time to market for new products. Innovative Financial Markets also contribute to the liquidity profile of the bank through the management of Short Term and Long Term wholesale funding and to the management of the investment portfolios: both the ALM and Legacy portfolios.

The credit risks in relation to Financial Markets activities are monitored by the Credit Risk Limit Framework which is part of the Risk Appetite Framework. Counterparty and country limits are monitored by FM Risk Management in order to limit risk concentrations. During 2015, the focus has again also been set on the execution of the tactical derisking mandate in the Legacy portfolio. The money market activity has been influenced by the decreasing interest rate environment, the volatility of collateral and the challenging yield environment for the reinvestment of the liquidity buffer.

3.5. 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 credit 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 (or more frequently if necessary) to a Risk Committee which, if necessary, decides on the appropriate risk measures.

The European Banking Authority's Forbearance guidelines - designed to enable the analysis of the quality of credit portfolios and hence also the risk profile of all European banks in a more proactive and consistent way - are already since 2014 transposed into a Belfius guideline and integrated into the bank's risk and financial reporting. 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 some refinancing. Specific criteria are established for each business segment. These provide a practical interpretation of the concepts of "financial difficulties" and "concession". When granting a concession, the bank is always led by a number of mainly business-related and economic factors. The fact that concessions are made is one of the watchlist indicators at Belfius.

At the end of 2015, an amount of EUR 779 million of loans at Belfius complied with the forbearance definition, of which EUR 43 million related to Belfius Insurance. Appropriate specific or collective impairments were recorded in relation to this volume of forborn loans via the usual risk processes.

When a counterparty's solvency is weakening, early warning indicators may be activated which will take the counterparty concerned into our internal risk systems towards a default status. Depending on the seriousness of the indicators, which show the degree of probability of the counterparty's default, Belfius puts the counterparty in D1 or D2 status. These indicators are described in the Default guidelines. The Default committee within the Risk Department, is competent to define the default status of a counterparty.

Once a counterparty is classified in default, an assessment is made, as a fundamental element of the risk management process, of the need to make a specific impairment of the credit file(s) with the counterparty. This assessment examines whether and to what extent the guarantees Belfius holds are sufficient to reimburse the credit risk exposure, 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, where risk management relies on a portfolio approach, the same principles are valid, but applied in a less granular and more automated manner.

Moreover, Belfius also implements collective impairments to recognise impairments for credit risks which are latent in the credit portfolios (but have not yet reached default status) and which are essentially defined from a watchlist perspective. Collective impairments are also constituted to account for incurred but not yet reported credit risks which might emerge in certain well-described subportfolios, as a result of circumstances or developments specific to them.

4. Exposure to credit risk

The definition of Maximum Credit Risk Exposure "MCRE" has been modified in 2015 to be more aligned with risk management measures (called Full Exposure at Default – FEAD), as used in the Pillar 3-report, and is determined as follows:

- for balance sheet assets (except for derivatives): the gross carrying amounts (before impairment);
- for derivatives: the fair value of derivatives increased with the potential future exposure (calculated under the current exposure method or add-on);
- for reverse repurchase agreements: the carrying amount as well as the excess collateral provided for repurchase agreements;
- for off-balance sheet commitments: either the undrawn part of liquidity facilities or the maximum commitment of Belfius for guarantees granted to third parties (including financial guarantees given).

These changes have been implemented in order to further improve consistency with the exposures disclosed during the 2015 EBA Transparency Exercise.

Belfius credit risks are of course based on a consolidation scope that includes its fully consolidated subsidiaries, Belfius Insurance included.

As at 31 December 2015, the total credit risk exposure, within Belfius reached EUR 172 billion, a decrease of EUR 13 billion or -7% compared to the end of 2014.

At bank level the credit risk exposure amounted to EUR 153 billion, down 8% compared to end 2014. This decrease is mainly explained by the full repayment of the government-guaranteed bonds issued by DCL, the sale of EUR 1.3 billion (notional) of Italian government bonds and the executed tactical de-risking during 2015.

At the level of Belfius Insurance, the credit risk exposure decreased by 3% to EUR 19 billion at the end of 2015.

The credit risk exposure on public sector entities and the institutions that receive guarantees of these public sector entities (30% of the total) and on individuals, self-employed and SMEs (24% of the total) constitute the two main categories.

The relative proportion of the segment central governments decreased from 17% end 2014 to 10% end 2015. This decrease is mainly due to the repayment of the government-guaranteed bonds issued by DCL in the beginning of the year. Inside this segment, the credit risk on government bonds decreased by 10% from EUR 15.4 billion at the end of 2014 to EUR 13.9 billion at the end of 2015. More than half (58%) of the government bonds portfolio is invested in Belgian government bonds. While at bank level the Belgian government bonds represents one third of the total government bond portfolio, the relative proportion at Belfius Insurance stood at almost 80%. The relative proportion of Italian government bonds went down from 34% at the end of 2014 to 29% at the end of December 2015, due to the aforementioned sale at bank level.

End 2015, the credit risk exposure on corporates and financial institutions was respectively 15% and 17%. The credit risk on monoline insurers (2% of the total) on bonds issued by issuers principally active in infrastructure and public utilities projects is predominantly an indirect risk arising from credit guarantees written by Belfius Bank and reinsured with monoline insurers.

Breakdown of credit risk by counterparty

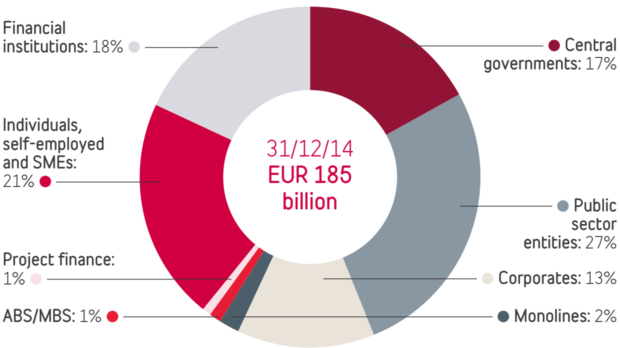
(In EUR billion)	31/12/14	31/12/15	Of which Bank	Of which Insurer
Central governments	31.7	17.2	*8.7*	*8.5*
of which government bonds	*15.4*	*13.9*	*6.2*	*7.7*
Public sector entities	49.3	51.5	*49.5*	*2.0*
Corporate	24.0	26.1	*24.8*	*1.4*
Monoline insurers	4.0	3.6	*3.6*	*0*
ABS/MBS	2.4	1.8	*1.7*	*0.1*
Project Finance	1.9	1.8	*1.8*	*0*
Individuals, self-employed and SMEs	39.3	40.5	*36.4*	*4.2*
Financial institutions	32.4	29.2	*26.1*	*3.1*
TOTAL	**185.2**	**171.9**	***152.6***	***19.3***

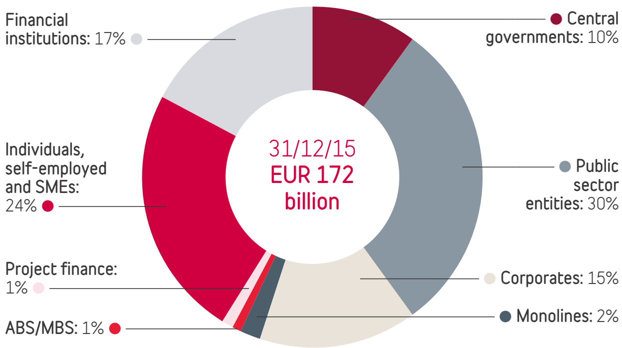
Belfius' positions are mainly concentrated in the European Union: 95% or EUR 163 billion at group level and 98% or EUR 18.9 billion for Belfius Insurance.

70% of the total credit risk exposure is on counterparties categorised in Belgium country exposures, 7% in the United Kingdom, 6% in France, 4% in Italy and 3% in Spain.

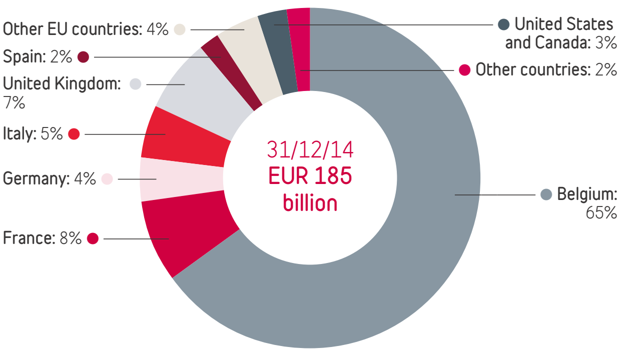
At the end of December 2015, 84% of the total credit risk exposure had an internal credit rating investment grade (IG).

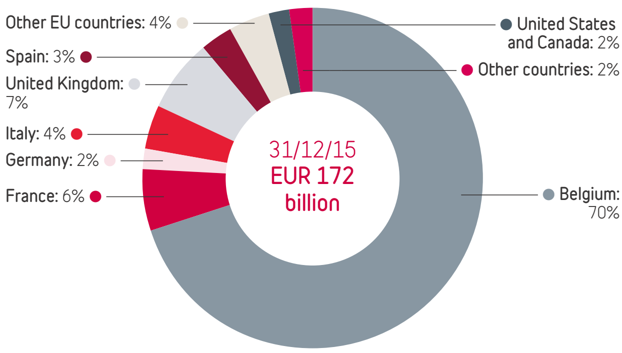
Breakdown of credit risk by counterparty



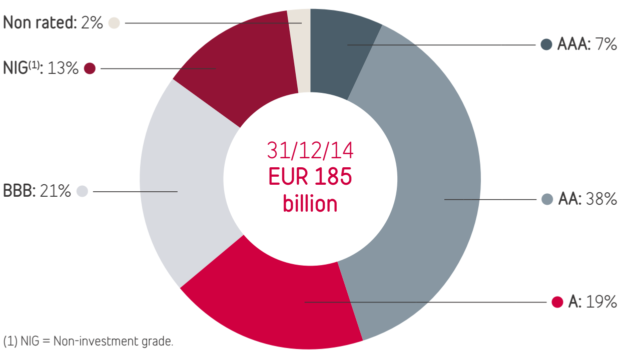


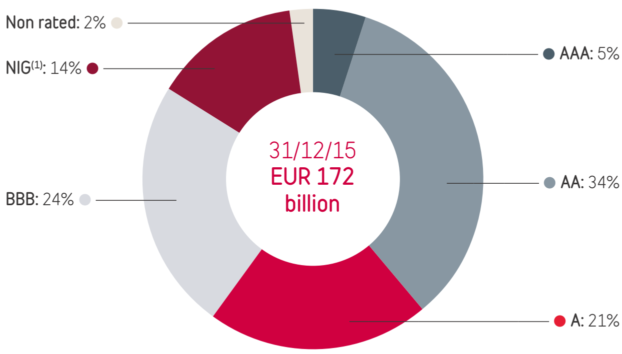
Breakdown of credit risk by geographical region





Breakdown of credit risk by rating





(1) NIG = Non-investment grade.

Asset quality[1]

(In millions of EUR, except where indicated)	2014	2015
Gross outstanding loans and advances to customers	88,655	88,717
Impaired loans and advances to customers	2,065	2,029
Specific impairments on loans and advances to customers	1,156	1,158
Asset quality ratio[2]	2.33 %	2.29 %
Coverage ratio[3]	56.0 %	57.1 %
Collective impairments on loans and advances to customers	341	369

(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

5. Asset quality

At the end of 2015, the amount of impaired loans and advances to customers was EUR 2,029 million, which is a slight decrease (-2%) from previous year. In 2015, the specific impairments on loans and advances to customers remained stable. As such, the asset quality ratio improved slightly to 2.29% and the coverage ratio strengthened slightly to 57.1% at the end of 2015.

In 2015, collective impairments on loans and advances to customers increased by EUR 28 million.

Market risk

1. Overview

1.1. Market Risk Definition

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

Management of the market risk within Belfius is focused on all Financial Markets activities of the bank 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.

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

1.2. 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 fair 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. Belfius only has some commodity price risk on CO_2 certificates holdings.

Management report
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2. Non Financial Markets activities

2.1. Policy on asset & liability management

Managing structural exposure to market risks (including interest rate risk, equity risk, real estate risk and foreign exchange risk) is also known as asset & liability Management (ALM). The structural exposure at Belfius results from the imbalance between its assets and liabilities in terms of volumes, durations and interest rate sensitivity.

Belfius' Board of Directors has the ultimate responsibility for setting the strategic risk tolerance, including the risk tolerance for market risks in non financial markets activities. The Management Board of Belfius Bank and Belfius Insurance have the ultimate responsibility for managing the interest rate risks of Belfius within the above set risk tolerance and within the regulatory framework.

The real operational responsibility of the effective asset & liability management (ALM) is delegated to the Asset & Liability Committee (ALCo). The ALCo manages interest rate risk, foreign exchange risk, and liquidity risk of the bank's respectively insurer's balance sheet within a framework of normative limits and reports to the Management Board. Important files at a strategic level are submitted for final decision to the Management Board, that has the final authority before any practical implementation.

The ALCo of the bank is responsible for guiding and monitoring balance sheet and off-balance sheet commitments and, 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 ALCo meets regularly, chaired by the Chief Financial Officer (CFO), with meetings attended by the Chief Risk Officer (CRO) and members of the Management Board responsible for commercial business lines (or their mandatees).

The ALCo of Belfius Insurance plays the same role for the insurance company pursuing the same objectives but with a focus on the economic value and solvency according to the Solvency II regulation. The risk indicators are calculated based on a harmonised risk method for Belfius, supplemented by factors specific to Belfius Insurance relating to their risk management.

2.2. Interest rate risk

Interest rate risk of the banking activities

In light of the interest rate risk, Belfius Bank wants to have a prudent risk management of its interest rate positions in the banking book within a set of limits, and since 2011 with a clear focus on generating stable earnings and preserving the economic value of the balance sheet and this in a view of macro-hedging, after giving thoughtful consideration to natural hedges available in the bank balance sheet.

The management of non-maturing deposits (such as sight and savings accounts) and non-interest-bearing products use portfolio replication techniques. The underlying hypotheses concerning expected duration, rate-fixing period and tariff evolution are subject to constant monitoring and, if necessary, they are adjusted by the ALCo. Optional risk like prepayment risk is integrated through behavioural models.

Interest rate risk has two forms – economic value volatility and earnings volatility. The measurement of both of these forms is complementary in understanding the complete scope of interest rate risk in the banking book.

Economic value indicators capture the long-term effect of the interest rate changes on the economic value of the bank. Interest rate sensitivity of economic value measures the net change in the ALM balance sheet's economic value if interest rates move by 10 bps across the entire curve. The long-term sensitivity of the ALM perimeter was EUR 20 million per 10 bps at 31 December 2015 (compared to EUR 80 million per 10 bps at 31 December 2014), excluding interest positions of Belfius Insurance and of the pension funds of Belfius Bank.

Earnings at Risk indicators capture the short-term effect of the interest rate changes on the earnings of the bank. Therefore, indirectly through profitability, interest rate changes can also have a short-term solvency effect. A 25 bps increase of interest rates has a positive impact on net interest income (before tax) of EUR 51 million of the next book year and a cumulative effect of EUR 188 million over a three year period, whereas a 25 bps decrease would lead to a negative impact of EUR -48 million of the next book year and a cumulative effect of EUR -107 million over a three year period.

Interest rate risk for the insurance activities

For Belfius Insurance, the ALM objective is to try to have a natural matched position in asset & liability durations. The long-term sensitivity of the Net Asset Value of Belfius Insurance to interest rates was EUR 11 million per 10 bps as of 31 December 2015 (against EUR 11 million per 10 bps as of 31 December 2014). The earnings have a low sensitivity to interest rates for the next book year.

Aggregate interest rate risk for the Belfius group

The figures below show the impact on the Belfius group Net Asset Value of a 10 basis points parallel upward shift of the yield curve.

(In millions of EUR)	31/12/14	31/12/15
Bank – ALM banking book	+80	+20
Insurance	+11	+11

2.3. Credit spread risk

The credit spread risk of the non financial market activities is dealt with in the "Credit risk" section.

The sovereign and credit portfolio is managed by the investment departments under supervision of the respective ALCo's of Belfius Bank and Belfius Insurance. Its management is carried out according to a risk framework monitored by the risk department. The framework provides risk guidance for the investments. It sets risk appetite and operational limits for ensuring the credit quality of the credit portfolio within the well defined limits and a sound diversification (e.g. among industry sectors or countries). Sensitivity analysis and stress testing are regularly performed.

At Belfius Insurance, the credit spread risk has been fully integrated in the ALM and Market Risk Management. Indeed, moving toward Solvency II, the credit spread risk became more than before a key driver of the solvency position of the insurance company both for the net asset value's sensitivity and for the capital requirement.

2.4. Equity risk

The major part of Belfius' equity risk stems from the insurance perimeter, given that the equity portfolio of the bank is very small.

The equity risk is also a key contributor to the net asset value's sensitivity and the capital requirement of the insurance company. The equity portfolio is managed by a dedicated Investment team under supervision of the ALCo. The investments are again framed by risk guidance and operational limits according to the risk appetite of Belfius Insurance.

Among other risk measures, a VaR calculation is also used to assess the portfolio's sensitivity to negative movements of equity and real estate prices. Market risk management tools include Earnings at Risk and stress test measurements that provide an indication of the potential accounting loss under different scenarios and the solvency ratio's resilience.

The table below shows the price sensitivity of Belfius' equities portfolio to a downward shock of 30%:

(In thousands of EUR)	31/12/14	31/12/15
Belfius Bank		
Market value	2,707	1,402
Belfius Insurance		
Market value quoted shares & assimilated	580,000	699,000
Market value quoted real estate	336,000	438,000
Shock 30%	(274,800)	(341,100)
VAR (99%, 10 days)	39,344	69,000

2.5. Real estate risk

Besides investing in Real Estate Investment Trusts (REITs), Belfius invests also in direct property. The property investments are made of deals offering long-term stable returns mostly on the Belgian market. As such, these property investments must be viewed as a way of optimising the risk/return of the investment portfolio. Within Belfius, they are mostly held by the insurance company and allocated to its long-term life insurance business.

The table below shows the price sensitivity of Belfius Insurance real estate risk to a downward shock of 12.5%:

(In thousands of EUR)	31/12/14	31/12/15
Belfius Insurance		
Market value	625,000	677,000
Shock 12.5%	(78,000)	(85,000)

2.6. 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 of the (BGAAP) profit & loss accounts which are generated in foreign currencies are systematically and on an ongoing basis converted in euro when they are realised, resulting in only limited net FX positions.

2.7. 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. These investments committees analyse impacts on the funds' position of factors relating to interest rate, inflation and equity risk.

3. Financial Markets activities

Financial Markets activities encompass client-oriented activities and hedge activities at Belfius Bank. No Financial Markets activities are undertaken at Belfius Insurance. For their needs in Financial Markets products, they turn to Belfius Bank or other banks.

3.1. Market Risk Governance

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 Financial Market (FM) activities:

→ An efficient organisation fostering an accurate identification, analysis and reporting of the different risks Belfius Bank is bearing, as well as a continued training of people in order to remain up to date with the latest evolutions in theories, regulatory issues, metrics or market changes.

→ A robust limit framework with differentiated limits by activity or risk factor that is to be respected by all parties involved in market activities. On top of the VaR limits or P&L triggers, several other metrics have been identified as key controlling tools in the risk management process:
- limits on notional amounts;
- limits on maturities;
- limits on type of products;
- limits on sensitivities (known as "Greeks": delta, etc.);
- back testing;
- stress tests.

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

3.2. Market Risk Measures

The Value-at-Risk (VaR) concept is used as the principal metric for proper management of the market risk Belfius Bank is facing. The VaR measures the maximum loss in Net Present Value (NPV) the bank might be facing in normal and/or historical market conditions over a period of 10 days with a confidence interval of 99%. The following risks are monitored at Belfius using a VaR computation:

- The interest rate 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.
  The historical simulation approach consists of managing the portfolio through a time series of historical asset yields. These revaluations generate a distribution of portfolio values (yield histogram) on the basis of which a VaR (% percentile) may be calculated.
  The main advantages of this type of VaR are its simplicity and the fact that it does not assume a normal but a historical distribution of asset yields (distributions may be non-normal and the behaviour of the observations may be non-linear).
- The general and specific equity risks are measured on the basis of a historical VaR with full valuation based on 300 scenarios.
- The spread risk and the inflation risk are measured via a historical approach, applying 300 observed variations on the sensitivities.

Since the end of 2011, Belfius 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 a historical VaR based on a 12 consecutive months observation period which generates the largest negative variations of Net Present Value in the bank's current portfolio of financial instruments.

3.3. Market Risk Exposure

Financial Markets (excluding bond portfolio)

To remain in line with the risk appetite adopted by Belfius, the overall average VaR of Financial Markets activities was reduced from EUR 27.2 million in 2011 to EUR 20.9 million in 2015. At end 2015, the VaR level was at EUR 19.2 million. The limit was reduced from EUR 65 million in 2011 to EUR 41 million in 2013 and to EUR 32 million since 2014.

Value-at-Risk by activity

VaR[1] (99% 10 days) (In millions of EUR)	2014				2015			
	IR[2] & FX[3]	Equity	Spread	Other risks[4]	IR[2] & FX[3]	Equity	Spread	Other risks[4]
By activity								
Average	6.2	1.3	10.5	0.9	9.5	2.6	7.5	1.3
EOY	4.4	1.8	10.1	1.4	9.7	2.5	5.7	1.3
Maximum	9.6	5.7	13.4	1.9	24.4	8.0	9.5	2.1
Minimum	2.3	0.7	8.6	0.6	3.6	1.3	5.4	0.7
Global								
Average	18.9				20.9			
EOY	17.8				19.2			
Maximum	23.3				33.8			
Minimum	14.0				14.9			
Limit	32.0				32.0			

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

Evolution of Global VaR in 2015

3.4. 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 fully the test of abnormal market movements, and it does not always give a total accurate picture of market exposure. Stress tests reveal sometimes better such information by gauging Belfius' vulnerability of the market positions to exceptional events and hence by providing additional information about market risks alongside the information embedded in the VaR. These risks include those associated with extreme price movements and those associated with scenarios not reflected in recent history or implied by the parameters used to compute the VaR. Consequently, Belfius Bank uses stress tests in addition to the VaR approach.

The stress testing framework applied to Financial Market activities of 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.
- Combined scenario where shocks on interest rates and credit spreads are simultaneously applied.

3.5. 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 Belfius Bank since we use internal models to calculate own regulatory capital requirement for market risks.

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

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

- Hypothetical back testing compares the hypothetical results, 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 2015, 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 one exception to real back testing was observed in 2015.

Liquidity risk

1. Liquidity risk at Belfius Bank

1.1. Liquidity management framework

Belfius Bank manages its liquidity with a view to comply with internal and regulatory liquidity ratios. In addition, limits are defined for the balance sheet amount that can be funded over the short term and on the interbank market. Available liquidity reserves also play a key role regarding liquidity: at any time, Belfius Bank ensures it has sufficient quality assets to cover any temporary liquidity shortfalls, both in normal markets and under stress scenarios. All this is laid down in the liquidity guideline.

Liquidity and Capital Management (LCM), a division situated within the scope of the Chief Financial Officer (CFO), is the front-line manager for the liquidity requirements of Belfius Bank. It identifies, analyses and reports on current and future liquidity positions and risks, and defines and coordinates funding plans and actions under the operational responsibility of the 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 banking balance sheet via the ALM department and the ALCo, meaning that total bank balance sheet management lies within its operational responsibility.

LCM organises a weekly Liquidity Management Committee (LMC), in presence of the CFO, the Risk Department, the Treasury Department of the Financial Markets and the Retail & Commercial and Public & Corporate business lines. This committee implements the decisions taken by LCM in relation to obtaining short-term and long-term funding on the institutional markets and through the commercial franchise.

LCM also monitors the funding plan to guarantee Belfius Bank will continue to 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.

1.2. Exposure to liquidity risk

The liquidity risk at Belfius Bank is mainly stemming from:

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

1.3. Consolidation of the liquidity profile

During 2015, Belfius Bank continued its efforts to further diversify its liquidity profile by:

- stabilising its funding surplus within the commercial balance sheet;
- continuing to obtain and diversify long-term funding from institutional investors by issuing, amongst others, covered bonds backed by quality loans (mortgage and public sector loans), and Penates 5, the first public Residential Mortgage Backed Security in Belgium since 2007;
- collecting short and medium-term (CP/CD/EMTN) deposits from institutional investors;
- continuing its downsizing of the Legacy portfolio.

Early 2015, Belfius Bank ended its use of the European Central Bank LTRO/MRO facilities with its outstanding falling from EUR 3.5 billion at the end of 2014 to EUR 0. Belfius Bank participates to the ECB TLTRO funding programme though, and this for an amount of EUR 1.7 billion with a purpose to finance investment needs of SMEs, social sector and retail clients (mortgage loans excluded).

The Liquidity Coverage Ratio (LCR), introduced within the framework of the Basel III reforms, has become a pillar I requirement for European banks on 1st of October 2015 (at a level of 60%). In Belgium the law requires banks to already respect a LCR of 100% from that date onwards. Belfius Bank closed the year 2015 with a LCR ratio of 132%. The LCR ratio of the bank has remained above 100% during the whole year 2015.

The Net Stable Funding Ratio (NSFR), based on our current interpretation of current Basel III rules, stood at 108% at year-end 2015.

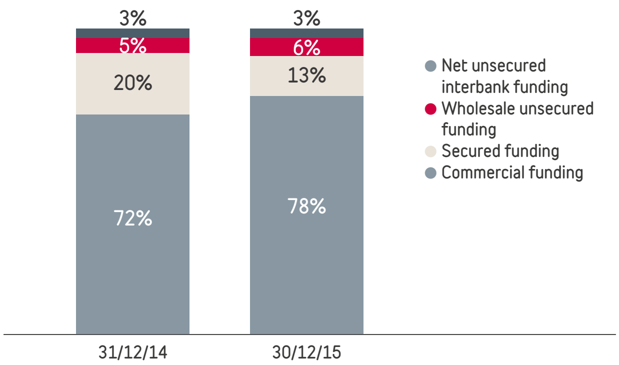
1.4. Liquidity reserves

At the end of 2015, Belfius Bank had quickly mobilisable liquidity reserves of EUR 33.8 billion. These reserves consisted of EUR 0.3 billion in cash, EUR 19.9 billion in ECB eligible bonds (of which EUR 13.9 billion are CCP-eligible[1]), EUR 11.8 billion in other assets also eligible at the ECB and EUR 1.8 billion in other liquid bonds.

These reserves represent more than 5 times the bank's unsecured (senior unsecured) institutional funding outstanding end 2015 and having a remaining maturity of less than one year.

1.5. Funding diversification at Belfius Bank

Evolution of main funding sources[1]



(1) Relative to the balance sheet of Belfius Bank excluding collateral, mark-to-market of derivatives, and capital.

In 2015, following the full reimbursement of securities issued by Dexia Crédit Local (DCL) for EUR 10.5 billion and the continuous downsizing of the Legacy portfolio, Belfius Bank was able to further reduce its dependency on secured wholesale funding.

Belfius Bank has a historical stable volume of commercial funding that comes from its RC and PC customers. Seeing the reduction of wholesale funding, this source of funding represents an increasing part of total funding of Belfius Bank. RC and PC funding equals EUR 81 billion of which EUR 60 billion is from RC.

Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 7.3 billion from covered bonds (EUR 5.5 billion backed by mortgage loans and EUR 1.8 billion by public sector loans), Asset Backed Securities (ABS) issued for EUR 3.1 billion and EUR 1.7 billion in TLTRO funding from ECB as at 31 December 2015.

Note that during 2015 Belfius Bank issued the first public Residential Mortgage Backed Security (RMBS) in Belgium since 2007 and this for a total amount of EUR 800 million.

The remainder of the bank's funding requirements comes from institutional short-term deposits (Treasury) mainly obtained through placement of Certificates of Deposit and Commercial Paper.

The collected funding is used, firstly and most importantly, to finance the granting of loans to RC and PC clients.

Next to that, Belfius Bank also has a historical bond portfolio, including an ALM portfolio for liquidity management purposes, with highly liquid assets, and a historical bond portfolio (Legacy bond portfolio) that was set up between 2003 and 2008.

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

(1) CCP = Central Counterparties.

The loan-to-deposit ratio, which indicates the proportion between assets and liabilities of the commercial balance sheet, was 91% at the end of 2015.

1.6. Encumbered assets

According to our current interpretation of the EBA guideline on the matter, the encumbered assets at Belfius Bank level amount to EUR 38 billion end 2015 and represent 24% of total bank balance sheet and collateral received under securities format, which amounts to EUR 162 billion (EUR 154 billion assets and EUR 9 billion collateral received). This represents a decrease of the encumbrance ratio of 7% compared to end 2014.

Since the set-up of the first covered bond programme in 2012, the bank has issued covered bonds for a total amount of EUR 7.3 billion. End 2015, the assets encumbered for this funding source are composed of commercial loans (public sector and mortgage loans) and amount to EUR 9.9 billion. A few years ago the bank also securitised public loans through securitisation vehicles called DSFB 2 & 4. During the year 2015, the bank bought back DSFB 2, and further securitised mortgage loans through the vehicle called Penates 5. Penates 5 has been externally sold for an amount of EUR 0.8 billion. Public sector and mortgage loans encumbered for securitisations externally sold (DSFB 4 and Penates 5) amount to EUR 3.2 billion end 2015.

The bank is also collecting funding through repo markets and other collateralised deposits. End 2015, the total amount of assets used as collateral for this activity amounts to EUR 4.0 billion, of which EUR 1.9 billion is linked to the ECB funding of EUR 1.7 billion end 2015. It is worth mentioning that during 2015, the volume of assets encumbered for this funding source decreased by EUR 11.0 billion. This is explained by the decrease of ECB funding from EUR 5.0 billion end 2014 to EUR 1.7 billion end 2015 and by the decrease of the repo funding from EUR 7.3 billion end 2014 to EUR 1.1 billion end 2015.

The balance of encumbered assets is mainly linked to collateral pledged (gross of collateral received) for the derivatives exposures for EUR 19.2 billion (decrease of EUR 4.4 billion compared to end 2014), 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.

2. Liquidity risk at Belfius Insurance

As an insurance company, Belfius Insurance has a limited funding requirement. The premiums paid by policyholders are placed in long-term investments in order to guarantee the insured capital and related interests on the contract's maturity date. Thanks to various indicators regarding risk appetite and regulatory requirements, Belfius Insurance always holds sufficient liquid assets in order to cover its commitments on the liability side of the balance sheet.

In addition, Belfius Insurance also holds a significant amount of assets which are eligible at the ECB. In fact, the company invests at least 40% of its bonds portfolio in state bonds that can be used for repos in the context of its liquidity management.

The Investments department is responsible for liquidity and cash flow management. It does so by, on the one hand, basing itself on long-term projections of the cash flow of assets and liabilities, which are simulated in normal and in stress situations and, on the other hand, on projections of cash flow requirements for twelve months.

Note that Belfius Insurance was quickly able to meet its commitments to customers during the two stress periods of October 2008 (crisis following the collapse of Lehman Brothers) and of October 2011 (dismantling of the Dexia Group). During these uncertain months, Belfius Insurance recorded a maximum redemption peak of less than 1% of reserves per month.

Operational risk

1. Policy

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

2. Measuring and managing risk

Managing operational risk is based on the following elements:

2.1. Decentralised responsibility

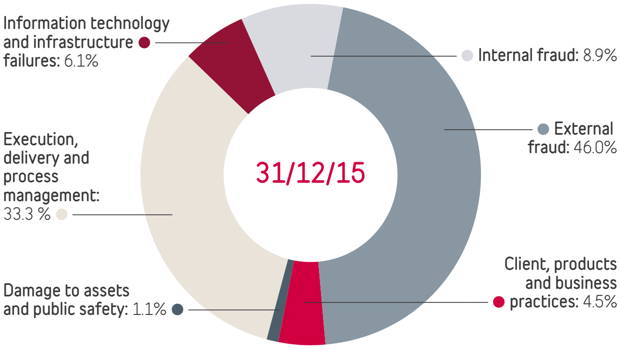
Each of the bank's line management organisations has the primary responsibility for monitoring the operational risk in its individual sphere of activity (first line of defence). It establishes the way its activities are organised, including the checks that need to be implemented to limit operational 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 operational risks and incidents and establishes a quarterly report for all activities (second line of defence). This process allows the internal control system to be improved on an ongoing basis and ensures that the main risks are effectively managed.

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") may be.

The reporting mechanisms ensure that the responsible parties are notified quickly if incidents occur. Major incidents are also reported to the Management Board, and these reports always include an action plan for avoiding or limiting risks in the future. This is developed under the responsibility of the relevant line management.

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



For the period 2013-2015, Belfius Bank's average annual losses stemming from operational incidents amounted to EUR 5.8 million.

The main areas of operational losses were essentially due to incidents associated with external fraud and incidents in relation to execution, delivery and process management. Other categories remain limited in number and amount.

The most important part of the financial impact resulting from operational incidents comes from the bank's Retail business.

For Belfius Insurance the establishment of an overview of the operational incidents is also crucial to achieve a better understanding of the operational risk associated with each activity. This constitutes a relevant source of information for management (for example, the annual loss). The major operational incidents are investigated thoroughly and are subject to a specific action plan and appropriate follow-up.

2.3. Risk and Control Self-Assessment

Another important task of operational risk management is the analysis of the overall main potential risks for Belfius, both performed at Belfius Bank and Belfius Insurance. 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 additional action plans being developed to limit the potential risks further. They provide an excellent 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 yearly reports submitted, by the bank and the insurance company, to their respective regulator regarding the assessment of internal control.

2.4. Information Security 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, Belfius started end 2013 with 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 their required information at all times. This rollout continued during 2015 and stretches out into 2016.

In 2015, Belfius Insurance has also initiated a project to review and change its identity management and access control, and is currently engaged in a gap in order to define its roadmap towards the targeted norms.

Belfius outsources its ICT infrastructure to IS4F, a subsidiary of IBM. As part of the proper management of the way information is secured, the Information Security Steering, chaired by the Chief Risk Officer (CRO) of the bank, has complemented the governance model. Belfius Insurance also participates in this Information Security Steering.

All risks related to cyber threats are closely followed up via the information security strategy launched in 2014. This strategy, that was translated into a security roadmap, has resulted in the completion of multiple cyber security projects. Cyber risks and the ongoing projects are followed up on a monthly basis by the Information Security Steering.

The policy on business continuity requires the various departments to analyse the business impact on critical activities, to develop recovery plans and to 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 further improvements if need be.

In terms of Business Continuity, Belfius Insurance's activities are in line with Belfius Bank's activities encompassing a business impact analysis, the preparation of business continuity plan and practicing the plan in combination with an evacuation exercise. Both the bank and the insurance company were able to experience the effective crisis management during the "level four terrorism" crisis in Brussels end 2015.

2.5. Managing insurance policies

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

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 in monitoring, controlling and auditing those risks.

2.7. Fraud policy

In collaboration with Audit and Compliance, a global fraud policy was formally established at Belfius Bank. This has been materialised in 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.

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

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, if required, are taken.

2.8. Calculating regulatory capital requirements

To calculate its regulatory capital in the light of its operational risk management, Belfius Bank uses 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 Belfius Insurance is considered prudentially as a third-party (under the Danish Compromise).

The total regulatory capital for each business line is then aggregated to calculate the total capital requirements for operational risk in the form of an average over the past three years, a calculation that is updated annually.

Insurance Risk

Insurance risks represent the potential loss that might arise from underwriting insurance policies. Therefore, these risks are mentioned below 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 that meet the requirements of Solvency II:

- The mortality risk is the risk that mortality increases. It applies to all undertakings for which the benefits expected to be paid out increase with mortality.
- The longevity risk is the opposite of the mortality risk. It applies to policies for which a fall in mortality would result in an increase in the expected payouts (e.g. pension policies).
- The morbidity or disability risk relates to the risk of loss or unfavourable movement in expected benefits attributable to changes in the level, trend or volatility in the degree of disability.
- The lapse risk for Life is described as the risk of loss or increase in benefits attributable to a difference between the effective exercise of contractual options by the policyholder and the expected exercise. 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 guarantees. For some policies, exercise may be of benefit to the insurance company, while for others it may result in a loss. As a result, this sub-module features two scenarios: one in which the options are exercised more frequently than expected, and another where they are exercised less frequently.
- The risk relating to management costs corresponds to the risk that those management costs are higher than expected due to higher inflation.
- The review risk only applies for annuities where the amounts may be valued negatively for the insurer as a result of a change in the statutory environment or in the policyholder's health situation.
- The disaster risk is restricted to policies where an immediate and dramatic rise in mortality would result in an increase in benefits.

1.2. Breakdown of the underwriting risk for Non-Life

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

This risk module has three sub-modules:

- The premium risk is the risk where premiums received are not sufficient to cover claims that occured during the coverage period to which the premiums relate.
- The reserve risk is the risk of loss or unfavourable change in the value of the insurance undertakings arising from changes in the date and amount of the claims paid.
- The disaster risk is the risk of a major event occurring that is not covered by the two previous risks.

2. Managing the insurance risk

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

- types and characteristics of the insurance business that Belfius Insurance is willing to manage;
- selection criteria for the risks that match the risk appetite;
- the way in which the actual underwriting is monitored;
- the 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; and
- making provisions for claims.

The overall strategy is developed by each concerned entity and followed up by the local persons in charge.

Reinsurance is one of the methods used to limit the insurance risk. The main objective of reinsurance is to reduce volatility in capital requirements and profits, and hence drive back 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 scope, type of risk and business volume that they can safely accept. This enables insurers to embark on new business or to expand their activities for a short period.
- Stability: structured reinsurance programmes enable insurers to stabilise their operating income.
- Protection: reinsurance provides protection against cumulative financial losses caused by a succession of events (such as poor weather) or against significant financial losses arising from a single event.
- Funding: reinsurance can be an alternative to a capital increase.
- Expertise: reinsurers assist insurers in their area of expertise. The qualified staff of reinsurance companies offer their services, for instance in establishing a new business.

On the proposal of the Reinsurance Committee, Belfius Insurance implemented in 2015 a revised reinsurance programme in order to, in an even more optimal way, provide an adequate match between the reinsurance cover and the risks.

3. Sensitivities

Belfius Insurance evaluates the effect of sensitivities on available economic capital. The technical reserves are expressed in market value. Given the low market rates the value of the technical reserves is higher than the redemption value, which results in a negative impact on capital in the event of a reduction in the redemption rate.

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 lead to a higher result, while an increase of claims leads to a lower result.

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

	Impact on available financial resources before taxes	
(In millions of EUR)	31/12/14	31/12/15
5% in mortality	9.3	6.3
10% in costs	43.1	47.9
10% in the redemption rate	(22.3)	(29.3)

(1) Impact for Belfius Insurance SA.

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

	Impact on income before taxes	
(In millions of EUR)	31/12/14	31/12/15
A decrease of 10% in administrative costs	4.7	4.4
An increase of 5% in costs of claims for damages that have occured	(16.0)	(17.4)

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

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. 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 effectively paid is higher. To assess that risk, it is necessary to study the variation of two amounts:

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

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

The table below shows the evolution for Belfius Insurance SA and Corona SA since 2005 of the sum at the end of each year, of the total incurred claims cost per year of occurrence.

Claims development (excluding reinsurance and internal costs)

(In thousands of EUR)	Year of occurrence										
Year of settlement	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Estimation at the end of the year of occurrence	236,074	236,347	264,980	283,737	331,831	379,086	368,410	366,403	365,798	415,916	389,633
1 year later	220,780	220,842	252,578	285,478	315,687	380,915	365,547	350,517	324,524	393,461	
2 years later	211,463	212,356	238,903	276,021	303,138	379,076	355,306	334,313	312,884		
3 years later	208,809	203,851	230,875	266,177	302,495	373,752	350,249	329,882			
4 years later	202,227	203,874	227,911	266,535	300,340	373,857	352,805				
5 years later	197,559	201,336	230,685	266,113	299,417	366,311					
6 years later	194,354	201,281	228,412	266,829	296,953						
7 years later	199,111	199,268	226,390	266,558							
8 years later	196,945	197,581	224,686								
9 years later	197,455	198,769									
10 years later	196,405										

(In thousands of EUR)											
Actual estimation	196,405	198,769	224,686	266,558	296,953	366,311	352,805	329,882	312,884	393,461	389,633
Cumulative payments	(177,729)	(170,358)	(198,476)	(221,812)	(260,697)	(292,607)	(282,473)	(256,066)	(230,702)	(275,707)	(162,400)
Actual provisions	18,676	28,411	26,211	44,746	36,256	73,704	70,332	73,816	82,182	117,753	227,233

(In thousands of EUR)	
Provisions (after 2005)	799,320
Provisions (before 2005)	94,196
Internal costs	33,666
Accepted deals	28,436
TOTAL	**955,618[1]**

(1) Claims reserves 31 December 2015 - note 6.5.3.

Corporate Governance

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

1. Management Board

1.1. Composition

On 31 December 2015, the Management Board of Belfius Bank consisted of six members, namely:

Chairman	Marc Raisière
Members	Dirk Gyselinck
	Eric Hermann
	Olivier Onclin
	Dirk Vanderschrick
	Johan Vankelecom

On 29 January 2015, the Board of Directors of Belfius Bank co-opted Mr Olivier Onclin as a director as of 1 February 2015 to replace Mr Luc Van Thielen provisionally, and appointed Mr Olivier Onclin as a member of the Management Board of Belfius Bank as of 1 February 2015. Mr Olivier Onclin was definitively appointed director at the ordinary general meeting of shareholders of 29 April 2015. His directorship shall expire at the close of the ordinary general meeting of shareholders in 2019.

On 29 April 2015, the directorship of Mr Johan Vankelecom was renewed by the ordinary general meeting of shareholders for a period of maximum 4 years to end at the close of the ordinary general meeting of shareholders in 2019.

The renewal of the directorships of Messrs Eric Hermann and Dirk Vanderschrick for a period of maximum 4 years will be submitted to the ordinary general meeting of shareholders of 2016.

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 the determination of the general policy, or to any other powers that are reserved pursuant to the Companies Code or to the Banking 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 framework of the objectives and general policy set by the Board of Directors.

The Management Board ensures that the bank's business activities are in line with the strategy, Risk Appetite Framework and general policy set by the Board of Directors. It passes on relevant information to the Board of Directors to enable it to take informed decisions. It formulates proposals and advices to the Board of Directors with a view to define or improve 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 the Banking Law.

In principle, the Management Board meets once per week.

2. Board of Directors

2.1. Composition

As at 31 December 2015, the Board of Directors consisted of fourteen members, six of whom were members of the Management Board (cf. table on the following page).

Board of Directors (Financial year 2015)	Main function	Non-executive director	Member of the Management Board	Independent director	Audit Committee	Nomination Committee	Remuneration Committee	Risk Committee
Jozef Clijsters	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 & Corporate Banking		■					
Eric Hermann	Member of the Management Board of Belfius Bank SA Chief Risk Officer		■					
Olivier Onclin	Member of the Management Board of Belfius Bank SA Chief Operating Officer, Responsible for Operations, IT, Purchasing & Facility Management and Organisation		■					
Dirk Vanderschrick	Member of the Management Board of Belfius Bank SA Responsible for Retail & Commercial Banking		■					
Johan Vankelecom	Member of the Management Board of Belfius Bank SA Chief Financial Officer, Responsible for Finance Reporting, Research, Liquidity & Capital Management, Finance Corporate Advisory & Participations, Asset & Liability Management, Legal and Tax		■					
Marie Gemma Dequae	Senior advisor to the Federation of European Risk Management Associations (FERMA)	■		■	■			
Wouter Devriendt	Independent advisor to the Federal Holding and Investment Company (FHIC)	■						■
Carine Doutrelepont	Lawyer and Full Professor at the Université Libre de Bruxelles	■		■		■	■	
Georges Hübner	Full Professor at the HEC Management School of the University of Liège and Associate Professor at the University of Maastricht, School of Business Economics, Limburg Institute of Financial Economics	■		■ (1)	★ (2)			■ (3)
Chris Sunt	Lawyer	■			■ (4)			
Lutgart Van den Berghe	Executive Director at Guberna and extraordinary professor at the Vlerick Business School	■		■		★	★	
Rudi Vander Vennet	Full Professor in Financial Economics and Banking at the University of Ghent	■		■				★

★ Chairman

(1) From 21 January 2016.
(2) Member from 27 August 2015 and chairman from 27 November 2015.
(3) From 27 August 2015.
(4) Chairman at interim from 29 April 2015 to 27 November 2015

During 2015, Mr Pierre Francotte resigned as director, and performed his directorship until 14 April 2015. The directorship of Mr Guy Quaden ended at the close of the ordinary general meeting of shareholders of 29 April 2015 as he had reached the age limit of 70 years.

Mr Georges Hübner was co-opted as director to replace Mr Guy Quaden temporarily as of 27 August 2015, on the condition precedent of obtaining the consent of the supervisory authority. He was also appointed, on the same day and under the same condition, as member of the Audit Committee and the Risk Committee. In the meantime, the supervisory authority agreed to the appointment of Mr Hübner as director. On 27 November 2015, Mr Hübner was also appointed chairman of the Audit Committee. Messrs Georges Hübner and Jean-Pierre Delwart were appointed director (definitively), and independent director for a period of maximum 4 years to end at the close of the ordinary general meeting of shareholders in 2019.

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.

Each director must meet the "fit and proper" criteria of expertise and professional worthiness. Against that background, for each candidate director the bank assesses and determines whether they have the qualities required to perform their tasks. That procedure is also applicable in the case of a director's mandate being renewed. In addition, the bank has to ensure each year that its directors have the required qualities.

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 of Directors 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 2015, the Board of Directors met 10 times.

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 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.

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 2015, 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 Doutrelepont

1.1.2. Independence and remit

All the members of the Nomination Committee are 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. She is also member of the Koninklijke Vlaamse Academie van België voor Wetenschappen en Kunsten.

Mrs Carine Doutrelepont, Doctor of Law, is a lawyer at the Brussels Bar and member of the Bar of Paris and professor at the Université Libre de Bruxelles. She is also member of the Académie Royale des Sciences, des Lettres et des Beaux-Arts de Belgique.

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 Insurance.

Two of the three members of the Nomination Committee are independent directors within the meaning of Article 526ter of the Companies Code.

Two members have professional experience in the financial sector.

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

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 judgement on the composition and operation of the bank's management bodies, in particular on the individual and collective skills of their members and their integrity, reputation, independence of spirit and availability.

1.2. Remit

The Nomination Committee:

- identifies and recommends, for the approval of the general meeting of shareholders or of the Board of Directors as the case may be, candidates suited to filling vacancies on the Board of Directors, evaluates the balance of knowledge, skills, diversity and experience within the Board of Directors, prepares a description of the roles and capabilities for a particular appointment and assesses the time commitment expected.
  The Nomination Committee also decides on a target for the representation of the underrepresented gender within the Board of Directors and prepares a policy on how to increase the number of underrepresented gender in order to meet that target;
- periodically, and at least annually, assesses the structure, size, composition and performance of the Board of Directors and makes recommendations to it with regard to any changes;
- periodically, 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 accordingly;
- 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;
- 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 taken to remedy situations.

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

The Nomination Committee may use any 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.

In 2015, the Nomination Committee met 6 times.

1.3. Diversity policy

A diverse Board of Directors includes and makes good use of differences in background, language, gender, age, professional skills (in particular those skills identified as relevant to the business of Belfius). These differences are considered in determining the optimum composition of the Board of Directors and when possible should be balanced appropriately.

The Nomination Committee reviews and assesses Board of Directors composition on behalf of the Board of Directors and recommends the appointment of new directors. In reviewing Board of Directors composition, the Nomination Committee will consider the benefits of all aspects of diversity in order to maintain an appropriate range and balance of skills, experience and background on the Board of Directors.

In identifying suitable candidates for appointment to the Board of Directors, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board of Directors.

The Nomination Committee also conducts the annual review of Board of Directors effectiveness. As part of the annual performance evaluation of the effectiveness of the Board of Directors, Board Committees and individual directors, the Nomination Committee will consider the balance of skills, experience, independence and knowledge of Belfius Bank on the Board of Directors and the diversity representation of the Board of Directors.

Furthermore, at its meeting on 25 August 2015, the Nomination Committee set a target to be achieved with regard to gender representation on the Board of Directors and established a policy aimed at increasing the number of members of the currently under-represented gender in order to achieve that target.

In accordance with legal requirements (Article 518bis of the Companies Code) the Nomination Committee has set a target of

Board of Directors	Number of members	14
	Ratio of men to women	79%/21%
	Independent directors	4(1)
	Main degree qualifications (several people may have more than one degree)	Economics/Business Administration/ Finance/Law
Management Board	Number of members	6
	Ratio of men to women	100%/0%
	Main degree qualifications (several people may have more than one degree)	Engineering (commercial, civil)/ Economics/ Business Administration/Finance/Mathematics/ Actuarial Sciences

(1) Mr Georges Hübner, appointed independent director on 21 January 2016, is not included in this list, which presents the situation as at 31 December 2015.

achieving and maintaining a minimum of one-third representation of the other sex on the Board of Directors (Management Board included) as of 1 January 2019. For the application hereof, the required minimum number of members of the other sex will be rounded off to the nearest whole number.

Should the number of directors of the other sex be smaller than one third, the next ordinary general meeting will compose a Board of Directors that will meet this requirement.

The Nomination Committee discusses annually the evolution towards the objective for achieving diversity on the Board of Directors and make recommendations to the Board of Directors for adoption.

As at 31 December 2015, the Board of Directors and the Management Board were composed as represented in the table above.

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 2015, 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 Doutrelepont

2.1.2. Independence and remit

All the members of the Remuneration Committee are 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. She is also member of the Koninklijke Vlaamse Academie van België voor Wetenschappen en Kunsten.

Mrs Carine Doutrelepont, Doctor of Law, is a lawyer at the Brussels Bar and member of the Bar of Paris and professor at the Université Libre de Bruxelles. She is also member of the Académie Royale des Sciences, des Lettres et des Beaux-Arts de Belgique.

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

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

Two of the three members of the Remuneration Committee are independent directors within the meaning of Article 526ter of the Companies Code.

Two members have professional experience in the financial sector.

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

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 judgement on remuneration policies and practices and on the incentives created for managing risks, capital and liquidity of the bank.

Management report
Consolidated financial statements
Non-consolidated financial statements

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

In order to perform its tasks correctly (cf. also infra), in 2015 the Remuneration Committee interacted regularly with the Risk Committee and the Audit Committee.

The Risk Committee ensures that the Belfius group's risk management, capital requirements and liquidity position, as well as the probability and the spread in time of profit correctly taken into consideration in decisions relating to remuneration policy. Within Belfius Bank, this is reflected by the formulation of an opinion on a global "Risk Gateway" (cf. § 2.3.1.3) and by the establishment and assessment of Key Risk Indicators on an annual basis. Their preparation is undertaken by the Risks divisions, in collaboration with the Human Resources division.

The Audit Committee contributes to the establishment of objectives for the independent control function of the Auditor General.

2.1.4. Audit

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 each three years. The last audit was in 2014.

2.2. Remit

The Remuneration Committee prepares the decisions of the Board of Directors by inter alia:

- developing the remuneration policy, as well as making practical remuneration proposals for the chairman, the non-executive members of the Board of Directors and the members of the advisory committees under the Board of Directors. The Board of Directors submits these remuneration proposals to the ordinary general meeting of shareholders for approval;
- developing the remuneration policy, as well as making practical proposals for the remuneration of the chairman of the Management Board and, on his proposal, for the remuneration of the members of the Management Board; The Board of Directors then determines the remuneration of the chairman and the members of the Management Board;
- providing advice on the proposals made by the chairman of the Management Board of Belfius Bank in relation to the severance remuneration for members of the Belfius Bank Management Board. On the proposal of the Remuneration Committee, the Board of Directors of Belfius Bank determines the severance remuneration of the chairman and members of the Belfius Bank Management Board;
- advising the Board of Directors in relation to the remuneration policy for employees whose activity has a material impact on the risk profile of Belfius Bank (known as "Identified Staff") and in relation to the compliance of the allocation of remuneration to Identified Staff with regard to the remuneration policy put in place for such people.
- preparing the remuneration report approved by the Board of Directors and published in the annual report;
- periodically checking to ensure that the remuneration programmes are achieving their objective and are in line with applicable conditions;
- annually assessing the performance and objectives of the members of the Management Board.
- providing an opinion of the elaboration of a global "Risk Gateway" in consultation with the Risk Committee, containing various levers applied at various points in the performance management cycle, with an impact on determination of the variable remuneration.

The Remuneration Committee exercises direct supervision over the determination of objectives and remuneration of the individuals responsible for the independent audit functions (Chief Risk Officer, General Auditor and Compliance Officer).

In 2015, the Remuneration Committee met 4 times.

2.3. Remuneration

2.3.1. Introduction

2.3.1.1. Decision-taking powers

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

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

2.3.1.2. Remuneration policy

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

The remuneration policy includes on the one hand general principles applicable to all Belfius Bank employees. On the other hand, taking the principle of proportionality agreed in advance with the NBB into account, it includes specific provisions exclusively applicable to the members of the Management Board and to employees whose activity has a material impact on the risk profile of Belfius Bank (i.e. "Identified Staff"), given the nature or level of the positions themselves and/or their remuneration.

When annually updating Identified Staff, Belfius Bank takes account of European Directives. The Remuneration Committee and the Risk Committee are also informed of the result of such update.

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

Fixed remuneration forms an appreciable part of total remuneration 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.

Limiting the portion of remuneration related to performance is intended to discourage excessive risk taking. For 2015, the proportion between fixed and variable remuneration is 30% for members of the Management Board and 25% for senior management, if performance is normal. Exceptional performance can never result in that proportion being more than 50% (45% for members of the Management Board).

The envelope for performance-related remuneration (performances in 2015) is determined in relation to the evolution of operating results.

The policy also includes a mechanism (ex-ante) involving the total budget for the variable remuneration of senior management being reduced in the case of a deterioration of solvency ratios (CET 1/RWA) or liquidity ratios (LCR).

The performance-related remuneration is paid individually depending on the available envelope, collective results and the achievement of individual objectives.

For performances in 2015, key risk indicators (KRI) have been included in the objectives of members of the Management Board and employees whose activity has a material impact on the risk profile of Belfius Bank. The aim is to take proper account of the different types of (current and future) risks at each point in the assessment cycle: an insufficient score on one or more of such risk indicators has a negative impact on the variable remuneration.

The establishment, monitoring and assessment of these risk indicators are coordinated by the Chief Risk Officer (CRO) and submitted to the 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 division.

Belfius Bank may also reduce performance-related remuneration, or even drop it to zero, in the event of poor (collective or individual) performances, taking account of the level of seniority of the employee and/or the legal basis on which that performance-related remuneration is founded.

At the end of 2015, a policy in relation to deferred variable remuneration ("deferral") was established for employees whose activity has a material impact on the risk profile of Belfius Bank. This proposal was formulated by the Human Resources division, in collaboration with the Capital & Liquidity Management, Legal and Risk divisions.

In practical terms, for employees whose activity has a material impact on the risk profile of Belfius Bank, to the extent that their performance-related remuneration exceeds the amount agreed in advance with the NBB, 50% of the remuneration will be deferred over a period of 5 years for members of the Management Board and their direct reports and 3 years for the others. In addition, 50% of the total variable remuneration will be paid by a financial instrument which reflects the financial health of the business. The terms of this policy are integrated in the Belfius group's remuneration policy.

If appropriate, variable remuneration may be subject to an ex-post risk adjustment via a malus or clawback.

2.3.2. Remuneration of members of the Management Board

2.3.2.1. Fixed and performance-related remuneration

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

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

The remuneration 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 2015

Total remuneration 2015

See table below.

Total remuneration 2015	Number of members	Fixed compensation 2015	Performance-related remuneration granted in 2015 for the year 2014			
			Total 2015	Of which payments in cash	Invested in an instrument	Deferred
Chairman of the Management Board	1	EUR 574,999.96	0	0	0	0
Members of the Management Board(1)	5	EUR 1,633,325.76	0	0	0	0

(1) Chairman not included.

Fixed remuneration

The fixed remuneration for 2015 indicates the basic remuneration paid by Belfius Bank to the members of the Management Board in 2015 .This 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-related remuneration for the year 2015

No performance-related remuneration was paid in 2015 but in accordance with the agreements reached at the meeting of the Board of Directors held on 9 March 2015, members of the Management Board of Belfius Bank will receive performance-related remuneration for the year 2015. The overall budget for performance-related remuneration in 2015, decided by the Board of Directors on 24 February 2016 was EUR 732,581 for all members of the Management Board (including the Chairman). This budget was provisioned in the 2015 financial statements. In accordance with the policy described in 2.3.1.3., such remuneration will be paid in cash in 2016 in an amount of EUR 183,145, invested in 2016 in a financial instrument in an amount of EUR 183,145 and deferred for five years in an amount of EUR 366,291. The potential payment of this deferred part will be in 2022.

Option plans

During 2015, no option was granted to members of the Management Board, or exercised by the latter.

In addition to these remunerations, the benefits of any sort associated with a company car, cost reimbursement, representation allowances and contribution to the pension plan granted to the entire Management Board (including the Chairman of the Management Board), amounted in 2015 to EUR 618,615.07.

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 2015.

In 2015, no exceptional bonus was granted within the context of a recruitment and no severance remuneration was paid to members of the Management Board.

2.3.3. Remuneration of employees whose activity has a material impact on the risk profile of Belfius Bank (excluding the members of the Management Board and the members of the Board of Directors)

Fixed remuneration

The fixed remuneration paid in 2015 to the members of staff concerned (112 members of staff at the end of 2015) was EUR 13,790,940.

Performance-related remuneration for the year 2015

A total amount of EUR 3,015,524 was allocated to the members of staff concerned as performance-related remuneration for the year 2015. The entirety of this amount was paid in 2016 since none of those members of staff received performance-related remuneration for 2015 above the amount agreed in advance with the NBB.

Severance remuneration

A total amount of EUR 715,334.17 was paid as severance remuneration to the 3 members of staff concerned. The highest amount allocated to an individual was EUR 484,798.60. Severance remuneration is in line with remuneration on the market for a long career and complies with the applicable legal provisions and collective bargaining agreements.

For the year 2015, no member of staff (referred to in point 2.3.3.) received any deferred part of performance-related remuneration or sign-on bonus.

Option plans

During 2015, no options were allocated to or exercised by employees whose activity has a material impact on the risk profile of the Belfius Bank.

2.3.4. Remuneration of members of the Board of Directors

The total remuneration granted to the members of the Board of Directors for 2015 was EUR 659,250 (against EUR 782,775 in 2014). The reduction of this amount is principally due to the fact that three directors have not yet been replaced during at least part of the financial year. 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.

3. Audit Committee

3.1. Composition

3.1.1. General aspects

As at 31 December 2015, the Audit Committee for Belfius Bank consisted of the following members:

Chairman	Georges Hübner
Members	Marie Gemma Dequae
	Chris Sunt

Mr Guy Quaden was chairman of the Audit Committee until 29 April 2015. He was ad interim replaced in this position by Mr Chris Sunt. As at 27 November 2015, Mr Georges Hübner was appointed chairman of the Audit Committee.

Mr Pierre Francotte was a member of the Audit Committee until 14 April 2015.

3.1.2. Independence and expertise

The Audit Committee must have at least one independent director with the individual expertise required in accountancy and/or audit. 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 consists of three non-executive directors two of whom are independent directors, namely Mrs Marie Gemma Dequae (also a member of the Audit Committee of Belfius Insurance), and Mr Georges Hübner (also a member of the Risk Committee of Belfius Bank, appointed independent director by the ordinary general meeting of shareholders of 21 January 2016). Furthermore, Baron Guy Quaden and Mr Pierre Francotte (also a former member of the Risk Committee), appointed as independent directors, were members of the Audit Committee until 29 April 2015 and 14 April 2015 respectively, when they resigned as directors.

Mr Georges Hübner, who holds a degree in Business Administration and a PhD in Management, is Full Professor in Finance at the HEC Management School of Liège and Associate Professor at the University of Maastricht. Inter alia he was a member of the college of experts appointed by Parliament following the financial crisis. He has professional experience in accountancy and audit acquired in his activities in education, expertise and jury chairmanship.

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/performs in respectively the audit committees of Vinçotte and the Partena group.

Mr Chris Sunt holds a law degree. In his capacity as a lawyer specialised in finance law for more than 30 years, he has also acquired relevant experience in accountancy and audit.

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.

Mr Pierre Francotte holds a law degree and a special degree in economics 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.

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

3.2. Remit

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

3.2.1. Financial reporting

The Audit Committee 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 supervision 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 control system and the risk management.

During 2015, the Audit Committee took cognisance of the reports on the outstanding legal disputes, the activities of the Compliance department, the activities of Audit and Control, the activities of the Legal department as well as the monitoring activities of the risks (e.g. credit, market, liquidity and operational risks and the risks with regard to the ICT-security).

3.2.3. 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 2015, the Audit Committee examined and approved the annual business report for 2014, the audit plan for 2015 and the half-year business report for 2015, as well as the half-yearly follow-up reports on the recommendations.

The Internal Audit Charter has been amended as a result of the regulatory evolutions relating to the internal control and the internal audit function in the banking sector. The latest version was validated on 18 November 2015.

3.2.4. Statutory auditing of the annual and consolidated financial statements

In 2015, the Audit Committee reported to the Board of Directors on the consolidated financial statements of Belfius Bank at 31 December 2014, 31 March 2015, 30 June 2015 and 30 September 2015. After considering the comments received from the management of the bank and the external auditors, the Audit Committee delivered a favourable opinion to the Board of Directors on the annual financial statements.

3.2.5. External audit function and monitoring of auditor's independence

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

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

3.3. Operation

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 President of the Management Board.

In 2015, the Audit Committee met 6 times.

The Audit Committee of Belfius Bank operates independently of the Audit Committee implemented at Belfius Insurance. The Audit Committee of Belfius Bank met jointly with the Audit Committee of Belfius Insurance twice, in particular when the insurance company's annual financial statements for 2014 and the half-yearly financial statements at 30 June 2015 were presented.

During the meetings of the Audit Committee at Belfius Bank, which took place before those of the Board of Directors, the Audit Committee examined in particular the quarterly, half-yearly and annual financial statements.

The Audit Committee of Belfius Bank held three meetings jointly with the Risk Committee to examine the effective management report on the assessment of the internal control report 2014, the report on the risks linked to the use of a model, the follow-up of the implementation of the IT-security strategy as well as the quarterly risk monitoring report.

3.4. Internal Audit

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

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

Through internal audit assignments and regular monitoring of the implementation of the recommendations, 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 helps maintain the effectiveness and integrity of its structures and values to which it attaches particular importance.

The general auditor of Belfius Bank meets the general auditor 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, the methodology applied and the monitoring of the recommendations. Some audit assignments are conducted in close collaboration.

4. Risk Committee

4.1. Composition

4.1.1. General aspects

As at 31 December 2015, the Risk Committee for Belfius Bank consisted of the following members:

Chairman	Rudi Vander Vennet
Members	Wouter Devriendt
	Georges Hübner

Mr Pierre Francotte was a member of the Risk Committee until 14 April 2015. He was replaced by Mr Georges Hübner, appointed as a member of the Risk Committee as from 27 August 2015.

4.1.2. Independence and remit

The Risk Committee of Belfius Bank consists of two independent directors, namely Mr Rudi Vander Vennet and until 14 April 2015 Mr Pierre Francotte (also a former member of the Audit Committee) and then, from 27 August 2015, Mr. Georges Hübner (member and then chairman of the Audit Committee, appointed independent director on 21 January 2016).

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

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

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

Mr Georges Hübner, who holds a degree in Business Administration and a PhD in Management, is Full Professor in Finance at the HEC Management School of Liège and Associate Professor at the University of Maastricht. Inter alia he was a member of the college of experts appointed by Parliament following the financial crisis.

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.

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 Capital Adequacy Assessment Process (ICAAP) and the Recovery Plan.

4.3. Operation

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

In 2015, the Risk Committee met 8 times.

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

The Mediation Committee is in principle composed of 3 members:

- the Chairman of the Board of Directors of Belfius Bank, who acts as Chairman;
- one independent non-executive director of Belfius Bank;
- one independent non-executive director of Belfius Insurance.

If the Chairman of the Board of Directors of Belfius Insurance is not the Chairman of the Board of Directors of Belfius Bank, the Mediation Committee will have 4 members, including the Chairman of the Board of Directors of 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 the balances in ACEC/ACSE. Unreconciled amounts are reported via an online tool in GEXL. The related accounting Competence Center (back office) within the Operations Department is responsible for analysing the nature of the differences and for initiating corrective actions.

The accounts (Belgian GAAP and IFRS) are closed on a monthly basis. A first level of control is performed by the Accounting Competence Centers that take full responsibility for the general ledger (balance, off balance and statement of income) and the inventory. 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 recognised 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 centralisation and final validation of all relevant accounting data and disclosures for reporting purposes. A risk-based approach is adopted to determine the nature and extent of the control activities. The controls mainly relate to a variance analysis of balances and ratios, sample based testing, review of supporting documentation and reasonability controls. The results of the analytical review are documented in a highlight report, which is subject to management review. The procedures and control activities are documented by each department.

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

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 sfd. SCRL, was renewed by the ordinary general meeting of shareholders on 30 April 2014, for a period of three years closing at the end of the ordinary general meeting of shareholders in 2017. On that occasion, Messrs Philip Maeyaert and Bart Dewael were appointed permanent representatives of Deloitte Reviseurs d'entreprises, SC sfd. 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 2015 financial year.

Compliance

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.

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.

Deloitte	Services provided in 2015 for			
(In thousands of EUR)	Belfius Bank	Belfius Insurance	Other subsidiaries	Total
Account audit task	880	408	242	1,530
Certification task	422	283	19	724
Tax consultancy	4	0	0	4
Other tasks	104	0	0	104
TOTAL	1,410	691	261	2,362

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 NBB in relation to Compliance, the Compliance Charter was significantly amended in 2014, and rolled out to the sub-entities of the bank in 2015. 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 the rules in relation to advertising and the observance of the law on market practices.

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: 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 investment advices that are more diversified and better adapted to the diversity of customer profiles.

General information

Share capital and allocation of profit of Belfius Bank

1. Share capital and evolution of the capital during the financial year 2015

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 ordinary 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 2015.

2. Allocation of profit

The company results for the 2015 financial year recorded a profit of EUR 507,232,866.33. From this profit, an amount of EUR 432,232,866.33 will be allocated to reserves.

3. Annual dividend

The Board of Directors will propose to the ordinary general meeting of shareholders that it distributes a dividend of EUR 75,000,000 to the shareholders.

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

Various operations were carried out regarding real estate or financial holdings in 2015, including:

- taking part in the IPO of Tinc Comm. VA ("TINC"), a Belgian investor in infrastructure;
- the sale of its participation in Ecetia Finances (finance intermunicipal association from Liège) and the subscription to bonds issued by this company;
- the subscription to a capital increase of Care Property Invest (regulated real estate investment company by Belgian law that provides in all projects foreseen in the Flemish decree "Woonzorg" (retirement homes, social service centres, groups of housing assistance …), and also more generally invests in all types of housing for persons with a disability).

Material litigation

Belfius (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 those 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 such 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.

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

The most important cases are listed below, regardless of whether a provision has been made or not. Their description does not deal with elements or evolutions that do not have an impact on the position of Belfius. If the cases listed below were to be successful for the opposite parties, they could eventually result in monetary consequences for Belfius. Such impact remains unquantifiable at this stage.

1. Housing Fund of the Brussels Capital Region

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

On 27 March 2014, the Brussels Commercial Court accepted the claim application by the Housing Fund, but declared it unfounded. The Housing Fund lodged an appeal against this judgement on 3 June 2014.

There was no significant evolution in this claim during 2015.

No provision has been made for this claim.

2. BBTK and ACLVB

On 8 May 2014, two trade unions within Belfius Bank, BBTK and ACLVB, summoned Belfius Bank before the Brussels Labour Tribunal. They demand the annulment of the collective bargaining agreements that Belfius Bank signed in 2013 with two other trade unions of the bank. BBTK and ACLVB are of the opinion that these collective bargaining agreements amend, without their consent, previous collective bargaining agreements Belfius Bank concluded also with them. In addition, they are of the opinion that an employer can only sign a collective bargaining agreement with some of the existing trade unions within the firm, if the said employer has not signed previous collective bargaining agreements with other trade unions. The bank rejects this claim as the previous collective bargaining agreements have not been amended and because the law provides in general that a collective bargaining agreement can be signed with only one trade union.

On 26 November 2015, the Labour Tribunal adjourned the hearing for oral pleadings to 20 October 2016 for procedural reasons having no impact on the merits of the case.

There was no further significant evolution in this claim during 2015.

No provision has been made for this claim.

3. Arco

On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) summoned Belfius Bank, together with the 3 aforementioned Arco companies, before the Brussels Commercial Court. 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 orders Belfius Bank in solidum with each of the 3 above mentioned Arco companies to repay their capital contributions, increased by interest and compensation. On an ancillary basis, they applied to the Commercial Court to order Belfius Bank to pay 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 assessment of damages, Belfius cannot assess the content of the claim and has to reject it.

On 16 December 2014, 1,027 shareholders and on 15 January 2016, 466 other shareholders of the 3 above mentioned Arco companies joined the summons on a voluntary basis. Belfius has asked for their files so that it can evaluate the content of their claim.

On 17 December 2015, 2,169 shareholders of the 3 above mentioned Arco companies issued a writ to the Belgian State for compulsory intervention. They demand that the Commercial Court orders the Belgian State to pay compensation based on the alleged illegality of the guarantee scheme the Belgian State enacted in favour of Arco shareholders. This demand is subordinated to their claims against Belfius Bank and has no negative impact on Belfius Bank.

There was no further significant evolution in this claim during 2015. No provision has been made for this claim.

Furthermore, with regard to Belfius Insurance, no specific provision was made for significant litigation.

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 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. These two entities were merged on 7 May 2014, Belfius Financing Company absorbing Belfius Funding.

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 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 on a consolidated basis, split by country in which Belfius has an establishment (branch and/or subsidiary).

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)	0

Countries	Activity	31/12/15				
		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	2,112,298	6,430	672,750	(181,866)	
MEMBER STATE		71,564	89	9,198	5,993	0
Luxembourg	Other financial services and insurance activities	36,001	79	21,430	5,898	0
Ireland	Other financial services and insurance activities	35,563	10	(12,232)	95	0
TOTAL		2,183,862	6,519	681,948	(175,873)	0

(1) Based on "Income" from the Consolidated statement of income in the Annual report.
(2) Disclosed in the Annual report in the note 7.9 "Staff expense".

Consolidated financial statements

as at 31 December 2015

Consolidated balance sheet

Assets

(In thousands of EUR)		Notes	31/12/14 (PF[1])	31/12/15
I.	Cash and balances with central banks	5.2.	2,412,855	576,276
II.	Loans and advances due from banks	5.3.	31,058,774	24,318,002
III.	Loans and advances to customers	5.4.	87,157,989	87,189,152
IV.	Investments held to maturity	5.5.	2,834,531	5,017,155
V.	Financial assets available for sale	5.6.	25,087,002	19,733,565
VI.	Financial assets measured at fair value through profit or loss	5.7.	6,100,168	3,222,991
VII.	Derivatives	5.9.	31,130,082	25,943,567
VIII.	Fair value revaluation of portfolio hedge		5,071,952	4,372,902
IX.	Investments in equity method companies	5.10.	146,494	106,775
X.	Tangible fixed assets	5.11.	1,297,180	1,199,789
XI.	Intangible assets[1]	5.12.	89,749	81,941
XII.	Goodwill[1]	5.13.	103,966	103,966
XIII.	Current tax assets[1]		9,257	6,116
XIV.	Deferred tax assets[1]	5.14.	685,671	565,622
XV.	Other assets	5.15.	1,196,572	1,169,777
XVI.	Non current assets (disposal group) held for sale and discontinued operations	5.16.	24,932	3,354,528
TOTAL ASSETS			194,407,174	176,962,124

(1) Certain line items were aggregated in 2014 and have been detailed further in 2015 to facilitate the reading of the balance sheet.

Liabilities

(In thousands of EUR)		Notes	31/12/14 (PF[1])	31/12/15
I.	Due to banks	6.1.	21,407,816	11,537,622
II.	Customer borrowings and deposits	6.2.	66,513,874	68,162,754
III.	Debt securities	6.3.	29,112,916	27,777,552
IV.	Financial liabilities measured at fair value through profit or loss	6.4.	9,166,712	6,916,469
V.	Technical provisions of insurance companies	6.5.	18,047,274	16,688,571
VI.	Derivatives	5.9.	38,165,388	30,060,085
VII.	Fair value revaluation of portfolio hedge		293,993	226,472
VIII.	Provisions and contingent liabilities	6.6.	477,169	405,543
IX.	Subordinated debts	6.7.	886,358	913,004
X.	Current tax liabilities[1]		28,259	42,369
XI.	Deferred tax liabilities[1]	5.13.	230,301	271,967
XII.	Other liabilities	6.8.	2,150,517	2,056,561
XIII.	Liabilities included in disposal group and discontinued operations	6.9.	0	3,243,438
TOTAL LIABILITIES			186,480,577	168,302,407

(1) Certain line items were aggregated in 2014 and have been detailed further in 2015 to facilitate the reading of the balance sheet.

The notes on pages 91 to 197 are an integral part of these consolidated financial statements.

Equity

(In thousands of EUR)	Notes	31/12/14	31/12/15
XIV. Subscribed capital	1.4.	3,458,066	3,458,066
XV. Additional paid-in capital		209,232	209,232
XVI. Treasury shares		0	0
XVII. Reserves and retained earnings		3,675,506	4,135,228
XVIII. Net income for the period		461,642	506,076
CORE SHAREHOLDERS' EQUITY		**7,804,446**	**8,308,602**
XIX. Remeasurement available-for-sale reserve on securities		604,176	757,329
XX. Frozen fair value of financial assets reclassified to loans and advances		(585,455)	(544,177)
XXI. Remeasurement defined benefit plan		97,975	119,611
XXII. Discretionary participation features of insurance contracts	6.5.	12,346	28,788
XXIII. Other reserves		(9,666)	(11,462)
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME		**119,376**	**350,089**
TOTAL SHAREHOLDERS' EQUITY		**7,923,822**	**8,658,691**
XXIV. Non-controlling interests		2,775	1,026
TOTAL EQUITY		**7,926,597**	**8,659,717**
TOTAL LIABILITIES AND EQUITY		**194,407,174**	**176,962,124**

The notes on pages 91 to 197 are an integral part of these consolidated financial statements.

Consolidated statement of income

(In thousands of EUR)		Notes	31/12/14 (PF[(1)(2)])	31/12/15
I.	Interest income	7.1.	5,558,955	4,672,441
II.	Interest expense[(1)]	7.1.	(3,471,479)	(2,648,756)
III.	Dividend income	7.2.	49,418	61,647
IV.	Net income from equity method companies	7.3.	1,980	8,292
V.	Net income from financial instruments at fair value through profit or loss	7.4.	(221,734)	37,732
VI.	Net income on investments and liabilities	7.5.	41,370	14,180
VII.	Fee and commission income	7.6.	544,637	601,668
VIII.	Fee and commission expense	7.6.	(97,516)	(104,668)
IX.	Premiums and technical income from insurance activities	6.5.	1,736,252	1,444,631
X.	Technical expense from insurance activities	6.5.	(2,031,966)	(1,730,512)
XI.	Other income[(2)]	7.7.	137,261	138,992
XII.	Other expense[(1)(2)]	7.8.	(176,192)	(311,785)
INCOME			**2,070,986**	**2,183,862**
XIII.	Staff expense	7.9.	(637,295)	(610,419)
XIV.	General and administrative expense	7.10.	(440,317)	(432,834)
XV.	Network costs		(284,594)	(275,993)
XVI.	Depreciation and amortisation of fixed assets	7.11.	(85,581)	(77,205)
EXPENSES			**(1,447,787)**	**(1,396,451)**
GROSS OPERATING INCOME			**623,199**	**787,411**
XVII.	Impairments on financial instruments and provisions for credit commitments	7.12.	(58,545)	(92,665)
XVIII.	Impairments on tangible and intangible assets	7.13.	(4,924)	(12,798)
XIX.	Impairments on goodwill	7.14.	0	0
NET INCOME BEFORE TAX			**559,730**	**681,948**
XX.	Current tax (expense) income[(2)]	7.15	(35,730)	(61,135)
XXI.	Deferred tax (expense) income[(2)]	7.15	(64,119)	(114,738)
NET INCOME AFTER TAX			**459,881**	**506,075**
XXII.	Discontinued operations (net of tax)		0	0
NET INCOME			**459,881**	**506,075**
Attributable to non-controlling interests			(1,761)	(1)
NET INCOME Attributable to equity holders of the parent			**461,642**	**506,076**

(1) In order to align the presentation of the bank levies to 2015 classification, the levies related to the deposit guarantee scheme were in 2014 consolidated statement of income reclassified from "II. Interest expense" to "XII. Other expense".
(2) Certain line items were aggregated in 2014 and have been detailed further in 2015 to facilitate the reading of the statement of income.

The notes on pages 91 to 197 are an integral part of these consolidated financial statements.

Analysis of the consolidated 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)	31/12/14 Before-tax amount	31/12/14 Tax (expense) income	31/12/14 Net-of-tax amount	31/12/15 Before-tax amount	31/12/15 Tax (expense) income	31/12/15 Net-of-tax amount
RESULT RECOGNISED IN THE STATEMENT OF INCOME	**559,730**	**(99,849)**	**459,881**	**681,948**	**(175,873)**	**506,075**
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS						
Unrealised result of property revaluation	(2)		(2)	(2)		(2)
Remeasurement defined benefit plan	(48,290)	16,414	(31,876)	32,778	(11,141)	21,637
TOTAL OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS	**(48,292)**	**16,414**	**(31,878)**	**32,776**	**(11,141)**	**21,635**
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 Advances	1,228,015	(340,016)	887,999	225,522	(31,092)	194,430
Gains (losses) on cash flow hedges	(13,030)	1,686	(11,344)	(19,695)	(183)	(19,878)
Other comprehensive income from assets held for sale			0	26,453	(8,369)	18,084
Discretionary participation features of insurance contracts	18,589	(6,243)	12,346	22,148	(5,706)	16,442
TOTAL OF OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT AND LOSS	**1,233,574**	**(344,573)**	**889,001**	**254,428**	**(45,350)**	**209,078**
OTHER COMPREHENSIVE INCOME	**1,185,282**	**(328,159)**	**857,123**	**287,204**	**(56,491)**	**230,713**
TOTAL COMPREHENSIVE INCOME	**1,745,012**	**(428,008)**	**1,317,004**	**969,152**	**(232,364)**	**736,788**
TOTAL COMPREHENSIVE NET INCOME Attributable to equity holders of the parent			**1,318,966**			**736,790**
Attributable to non-controlling interests			(1,962)			(2)

The notes on pages 91 to 197 are an integral part of these consolidated financial statements.

Management report

Consolidated financial statements

Non-consolidated financial statements

Consolidated statement of change in equity

Core shareholders' equity (In thousands of EUR)	Subscribed capital	Additional paid-in capital	Reserves and retained earnings	Net income for the period	Core shareholders' equity
AS AT 31 DECEMBER 2013	3,458,066	209,232	3,675,924	0	7,343,222
Movements of the period					
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					Unrealised result that will not be reclassified to profit and loss		Total gains and losses not recognised in profit and loss - Group share
(In thousands of EUR)	Remeasurement 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 equity method companies	Discretionary participation features of insurance contracts(1)	Unrealised result of property revaluation	Remeasurement defined benefit plan	
AS AT 31 DECEMBER 2013	(167,603)	(701,877)	1,457	0	0	0	129,851	(738,172)
Movements of the period								
Net change in fair value through equity - Available-for-sale investments	1,307,350	0	0	21,632	12,346	0	0	1,341,328
Transfers to income of available-for-sale reserve amounts due to impairments	399	0	0	94	0	0	0	493
Transfers to income of available-for-sale reserve amounts due to disposals	(29,707)	43,568	0	(1,098)	0	0	0	12,763
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended	0	10,240	0	1	0	0	0	10,241
Net change in fair value through equity - Cash flow hedges	0	0	(11,263)	0	0	0	0	(11,263)
Net change in cash flow hedge reserve due to transfers to income	0	0	(81)	0	0	0	0	(81)
Variation of scope of consolidation	331	(130)	0	0	0	0	0	201
Transfers to technical provisions of insurance companies(2)(3)	(444,036)	186	0	(20,629)	0	0	0	(464,479)
Provisions booked from/to equity	0	0	0	0	0	0	(31,876)	(31,876)
Transfers(4)	(62,558)	62,558	0	0	0	221	0	221
AS AT 31 DECEMBER 2014	604,176	(585,455)	(9,887)	0	12,346	221	97,975	119,376

(1) Discretionary beneficiary participation is a contractual, but conditional entitlement to receive additional profits over and above a guaranteed return on insurance contracts (life).
(2) These transfers concern amounts after tax as a result of the application of Shadow Accounting, whereby part of the unrealised profits from financial assets available for sale is used as cover value for the payments of the obligations for insurance contracts and is therefore transferred to the technical reserves for insurance contracts.
(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 91 to 197 are an integral part of these consolidated financial statements.

Non-controlling interests

(In thousands of EUR)	Core shareholders' equity	Gains and losses not recognised in the statement of income	Non-controlling interests
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 91 to 197 are an integral part of these consolidated financial statements.

Core shareholders' equity (In thousands of EUR)	Subscribed capital	Additional paid-in capital	Reserves and retained earnings	Net income for the period	Core shareholders' equity
AS AT 31 DECEMBER 2014	3,458,066	209,232	3,675,506	461,642	7,804,446
Movements of the period					
Transfers to reserves	0	0	461,642	(461,642)	0
Variation of scope of consolidation	0	0	(1,069)	0	(1,069)
Other movements	0	0	(851)	0	(851)
Net income for the period	0	0	0	506,076	506,076
AS AT 31 DECEMBER 2015	3,458,066	209,232	4,135,228	506,076	8,308,602

Gains and losses not recognised in the statement of income	Unrealised result that may be reclassified subsequently to profit and loss					Unrealised result that will not be reclassified to profit and loss		Total gains and losses not recognised in profit and loss – Group share
(In thousands of EUR)	Remeasurement available-for-sale reserve on securities	Frozen fair value of financial assets reclassified to loans and advances	Derivatives – Cash Flow Hedge (CFH)	Other comprehensive income from assets held for sale	Discretionary participation features of insurance contracts(1)	Unrealised result of property revaluation	Remeasurement defined benefit plan	
AS AT 31 DECEMBER 2014	604,176	(585,455)	(9,887)	0	12,346	221	97,975	119,376
Movements of the period								
Net change in fair value through equity – Available-for-sale investments	75,916	0	0	0	16,442	0	0	92,358
Transfers to income of available-for-sale reserve amounts due to impairments	562	0	0	0	0	0	0	562
Transfers to income of available-for-sale reserve amounts due to disposals	(59,053)	11,428	0	0	0	0	0	(47,625)
Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended	0	32,903	0	0	0	0	0	32,903
Net change in fair value through equity – Cash flow hedges	0	0	(19,793)	0	0	0	0	(19,793)
Net change in cash flow hedge reserve due to transfers to income	0	0	(85)	0	0	0	0	(85)
Transfers to technical provisions of insurance companies(2)	150,380	379	0	0	0	0	0	150,759
Provisions booked from/to equity	0	0	0	0	0	0	21,636	21,636
Transfers(3)	(14,652)	(3,432)	0	18,084	0	(2)	0	(2)
AS AT 31 DECEMBER 2015	757,329	(544,177)	(29,765)	18,084	28,788	219	119,611	350,089

(1) Discretionary beneficiary participation is a contractual, but conditional entitlement to receive additional profits over and above a guaranteed return on insurance contracts (life).
(2) These transfers concern amounts after tax as a result of the application of Shadow Accounting, whereby part of the unrealised profits from financial assets available for sale is used as cover value for the payments of the obligations for insurance contracts and is therefore transferred to the technical reserves for insurance contracts.
(3) On January 1, 2015, Belfius decided to reclass an additional EUR 1.5 billion bonds from "Financial assets available for sale" to "Investments held to maturity". It concerns mainly bonds issued by the Belgian and French governments. This reclassification was the result of a change in management intention. We refer to the note 5.8. "Reclassification of financial assets". In addition, the reclassification to "Other comprehensive income from assets held for sale" can be noted due to the classification of the Insurance subsidiary "International Wealth Insurer" as "Non current assets (disposal group) held for sale and discontinued operations" and "Liabilities included in disposal group and discontinued operations".

The notes on pages 91 to 197 are an integral part of these consolidated financial statements.

Non-controlling interests

(In thousands of EUR)	Core shareholders' equity	Gains and losses not recognised in the statement of income	Non-controlling interests
AS AT 31 DECEMBER 2014	2,775	0	2,775
Movements of the period			
Dividends	(858)		(858)
Net income for the period	(1)		(1)
Variation of scope of consolidation	(916)		(916)
Other movements	26		26
AS AT 31 DECEMBER 2015	1,026	0	1,026

(In thousands of EUR)	
Core shareholders' equity	8,308,602
Gains and losses not recognised in the statement of income attributable to equity holders of the parent	350,089
Non-controlling interests	1,026
TOTAL EQUITY AS AT 31 DECEMBER 2015	8,659,717

Equity	31/12/14	31/12/15
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)	1,28	1,41
NOMINAL VALUE PER SHARE	no nominal value	no nominal value
Outstanding as at 1 January	359,412,616	359,412,616
Number of shares issued	0	0
Number of shares cancelled	0	0
Outstanding as at 31 December	359,412,616	359,412,616
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital	0	0
Number of treasury shares	0	0
Number of shares reserved for issue under stock options and contracts for the sale of share	0	0

Shared-based payments

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

The notes on pages 91 to 197 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

(In thousands of EUR)	Notes	31/12/14 (PF(1)(2))	31/12/15
CASH FLOW FROM OPERATING ACTIVITIES			
Net income after tax		459,881	506,075
Adjustment for:			
Depreciation, amortisation and other impairment		104,672	104,685
Impairment on bonds, equities, loans and other assets		(2,783)	(3,522)
Net gains or (losses) on investments		(80,880)	(73,144)
Charges for provisions (mainly insurance provision)		(275,249)	(842,412)
Unrealised gains or (losses)		112,724	(6,271)
Income from equity method companies		(1,980)	(8,292)
Dividends from equity method companies		3,007	5,029
Deferred taxes		64,118	114,738
Changes in operating assets and liabilities(1)(3)		(425,570)	4,908,909
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES(1)(3)		(42,060)	4,705,795
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(171,360)	(144,538)
Sales of fixed assets		211,397	157,806
Acquisitions of unconsolidated equity shares		(435,335)	(391,325)
Sale of unconsolidated equity shares		383,396	316,879
Acquisitions of subsidiaries and of business units		(8,489)	(8,651)
Sale of subsidiaries and of business units		51	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		(20,340)	(69,829)
CASH FLOW FROM FINANCING ACTIVITIES			
Reimbursement of capital		(10,542)	0
Reimbursement of subordinated debts		(35,000)	(315,000)
Dividends paid		(8)	(2,084)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		(45,550)	(317,084)
NET CASH PROVIDED		(107,950)	4,318,882
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD(1)		3,117,678	3,009,728
Cash flow from operating activities(1)(3)		(42,060)	4,705,795
Cash flow from investing activities		(20,340)	(69,829)
Cash flow from financing activities		(45,550)	(317,084)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD(1)		3,009,728	7,328,610
ADDITIONAL INFORMATION			
Income tax paid (included in line net cash provided (used) by operating activities)		(8,069)	(42,116)
Dividends received (included in line net cash provided (used) by operating activities)		52,425	66,741
Interest received (included in line net cash provided (used) by operating activities)		5,842,833	4,847,579
Interest paid (included in line net cash provided (used) by operating activities)(2)		(4,009,721)	(3,093,551)

(1) The amounts of 2014 were revised for the adjusted presentation of financial instruments with an original maturity less than or equal to 90 days.
(2) In order to align the presentation of the bank levies to 2015 classification, the levies related to the deposit guarantee scheme were in 2014 consolidated statement of income reclassified from "II. Interest expense" to "XII. Other expense".
(3) The significant increase of "Changes in operating assets and liabilities" is the result of an increase in reverse repurchase agreements within the treasury management of Belfius in 2015.

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

The notes on pages 91 to 197 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

II. Post-balance-sheet events

1. Dividend

On proposal of the Board of Directors of February 24, 2016, the general Assembly of April 27, 2016 will decide on an ordinary dividend of EUR 75 million in respect of the accounting year 2015.

2. Possible conversion of the documentation of subordinated debt instruments held by Arcopar

Belfius Bank and Arcopar are examining the conversion of documentation of the bilateral subordinated perpetual loans (issued by Belfius Bank and held by Arcopar, for EUR 85 million notional in total) to a documentation under public EMTN program, in order to increase the marketability and liquidity of these instruments.

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 24 February 2016.

Accounting policies

1. Basis of accounting

1.1. General

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

The financial statements of Belfius have therefore been prepared "in accordance with all IFRS as adopted by the EU" and endorsed by the European Commission up to 31 December 2015 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 2015.

2.1. Standards and Interpretations endorsed by the European Commission and applied as from 1 January 2015

Standards with impact for Belfius (already communicated in the half-yearly report)

→ IFRIC 21 "Levies" provides guidance on accounting for levies in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. This amendment has an impact on the accounting of levies because certain levies have to be recognised as soon as the obligating event occurred. As IFRIC 21 needs to be applied retroactively, Belfius has already restated the comparable semester figures of 2014 in the half-yearly report, resulting in an impact of -81 million EUR. Note that IFRIC 21 has merely an impact on the semi-annual results and not on the full year results.

Standards with no impact for Belfius (already communicated in the half-yearly report)

→ 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 has no direct impact for Belfius.

→ "Annual improvements to IFRSs: 2010-2012 cycle". A collection of clarifications to existing International Financial Reporting Standards, which have no impact for Belfius.

→ "Annual improvements to IFRSs: 2011-2013 cycle". A collection of amendments to existing International Financial Reporting Standards, which have no impact for Belfius.

2.2. Standards and Interpretations endorsed by the European Commission during the current year but not yet applicable as from 1 January 2015

Standards not applicable for Belfius

→ The European Commission has decided not to launch the endorsement process for the interim standard IFRS 14 "Regulatory Deferral Accounts" and to wait for the final standard. IFRS 14 introduces an option for entities that are first-time adopters of IFRS to continue to account for balances arising from rate regulated activities.

Standards with 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.

→ 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.

→ "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 have no impact for Belfius.

→ Amendments to "IAS 1 Presentation of Financial Statements – Disclosure Initiative". 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

→ 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.

2.3. New Standards, Interpretations and amendments issued during the current year but not yet endorsed by the European Commission

Standards under analysis

→ Deferral of the effective date of IFRS 15 "Revenue from Contracts with Customers". IFRS 15 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 2018 and will impact Belfius.

2.4. IFRS 9 "Financial instruments"

IFRS 9 "Financial Instruments" was published in 2014 and combines all aspects of accounting for financial instruments: classification and measurement, impairment and micro hedge accounting. IFRS 9 also introduces a package of improved disclosures. The standard will be effective from 1 January 2018.

The major impact of IFRS 9 situates in the "classification and measurement" and "impairment" of financial instruments. According to IFRS 9, the classification and measurement of financial assets is based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Belfius is currently screening its financial assets to assess the classification under IFRS 9 based on both the business model applied within Belfius and the contractual cash flow characteristics.

In addition, on the level of impairment, IFRS 9 replaces the current incurred loss model of IAS 39 by an expected credit loss model. This expected loss model of IFRS 9, recognises impairments at an earlier stage by applying a three stage model. Where in the current incurred loss model approach, impairment losses (through either a collective impairment or a specific impairment) are recognised as soon as an impairment has incurred; under IFRS 9, a collective impairment will be recognised based on a 1 year expected loss at the date of initial recognition of the financial asset. If the credit risk has deteriorated significantly, the collective impairment will increase by taking into account the lifetime expected loss. Belfius is currently defining the rules for identification and quantification of a significant increase in credit risk for its different portfolios and is determining which parameters to use for the calculation of the expected losses.

A multidisciplinary Project Team has been set up to analyse the impact of IFRS 9 and prepare its implementation. The sponsors of the implementation of IFRS 9 are both the CFO and the CRO. Workgroups have been set up as well as an IT analysis for the implementation. Recurrent status meetings are organized to allow all stakeholders and all major subsidiaries an overview of the status of the project.

Belfius cannot communicate at this stage, the impacts of IFRS 9 as there are still a significant number of ongoing analysis and possibilities. As such, there is not yet a sufficiently accurate impact analysis of IFRS 9.

2.5. Changes in presentation

None.

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 and liabilities".

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 remeasures 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 decline in the expected cash flows; and
- 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 financial instruments 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. Write-offs occur when Belfius considers the outstanding amounts as uncollectible and the additional loss is reported as "Impairment on financial instruments and provisions for credit commitments".

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 under the line item "Net income on investments and liabilities". Write-offs occur when Belfius considers the outstanding amounts as uncollectible and the additional loss is reported as "Net income on investments and liabilities".

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. 6.8); 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 or if the hedge is voluntarily discontinued, 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 section 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

6.11.1. General principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted market prices in an organised market (such as a recognised stock exchange) are to be used as fair value, as they are the best evidence of the fair value of a financial instrument. Quoted market prices are not available for all financial assets and liabilities held or issued by Belfius.

If a financial instrument is not traded on an active market, recourse is provided by valuation models. A valuation model reflects the transaction price on the measurement date in an arm's length exchange 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.

6.11.2. Specific rules

The approaches of Belfius for the determination of fair value of financial instruments are summarised in note 9.1. "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, that is expected to be allocated to policyholders.

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

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

Reinsurance activities

A specific reduction in value is applied to the reinsurance assets if:

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

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

9.2.2. Shadow accounting

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 the Belfius Bank independent branches, which is not taken up in the effective yield of the financial assets or liabilities.

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 included under "Net income on investments and liabilities".

Investment properties are those properties held to earn rentals or for capital appreciation. Belfius may also partly use such properties. If the "own use" portions can be sold separately or leased out separately under finance lease, then these portions are accounted for separately. If the "own use" portions cannot be sold separately, the property will be considered as an investment property only if Belfius holds an insignificant portion for its own use.

Investment properties are recorded at 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 expense".

12. Intangible assets

Intangible assets consist mainly of:

- internally generated and
- acquired software.

The costs associated with maintaining computer software programmes are recognised as expense as incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond one year is used to increase the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives from the time the software is available for use. This amortisation period is usually between three and five years.

As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, they are capitalised. Other borrowing costs are recognised as an expense.

Intangible assets (other than goodwill) are tested for impairment when an indication of impairment loss exists. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount and are included under "Net income on investments and liabilities".

13. Goodwill

13.1. Measurement of goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

It is measured as the difference between

- The sum of the following elements:
  - consideration transferred;
  - amount of any non-controlling interests in the acquiree; and
  - fair value of the acquirer's previously held equity interest in the acquiree (if any) and
- Minus the fair value determined at acquisition date of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, this difference is negative ("badwill"), it is recognised immediately in profit or loss as a bargain purchase gain.

13.2. 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.

14. 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.

15. Non-current assets (disposal group) held for sale and discontinued operations

If the carrying amount of a non-current asset (or disposal group) is recovered principally through a sale transaction, rather than through continuing use, it will be classified as "held for sale".

Belfius measures a non-current asset (or disposal group) classified as held for sale at its carrying amount or at its fair value less costs to sell (whichever is the lower). Non-current assets (or disposal groups) classified as held for sale are presented separately in the balance sheet, without restatement for previous periods. These assets are no longer depreciated once they qualify as assets (or disposal groups) held for sale.

A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations. Post-tax profit or loss of discontinued operations is presented under a separate line in the statement of income.

16. 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.

16.1. 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.

16.2. 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.

17. 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.

18. Employee benefits

18.1. 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.

18.2. 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.

18.2.1. Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows based on interest rates determined by reference to market yields on high quality corporate bonds that have terms to maturity approximating to the terms of the related liability. When there is no deep market in such bonds, the market yields on government bonds shall be used. The valuation technique for the assessment of pension expenses incorporates actuarial assumptions comprising both demographic assumptions and financial assumptions such as the inflation rate, salary increase.

The amount recognised in the balance sheet for the defined benefit plan is the difference between the present value of the defined benefit obligation (using the Projected Unit Credit Method) and the fair value of any plan assets. This amount may be presented as a liability or an asset.

In case of net asset, the amount recognised is limited to the asset ceiling, which is the present value of any economic benefits available for Belfius in the form of refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability (asset) are recognised in other comprehensive income and are never reclassified to profit or loss. Remeasurements arise from the effect of changes in demographic and financial assumptions, from experience adjustments, the return on plan assets and any change in the effect of the asset ceiling.

18.2.2. Defined contribution plans

The contributions of Belfius related to defined contribution plans are charged to the statement of income in the year to which they relate.

Due to the legal minimum guaranteed rate of return imposed by the Belgian State, Belgian contribution plans are considered as defined benefit plans under IAS 19 and presented as such.

Given the change in legislation at the end of 2015 (i.e. the fact that the minimum guaranteed return will be at least 1,75% in the future), the Belgian defined contribution plans need to be considered as defined benefit plan.

This implies that the valuation of the obligation is done by the defined benefit methodology (i.e. the Projected Unit Credit method).

18.3. 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 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.

18.4. 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 the recognition of related restructuring costs and when Belfius can no longer withdraw the offer of those benefits.

19. Provisions and contingent liabilities

Provisions are mainly recognised for litigation 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.

20. Levies

Levies are outflows of resources embodying economic benefits that are imposed by governments on entities in accordance with laws and/or regulations other than income taxes and fines or other penalties that are imposed for breaches of the legislation.

All levies are taken upfront in “other expense” and awaiting the financial liquidation of the levies, the amounts due are booked in “other liabilities”.

21. Share capital

Dividends on ordinary shares of Belfius

Belfius recognises its dividends on its ordinary shares as a liability from the date on which they are declared. Any dividends for the year declared post-balance-sheet date are disclosed in the subsequent events note.

22. 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. Operating segments reporting

An operating segment (or business line) is a distinguishable component of Belfius that is engaged in providing either products or services (business segment) to a homogeneous group of clients and/or through a homogeneous set of operations.

The segmentation of Belfius can be described as follows:

→ Franchise
- Retail and Commercial (RC) includes banking and insurance activity for priviate individuals, small corporations.
- Public and Corporate (PC) includes banking and insurance activity for public and social sectro entities and for medium sized and large corporates.
- Group Center (GC) containing mainly the residual activities not allocated to the two commercial segments of the Franchise and to the Side activities, as well as the residual interest rate and liquidity management not paid for or received by the commercial activities through the internal transfer pricing mechanism.

→ Side
- Includes the legacy portfolio (bonds and credit guarantees), derivatives with foreign counterparties (non franchise), and transactions with former related parties.

Note that the names of the different Franchise segments have been updated in 2015, without any impact on the content of the segments.

The balance sheet amounts of the segments of 2014 were restated to include the allocation of equity. This was performed based on the normative regulatory equity consumption for each business line, and whereby the excess capital is allocated to Group Center.

Management report
Consolidated financial statements
Non-consolidated financial statements

1. Segmentation – Balance sheet

	31/12/14		
(In thousands of EUR)	Assets	Liabilities (PF)	Equity (PF)
Retail and Commercial	54,508,649	80,395,674	2,412,544
Public and Corporate	42,083,561	22,299,858	887,007
Group Center	38,160,944	47,989,707	1,876,150
FRANCHISE	**134,753,154**	**150,685,240**	**5,175,702**
SIDE	**59,654,020**	**35,795,337**	**2,750,895**
TOTAL	**194,407,174**	**186,480,577**	**7,926,597**
of which banking activities	*170,682,459*	*163,481,631*	*6,396,312*
of which insurance activities(1)	*23,724,715*	*22,998,946*	*1,530,285*

(1) Note that the assets and liabilities represent here the contribution of the Belfius Insurance group to the consolidated balance sheet.

	31/12/15		
(In thousands of EUR)	Assets	Liabilities	Equity
Retail and Commercial	55,429,621	79,309,734	2,141,577
Public and Corporate	41,810,525	24,762,543	807,521
Group Center	38,434,712	38,980,192	3,200,185
FRANCHISE	**135,674,858**	**143,052,469**	**6,149,283**
SIDE	**41,287,266**	**25,249,938**	**2,510,434**
TOTAL	**176,962,124**	**168,302,407**	**8,659,717**
of which banking activities	*152,889,131*	*145,062,791*	*7,181,539*
of which insurance activities	*24,072,993*	*23,239,616*	*1,478,178*

2. Segmentation – Statement of income

(In thousands of EUR)	31/12/14 Retail and Commercial	Public and Corporate	Group Center[1]	Franchise	Side[1]	Total
INCOME	1,765,647	392,461	64,497	2,222,605	(151,620)	2,070,986
of which						
Net interest income	1,562,127	394,749	53,031	2,009,908	77,569	2,087,476
Net fee and commission income	414,263	38,597	(6,279)	446,581	540	447,121
Technical margin on insurance activities	(238,240)	(56,682)	(792)	(295,714)	0	(295,714)
Net income on investments and liabilities, Net income from financial instruments at fair value through profit or loss, dividend income and net income from equity method companies	130,004	7,398	(39,028)	98,374	(227,341)	(128,966)
Other income & expenses	(102,508)	8,398	57,564	(36,545)	(2,387)	(38,931)
EXPENSES	(1,109,347)	(210,454)	(113,974)	(1,433,774)	(14,012)	(1,447,787)
Gross operating income	656,300	182,007	(49,477)	788,830	(165,632)	623,199
COST OF RISK	(55,946)	(21,053)	9,572	(67,428)	8,883	(58,545)
Impairments on (in)tangible assets	(265)	0	(4,658)	(4,924)	0	(4,924)
NET INCOME BEFORE TAX	600,088	160,954	(44,563)	716,478	(156,749)	559,730
Tax (expense) income	(179,093)	(52,416)	94,102	(137,407)	37,558	(99,849)
NET INCOME AFTER TAX	420,995	108,537	49,539	579,072	(119,191)	459,881
Non-controlling interests	0	0	(1,761)	(1,761)	0	(1,761)
NET INCOME GROUP SHARE	420,995	108,537	51,300	580,833	(119,191)	461,642

(1) The allocation of 2014 between Group Center and Side has been restated to allow the comparison with 2015.

(In thousands of EUR)	31/12/15 Retail and Commercial	Public and Corporate	Group Center	Franchise	Side	Total
INCOME	1,790,397	443,966	86,711	2,321,073	(137,212)	2,183,862
of which						
Net interest income	1,507,688	401,911	157,458	2,067,058	(43,373)	2,023,685
Net fee and commission income	456,182	49,126	(7,647)	497,661	(661)	497,000
Technical margin on insurance activities	(206,248)	(79,633)	0	(285,881)	0	(285,881)
Net income on investments and liabilities, Net income from financial instruments at fair value through profit or loss, dividend income and net income from equity method companies	151,682	69,410	(27,659)	193,433	(71,582)	121,851
Other income & expenses	(118,907)	3,152	(35,442)	(151,198)	(21,595)	(172,793)
EXPENSES	(1,086,499)	(210,896)	(86,535)	(1,383,929)	(12,522)	(1,396,451)
Gross operating income	703,898	233,070	176	937,144	(149,733)	787,411
COST OF RISK	(37,939)	(27,986)	958	(64,967)	(27,698)	(92,665)
Impairments on (in)tangible assets	(7,646)	(3,843)	(1,164)	(12,653)	(145)	(12,798)
NET INCOME BEFORE TAX	658,313	201,242	(30)	859,524	(177,577)	681,948
Tax (expense) income	(203,418)	(67,235)	22,209	(248,444)	72,571	(175,873)
NET INCOME AFTER TAX	454,895	134,007	22,179	611,080	(105,005)	506,075
Non-controlling interests	0	0	(1)	(1)	0	(1)
NET INCOME GROUP SHARE	454,895	134,007	22,180	611,082	(105,005)	506,076

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

Analysis by nature

(In thousands of EUR)	31/12/14 (PF(1))	31/12/15
Cash and balances with central banks other than mandatory reserves	501,099	462,984
Mandatory reserves with central banks(2)	1,911,700	113,249
Loans and advances due from banks(3)	596,929	6,752,377
TOTAL	3,009,728	7,328,610

(1) The amounts of 2014 were revised for the adjusted presentation of financial instruments with an original maturity of less than or equal to 90 days.
(2) The "Mandatory reserves" include the minimum reserve deposits that Belfius has with European Central Bank or with other central banks.
(3) Increase in reverse repurchase agreements in view of cash and liquidity management within our treasury department.

5.2. Cash and balances with central banks

Analysis by nature

(In thousands of EUR)	31/12/14	31/12/15
Cash in hand	498,833	443,291
Balances with central banks other than mandatory reserve deposits	2,265	19,693
Mandatory reserve deposits	1,911,757	113,292
TOTAL	2,412,855	576,276
Of which included in cash and cash equivalents	*2,412,799*	*576,234*

5.3. Loans and advances due from banks

1. Analysis by nature

(In thousands of EUR)	31/12/14	31/12/15
Cash collateral	19,668,352	16,157,815
Sight accounts	439,886	385,215
Reverse repurchase agreements	236,939	6,319,577
Loans and other advances	274,655	1,076,933
Bonds	10,448,143	383,895
Impaired loans	0	5,353
Less:		
Specific impairment on impaired loans or impaired bonds	0	(2,677)
Collective impairment	(9,201)	(8,109)
TOTAL(1)	31,058,774	24,318,002
Of which included in cash and cash equivalents(2)	*596,929*	*6,752,377*
Of which included in financial lease	*51,877*	*50,115*

(1) In the first half of 2015, Dexia Crédit Local repaid the remaining outstanding amount of the Government Guaranteed Bonds (GGB's). This decrease of "Loans and advances due from banks" was complemented by a reduction of the cash collateral paid to financial counterparties, but was partially offset by a significant increase in reverse repurchase agreements.
(2) The amounts of 2014 were revised for the adjusted presentation of financial instruments with an original maturity of less than or equal to 90 days.

2. Analysis of quality

See note 5.18.

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)	31/12/14	31/12/15
Public entities	27,290,104	26,326,742
Corporate & SME	30,209,573	30,379,362
Households	29,090,785	29,981,974
Impaired loans	2,015,525	2,025,934
Impaired bonds	49,458	2,703
Less:		
Specific impairment on impaired loans or impaired bonds	(1,156,319)	(1,158,443)
Collective impairment	(341,137)	(369,120)
TOTAL	87,157,989	87,189,152

2. Analysis by nature

(In thousands of EUR)	31/12/14	31/12/15
Cash collateral	1,640,172	1,637,111
Reverse repurchase agreements	185,499	153,510
Loans and other advances(1)	78,107,620	78,246,240
Of which bills and own acceptances	*14,893*	*25,736*
Of which finance lease	*2,955,471*	*3,049,284*
Of which consumer loans	*1,416,933*	*1,386,972*
Of which mortgage loans(2)	*26,074,062*	*27,118,460*
Of which term loans(3)	*44,101,607*	*43,625,438*
Of which current accounts	*2,006,221*	*1,725,619*
Of which other loans and advances	*1,538,433*	*1,314,731*
Bonds	6,657,171	6,651,217
Impaired loans	2,015,525	2,025,934
Impaired bonds	49,458	2,703
Less:		
Specific impairment on impaired loans or impaired bonds	(1,156,319)	(1,158,443)
Collective impairment	(341,137)	(369,120)
TOTAL	87,157,989	87,189,152

(1) The underlying pool of loans of the covered bonds (Pandbrieven) amount to EUR 10.2 billion end 2015 (and EUR 9.1 billion end 2014). This covered pool guarantees the outstanding covered bonds: 5.5 billion mortgage covered bonds (versus 4.5 billion end 2014) and 1.8 billion public covered bonds (versus 1.75 billion end 2014). We refer to 9.3.4. on Transfer of financial assets which do not qualify for derecognition in the consolidated balance sheet.
(2) In 2014 EUR 7.2 billion "mortgage loans" were securitised, in 2015 this decreased to EUR 5.5 billion. Note that EUR 995 million of these mortgage loans are used as underlying pool for Penates 5 which was launched in November 2015 and for which EUR 800 million external funding was collected. We refer to note 12. "Securitisations".
(3) In 2014 EUR 7.6 billion "term loans" were securitised, in 2015 this decreased to EUR 6.4 billion.

3. Analysis of quality

See note 5.18.

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)	31/12/14	31/12/15
Public entities	2,185,576	3,941,259
Banks	648,955	832,266
Corporate & SME	0	243,630
Impaired financial investments		0
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	2,834,531	5,017,155
Less:		
Specific impairment on impaired financial investments	0	0
TOTAL	2,834,531	5,017,155

In 2014, Belfius has reclassified debt instruments from "Financial assets available for sale" to "Investments held to maturity". It concerned mainly Italian sovereign debt instruments. This reclassification was performed compliant with IAS 39.54 following the change in management intention for these bonds.

On January 1, 2015, Belfius decided to reclass an additional EUR 1.5 billion bonds from "Financial assets available for sale" to "Investments held to maturity". It concerned mainly bonds issued by the Belgian and French governments. This reclassification was again the result of a change in management intention for these bonds. In addition, in 2015, Belfius has purchased some high quality bonds (AAA/AA) for its Bank ALM portfolio and also classified these bonds in "Investments held to maturity".

2. Analysis of quality

See note 5.18.

3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

4. Analysis by nature

(In thousands of EUR)	31/12/14	31/12/15
Bonds issued by public sector	2,185,576	3,941,259
Other bonds and fixed-income instruments	648,955	1,075,896
TOTAL	2,834,531	5,017,155

5. Analysis of the fair value

See note 9.1.

6. Reclassification of financial assets

See note 5.8.

5.6. Financial assets available for sale

1. Analysis by counterparty

(In thousands of EUR)	31/12/14	31/12/15
Public entities	15,009,881	11,779,038
Banks	5,450,751	3,601,940
Corporate & SME	4,551,799	4,260,390
Households	655	0
Impaired financial investments	142,586	162,878
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT(1)	25,155,672	19,804,246
Less:		
Specific impairment on impaired financial investments	(68,670)	(70,681)
TOTAL	25,087,002	19,733,565
Of which included in cash and cash equivalents(2)	0	0

(1) The decrease is mainly linked to the reclassification to "Investments held to maturity", further tactical derisking of the Side portfolio and sales within the Belfius Insurance portfolio.
(2) The amounts of 2014 were revised for the adjusted presentation of financial instruments with an original maturity of less than or equal to 90 days.

2. Analysis of quality

See note 5.18.

3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

4. Analysis by nature

(In thousands of EUR)	31/12/14	31/12/15
Bonds issued by public sector	15,106,295	11,883,285
Other bonds and fixed-income instruments	8,518,884	5,823,829
Equity and variable-income instruments	1,530,493	2,097,132
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT(1)	25,155,672	19,804,246
Specific impairment on impaired financial investments	(68,670)	(70,681)
TOTAL	25,087,002	19,733,565

(1) The decrease is mainly linked to the reclassification to "Investments held to maturity", further tactical derisking of the "Side" portfolio and sales within the Belfius Insurance portfolio.

5. Analysis of the fair value

See note 9.1.

6. Reclassification of financial assets

See note 5.8.

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

(In thousands of EUR)	31/12/14	31/12/15
Financial assets held for trading	2,025,733	1,232,446
Financial assets designated at fair value(1)	4,074,435	1,990,545
TOTAL(2)	6,100,168	3,222,991

(1) Mainly "branch 23".
(2)The decrease is due to the transfer of International Wealth Insurer SA to "Non current assets (disposal group) held for sale and discontinued operations". We refer to note 10.2.

FINANCIAL ASSETS HELD FOR TRADING

1. Analysis by counterparty

(In thousands of EUR)	31/12/14	31/12/15
Public entities	577,828	343,493
Banks	78,277	77,687
Corporate & SME	1,369,628	811,266
TOTAL	2,025,733	1,232,446

2. Analysis by nature

(In thousands of EUR)	31/12/14	31/12/15
Bonds issued by public sector	575,858	340,311
Other bonds and fixed-income instruments	1,422,727	875,369
Equity and variable-income instruments	27,148	16,766
TOTAL	2,025,733	1,232,446

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)	31/12/14	31/12/15
Public entities	29,450	24,037
Banks	7,089	18,704
Corporate & SME	4,037,896	1,947,804
TOTAL(1)	4,074,435	1,990,545

(1)The decrease is due to the transfer of International Wealth Insurer SA to "Non current assets (disposal group) held for sale and discontinued operations". We refer to note 10.2.

The table presents mainly the investment portfolio of "branch 23" transactions.

2. Analysis by nature

(In thousands of EUR)	31/12/14	31/12/15
Unit-linked products Insurance – bonds and loans	1,105,325	1,255,815
Unit-linked products Insurance – equity and variable-income instruments	2,969,110	734,730
TOTAL(1)	4,074,435	1,990,545

(1)The decrease is due to the transfer of International Wealth Insurer SA to "Non current assets (disposal group) held for sale and discontinued operations". We refer to note 10.2.

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 insurance activities: mainly (unit-linked) "branch 23" insurance contracts. The return of these unit-linked products belongs entirely to its policyholder;
→ for 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 note 9.1.

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 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)

(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 2015 (A)	109,682	5,218,386
Fair value As at 31 December 2015 (B)	103,319	3,118,794
CUMULATED AMOUNT BEFORE TAXES NOT TAKEN IN INCOME (1) DUE TO RECLASSIFICATION (B) - (A)	(6,363)	n.a.
CUMULATED AMOUNT BEFORE TAXES NOT TAKEN IN AFS RESERVE (2) DUE TO RECLASSIFICATION (B) - (A)	n.a.	(2,099,592)

1. Reclassification of financial assets under IAS 39 revised

In 2008 and 2009, Belfius decided to reclassify financial assets in application of the amendment of IAS 39.

The decrease of the outstanding amounts of the reclassed portfolio is mainly linked to tactical derisking in 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 advances"

In 2008 Belfius reclassified EUR 2.8 billion from "Held for trading" to "loans and advances". EUR 109.7 million reclassified bonds remain end 2015.

The impact of this amortisation in the interest margin amounts to EUR 0.6 million in 2014 and EUR 0.7 million in 2015.

There are no new impaired bonds in 2014 and 2015 in this category.

B. Transfer from "Available for sale" to "Loans and advances"

Belfius has also reclassified a significant portfolio from "Available-for-sale portfolio" to "Loans and advances" for a total amount of EUR 16.3 billion in 2008 and 2009. End 2015, a portfolio of reclassified bonds of EUR 5.2 billion remains.

There are no new impaired bonds in 2014 and 2015 in this category.

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" to " Held to maturity"

In 2014, Belfius reclassified EUR 2.8 billion from "Financial assets available for sale portfolio" to "Investmens held to maturity", this resulted in a "frozen fair value of reclassified financial assets" of 40.5 million EUR. It concerned mainly Italian sovereign debt instruments. Belfius applied IAS 39.54 following the change in intent of the management for this portfolio. On January 1, 2015, Belfius decided to reclass an additional EUR 1.5 billion bonds from "Financial assets available for sale" to "Investments held to maturity". It concerned mainly bonds issued by the Belgian and French governments. This resulted in a "frozen fair value of reclassified financial assets" of EUR -3.4 million. Belfius applied IAS 39.54 following the change in intent of the management for this portfolio.

5.9. Derivatives

1. Analysis by nature

	31/12/14		31/12/15	
(In thousands of EUR)	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	27,738,981	27,190,999	23,352,089	21,352,831
Derivatives designated as fair value hedges	56,525	213,365	100,006	245,797
Derivatives designated as cash flow hedges	854	12,869	12,943	44,813
Derivatives designated as portfolio hedge	3,333,722	10,748,155	2,478,529	8,416,644
TOTAL	31,130,082	38,165,388	25,943,567	30,060,085

An important decrease in the fair value of derivatives can be noted following the higher interest rate curve as of year-end 2015 compared to year-end 2014. Note also that the notional amount of derivatives has significantly reduced following active management of the derivatives book (for example via TriReduce).

2. Detail of derivatives held for trading

	31/12/14				31/12/15			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	22,031,769	22,164,652	1,343,938	1,420,374	26,759,263	26,660,609	2,583,221	2,389,622
Interest rate derivatives	483,706,914	500,003,787	25,930,716	25,281,666	422,638,134	435,669,767	20,299,995	18,625,013
of which option/cap/floor/collar/swaption	*202,206,095*	*219,517,938*	*3,829,681*	*4,263,658*	*205,107,535*	*218,708,502*	*3,088,894*	*3,494,594*
of which interest rate swaps	*257,623,238*	*257,717,686*	*22,082,635*	*21,000,961*	*204,690,317*	*204,932,511*	*17,210,775*	*15,130,141*
of which other interest rate	*23,877,581*	*22,768,163*	*18,400*	*17,047*	*12,840,282*	*12,028,754*	*326*	*278*
Credit derivatives	7,407,270	6,850,955	342,245	411,515	7,175,051	6,913,927	319,261	207,079
Equity derivatives	1,948,932	2,040,401	122,082	77,444	3,071,878	3,053,689	149,612	131,116
TOTAL	515,094,885	531,059,795	27,738,981	27,190,999	459,644,326	472,297,992	23,352,089	21,352,830

The derivatives position of Belfius originated partially from the fact that Belfius was the competence center for derivatives within the former Dexia Group. These derivatives were hedged externally for market risk. The derivatives with Dexia Group entities remained after the sale of Belfius to the Belgian State in 2011. The credit risk is mitigated through the use of collateral (CSA). 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.

An important decrease of the notional amount of the derivatives can be noted again in 2015.

3. Detail of derivatives designated as fair value hedges

	31/12/14				31/12/15			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	572,419	535,903	0	179,375	630,403	598,595	93,982	242,467
Interest rate derivatives	711,397	249,955	56,525	33,990	540,051	244,955	6,024	3,330
TOTAL	1,283,816	785,858	56,525	213,365	1,170,454	843,550	100,006	245,797

4. Detail of derivatives of portfolio hedge[1]

	31/12/14				31/12/15			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	81,254,143	81,254,143	3,333,722	10,748,155	74,071,602	74,071,602	2,478,529	8,416,644
TOTAL	81,254,143	81,254,143	3,333,722	10,748,155	74,071,602	74,071,602	2,478,529	8,416,644

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

5.10. Investments in equity method companies

1. Carrying value

(In thousands of EUR)	2014	2015
CARRYING VALUE AS AT 1 JANUARY	169,487	146,494
Acquisitions	0	0
Disposals[1]	(22,050)	0
Change in scope of consolidation (out)[2][3]	0	(42,916)
Share of result before tax	3,011	8,907
Share of tax	(1,031)	(615)
Dividend paid	(3,007)	(5,094)
Share of gains and losses not recognised in the income statement	20,697	0
Transfers to technical provisions of insurance companies[4]	(20,628)	0
Other movements	15	(1)
CARRYING VALUE AS AT 31 DECEMBER	146,494	106,775

(1) In 2014, Promotion Leopold SA was sold and a capital reduction was implemented at Ecetia Finances SA.
(2) As from 2015, Sepia is fully consolidated (previously a joint venture). Belfius Insurance has purchased on August 17, 2015, the 50% stake in Sepia from KBC Insurance and has signed a reinsurance contract whereby KBC will retain half of the risks of the Sepia insurance portfolio; as such the historical risk sharing on the portfolio continues. On January 1, 2016, Sepia merged with Belfius Insurance.
(3) In 2015, the shares of the company Ecetia Finances SA were converted into a loan for EUR 35.167 million.
(4) The technical provisions of equity method companies are not included in the consolidated balance sheet.

2. List of equity method companies

	Book value		Website
(In thousands of EUR)	31/12/14	31/12/15	
North Light SA	31,659	32,450	
Pole Star SA	33,555	33,584	
TEB Participations SA	13,901	13,806	
Aviabel SA	8,348	8,522	*www.aviabel.be*
Auxipar SA	5,395	6,585	
Erasmus Garden SA	2,051	5,388	
Isabel SA	4,841	3,243	*www.isabel.eu*
Société Espace Léopold SA	1,930	3,197	
Sepia SA[1]	3,975	0	
Ecetia Finances SA[2]	40,839	0	*www.ecetia.be*
TOTAL	146,494	106,775	

(1) As from 2015, Sepia is fully consolidated (previously a joint venture). Belfius Insurance has purchased on August 17, 2015, the 50% stake in Sepia from KBC Insurance and has signed a reinsurance contract whereby KBC will retain half of the risks of the Sepia insurance portfolio; as such the historical risk sharing on the portfolio continues. On January 1, 2016, Sepia merged with Belfius Insurance.
(2) In 2015, the shares of the company Ecetia Finances SA were converted into a loan.

No significant restrictions of the equity method companies are set up regarding the ability to transfer funds in the form of cash dividends, or to repay loans or advances. Belfius Insurance has the right to preference dividends from Auxipar.

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)	149,130	110,480	38,650	3,670	20,00%	31/12/14
Auxipar SA	56,972	43,084	13,888	6,438	39,70%	31/12/14
Isabel SA	32,949	22,672	10,277	5,138	24,00%	31/12/14
TEB Participations SA	66,825	3,051	63,774	3,021	20,57%	31/12/14
JOINT VENTURES						
Pole Star SA	95,898	90,872	5,026	1,419	60,00%	31/12/14
North Light SA	70,553	70,229	324	(2,561)	60,00%	31/12/14
Société Espace Léopold SA	3,362	74	3,288	(118)	50,00%	31/12/14
Erasmus Garden SA	19,962	17,536	2,426	(561)	50,00%	31/12/14

(1) The main item on the asset side are the investments by the insurance company for an amount of EUR 96.7 million. The main item on the liability side are the technical provisions for an amount of EUR 95.5 million.

There are no significant or material commitments towards the joint ventures.

No significant restrictions of the associates are set up regarding the ability to transfer funds in the form of cash dividends, or to repay loans or advances.

Only those joint ventures with a material impact (i.e. an impact of more than 1% of the consolidated balance sheet total and/or consolidated P&L) have been reported.

5.11. Tangible fixed assets

1. Net book value

(In thousands of EUR)	Land and buildings Own use owner	Land and buildings Own use finance lease	Office furniture and other equipment Own use owner	Office furniture and other equipment Own use finance lease	Investment property	Total
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(1)	(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	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) Acquisitions include mainly leasing contracts for the construction of property. 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 7.13. "Impairment on tangible and intangible assets".

(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 2015	1,722,482	2,507	388,447	17	474,754	2,588,207
Acquisitions(1)	77,032	0	6,901	767	7,958	92,658
Subsequent expenditures	8,113	0	0	0	6,385	14,498
Post-acquisition adjustments	0	0	0	0	2,632	2,632
Disposals(1)	(160,992)	0	(639)	0	(734)	(162,365)
Change in scope of consolidation (in)	0	0	0	0	17,047	17,047
Transfers and cancellations(3)	(167,201)	0	(11,346)	0	122,841	(55,706)
ACQUISITION COST AS AT 31 DECEMBER 2015 (A)	1,479,434	2,507	383,363	784	630,883	2,496,971
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2015	(896,986)	(2,392)	(319,916)	(17)	(71,716)	(1,291,027)
Post-acquisition adjustments	0	0	0	0	0	0
Booked	(27,808)	(51)	(12,407)	(248)	(17,360)	(57,874)
Impairment: booked	0	0	0	0	(1,207)	(1,207)
Write-back(2)	120	0	0	0	0	120
Disposals	17,396	0	558	0	0	17,954
Change in scope of consolidation (in)	0	0	0	0	(158)	(158)
Transfers and cancellations(3)	107,988	0	11,346	0	(84,324)	35,010
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2015 (B)	(799,290)	(2,443)	(320,419)	(265)	(174,765)	(1,297,182)
NET BOOK VALUE AS AT 31 DECEMBER 2015 (A)+(B)	680,144	64	62,944	519	456,118	1,199,789

(1) Acquisitions include mainly leasing contracts for the construction of property. Disposals include the delivery of these leasing contracts. Assets are reclassed to loans and advances.
(2) For more information regarding this impairment, see disclosure 7.13. "Impairment on tangible and intangible assets".
(3) The building Pacheco was transferred in 2015 from "buildings for own use" to "investment property". The building is available for rent as all personnel has moved to the Rogier Tower at Rogierplaats 11, B1210 Brussels.

2. Fair value of investment property

(In thousands of EUR)	31/12/14	31/12/15
TOTAL	436,985	521,630
Fair value subject to an independent valuation	295,315	414,713
Fair value not subject to an independent valuation	141,670	106,917

5.12. Intangible assets

(In thousands of EUR)	Internally developed software	Other intangible assets[1]	Total
ACQUISITION COST AS AT 1 JANUARY 2014	283,115	73,869	356,984
Acquisitions	25,902	5,381	31,283
Disposals	(116)	0	(116)
Transfers and cancellations	(21,072)	(1)	(21,073)
ACQUISITION COST AS AT 31 DECEMBER 2014 (A)	287,829	79,249	367,078
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2014	(201,660)	(60,243)	(261,903)
Booked	(30,738)	(5,761)	(36,499)
Transfers and cancellations	21,072	1	21,073
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2014 (B)	(211,326)	(66,003)	(277,329)
NET BOOK VALUE AS AT 31 DECEMBER 2014 (A)+(B)	76,503	13,246	89,749

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

(In thousands of EUR)	Internally developed software	Other intangible assets[1]	Total
ACQUISITION COST AS AT 1 JANUARY 2015	287,829	79,249	367,078
Acquisitions	27,748	10,378	38,126
Disposals	(4)	(174)	(178)
Transfers and cancellations[2]	(42,350)	(6,467)	(48,817)
ACQUISITION COST AS AT 31 DECEMBER 2015 (A)	273,223	82,986	356,209
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2015	(211,326)	(66,003)	(277,329)
Booked	(40,064)	(5,661)	(45,725)
Disposals	1	0	1
Transfers and cancellations[2]	42,350	6,435	48,785
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2015 (B)	(209,039)	(65,229)	(274,268)
NET BOOK VALUE AS AT 31 DECEMBER 2015 (A)+(B)	64,184	17,757	81,941

(1) Other intangible assets include mainly purchased software for 17.8 million EUR in 2015.
(2) Transfers and cancellations mainly include cancellations of own developed software.

5.13. Goodwill

(In thousands of EUR)	Positive goodwill[1]
ACQUISITION COST AS AT 1 JANUARY 2014	129,886
ACQUISITION COST AS AT 31 DECEMBER 2014 (A)	129,886
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2014	(25,920)
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2014 (B)	(25,920)
NET BOOK VALUE AS AT 31 DECEMBER 2014 (A)+(B)	103,966

(1) Positive goodwill relates to the goodwill on Belfius Insurance. We refer to disclosure 7.14. "Impairment on goodwill".

(In thousands of EUR)	Positive goodwill[1]
ACQUISITION COST AS AT 1 JANUARY 2015	129,886
ACQUISITION COST AS AT 31 DECEMBER 2015 (A)	129,886
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2015	(25,920)
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2015 (B)	(25,920)
NET BOOK VALUE AS AT 31 DECEMBER 2015 (A)+(B)	103,966

(1) Positive goodwill relates to the goodwill on Belfius Insurance. We refer to disclosure 7.14. "Impairment on goodwill".

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 5 years;
- (ii) a cost of equity of 10%; and
- (iii) a long term growth rate for Belgium of 0.5%.

Based on that scenario, a surplus could be identified, note that there have been no changes in parameters compared to last year.

All scenarios (ranging from a growth rate from 0% to 2% and a discount rate of 6% to 12%) showed that no impairment was required. Only if the Cost of Capital (discount curve) would be higher than 15% together with a growth rate of 0.5%, an impairment would start to become necessary.

5.14. Deferred tax assets

1. Analysis

(In thousands of EUR)	31/12/14	31/12/15
Deferred income tax liabilities[1]	(230,302)	(271,967)
Deferred income tax assets	874,801	746,705
DEFERRED TAXES	644,499	474,738
Not recognised deferred tax assets	(189,130)	(181,083)
NET DEFERRED INCOME TAX ASSETS/(LIABILITIES)	455,369	293,655

(1) Increase of deferred tax liabilities following net positive evolution of the AFS reserve on the AFS portfolio.

2. Movements

(In thousands of EUR)	31/12/14	31/12/15
AS AT 1 JANUARY	860,294	455,369
Movements of the year		
Statement of income charge/credit	(64,642)	(114,742)
Items related to "Other Comprehensive Income"	(340,329)	(46,972)
Variation of scope of consolidation	46	0
AS AT 31 DECEMBER	455,369	293,655

A. Deferred tax coming from assets of the balance sheet

	31/12/14(PF[1])		31/12/15	
(In thousands of EUR)	Total	Of which impact in result	Total	Of which impact in result
Loans and advances	158,143	82,144	180,832	14,686
Investments held to maturity	0	0	0	(3,568)
Financial assets available for sale	(1,241,768)	200,364	(1,148,550)	39,829
Derivatives	258,970	2,704,264	(721,146)	(975,892)
Fair value revaluation of portfolio hedge	(1,385,605)	(540,484)	(1,178,274)	199,853
Other	7,711	(3,558)	(11,966)	(16,703)
TOTAL	(2,202,549)	2,442,730	(2,879,104)	(741,795)

(1) The line items have been detailed further to facilitate the reading of the balance sheet.

B. Deferred tax coming from liabilities of the balance sheet

	31/12/14(PF[1])		31/12/15	
(In thousands of EUR)	Total	Of which impact in result	Total	Of which impact in result
Debt securities	0	114,157	0	0
Financial liabilities measured at fair value through profit or loss	86,892	(63,942)	52,916	(33,976)
Technical provisions of insurance companies	351,684	(3,560)	274,486	(3,087)
Derivatives	1,692,824	(2,559,289)	2,396,928	704,091
Fair value revaluation of portfolio hedge	99,928	85,438	76,978	(22,951)
Other	136,014	(31,833)	178,915	47,443
TOTAL	2,367,342	(2,459,029)	2,980,223	691,520

(1) The line items have been detailed further to facilitate the reading of the balance sheet.

(In thousands of EUR)	31/12/14 Total	31/12/14 Of which impact in result	31/12/15 Total	31/12/15 Of which impact in result
Deferred tax coming from the balance sheet	164,793	(16,299)	101,119	(50,275)
Not recognised deferred tax assets – temporary differences	(68,394)		(67,353)	
DEFERRED TAX – TEMPORARY DIFFERENCES	96,399		33,766	

C. Deferred tax coming from other elements

(In thousands of EUR)	31/12/14 Total	31/12/14 Of which impact in result	31/12/15 Total	31/12/15 Of which impact in result
Tax losses carried forward	479,706	(128,817)	373,619	(109,099)
TOTAL	**479,706**	**(128,817)**	**373,619**	**(109,099)**
Not recognised deferred tax assets – tax losses carried forward	(120,736)		(113,730)	
DEFERRED TAX COMING FROM OTHER ELEMENTS AFTER NOT RECOGNISED DEFERRED TAX ASSETS – TAX LOSSES CARRIED FORWARD	358,970		259,889	

(In thousands of EUR)	31/12/14	31/12/15
DEFERRED TAX BEFORE NOT RECOGNISED DEFERRED TAX	644,499	474,738
DEFERRED TAX AFTER NOT RECOGNISED DEFERRED TAX	455,369	293,655

3. Expiry date of not recognised deferred tax assets

Nature (In thousands of EUR)	31/12/14 Less than 1 year	> 1 year and ≤ 5 years	> 5 years	Unlimited maturity	Total
Tax losses carried forward	0	(46 645)	(851)	(73 240)	(120 736)
TOTAL	0	(46 645)	(851)	(73 240)	(120 736)

Nature (In thousands of EUR)	31/12/15 Less than 1 year	> 1 year and ≤ 5 years	> 5 years	Unlimited maturity	Total
Tax losses carried forward	0	(35,569)	0	(78,161)	(113,730)
TOTAL	0	(35,569)	0	(78,161)	(113,730)

The business plans of all entities, except for the entities managing the Side activities, show sufficient structural taxable profit to recognise temporary differences (DTA) on carry forward fiscal losses. The future profitability of the entities managing the Side activities, is uncertain. Hence, no DTA were recognised at these entities.

5.15. Other assets

(In thousands of EUR)	31/12/14	31/12/15
Other assets	884,337	666,789
Other assets specific to insurance companies	312,235	502,988
TOTAL	1,196,572	1,169,777

1. Other assets

Analysis by nature

(In thousands of EUR)	31/12/14	31/12/15
Accrued income	72,325	75,684
Deferred expenses	27,307	20,465
Payments in transit from clients	759,749	535,615
Inventories	1,085	897
Operational taxes	23,871	34,128
TOTAL	884,337	666,789

2. Other assets specific to insurance companies

Analysis by nature (acquisition costs and share of reinsurers)

(In thousands of EUR)	31/12/14	31/12/15
Share of the reinsurers in the technical reserves(1)	112,737	318,219
Receivables resulting from direct insurance transactions	64,031	67,372
Premiums to be issued	2,007	323
Deferred acquisition costs	8,754	8,979
Other insurance assets(2)	124,706	108,095
Impaired insurance assets	568	572
Less:		
Specific impairment	(568)	(572)
TOTAL	312,235	502,988

(1) The increase is due to the fact that as from 2015, Sepia is fully consolidated (previously a joint venture). Belfius Insurance has purchased on August 17, 2015, the 50% stake in Sepia from KBC Insurance and has signed a reinsurance contract whereby KBC will retain half of the risks of the Sepia insurance portfolio; as such the historical risk sharing on the portfolio continues. On January 1, 2016, Sepia merged with Belfius Insurance.
(2) Includes mainly claims on reinsurance entities.

5.16. Non current assets (disposal group) held for sale and discontinued operations

(In thousands of EUR)	31/12/14	31/12/15
Assets of subsidiaries held for sale[1]	0	3,339,266
Tangible and intangible assets held for sale	23,685	13,761
Other assets	1,247	1,501
TOTAL	24,932	3,354,528

(1) As at 31 December 2015, International Wealth Insurer SA was recorded as "Non current assets (disposal group) held for sale and discontinued operations" and "Liabilities included in disposal group and discontinued operations".

In 2015, Belfius Insurance has decided to activate the sale of its insurance participation in "International Wealth Insurer" following the strategy of Belfius to concentrate its activities on Belgium. In 2015, a share purchase agreement has been signed with Valor Group for the sale of the participation of IWI. The deal is in the process of validation by the Luxembourg regulator "Commissariat aux Assurances" or "CAA".

Seeing that the sale is highly likely, the assets and liabilities of IWI has been reclassified to "Non current assets (disposal group) held for sale and discontinued operations" and "Liabilities included in disposal group and discontinued operations" and presented separately from other assets and liabilities. The assets classified as "held for sale" are valued at their carrying amount or at their fair value less costs to sell. Based on the amount per end 2015, the sale would have a positive impact on the consolidated result. As a result, it is not necessary to recognize an impairment on the participation.

Based on IFRS 5, the sale of IWI should not be considered as a "disposal group".

A description is provided in note 10.2.

5.17. Leasing

1. Belfius as a lessor

A. Finance lease

(In thousands of EUR)	31/12/14	31/12/15
Gross investment in finance leases		
Not later than 1 year	744,124	777,637
> 1 year and ≤ 5 years	1,419,297	1,464,522
> 5 years	1,402,830	1,372,604
SUBTOTAL (A)	3,566,251	3,614,763
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASES (B)	566,008	520,769
NET INVESTMENT IN FINANCE LEASES (A)+(B)	3,000,243	3,093,994

(In thousands of EUR)	31/12/14	31/12/15
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	639,566	676,892
> 1 year and ≤ 5 years	1,177,006	1,239,234
> 5 years	1,183,671	1,177,868
TOTAL	3,000,243	3,093,994

(In thousands of EUR)	31/12/14	31/12/15
Amount of contingents rents recognised in statement of income during the period	1,627	0
Amount of uncollectible finance lease payments included in the provision for loan losses at the end of the period	40,126	29,763
Estimated fair value of finance lease	3,051,939	3,044,083
Accumulated allowance for uncollectible minimum lease payments	22,882	22,583

The main underlying assets in lease relate to:

- (i) real estate such as office buildings, commercial real estate, industrial real estate
- (ii) production equipment
- (iii) cars and trucks, locomotives and vessels
- (iv) alternative energy equipment (f.i. solar systems)
- (v) IT equipment

B. Operating lease

(In thousands of EUR)	31/12/14	31/12/15
Future net minimum lease receivables under non cancellable operating leases are as follows:		
Not later than 1 year	45,946	28,451
> 1 year and ≤ 5 years	65,415	82,911
> 5 years	397,625	424,630
TOTAL	508,986	535,992

The main underlying assets in lease relate to:

- (i) real estate
- (ii) cars and trucks
- (iii) IT equipment

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)	31/12/14	31/12/15
Future net minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	8,799	7,318
> 1 year and ≤ 5 years	28,708	26,473
> 5 years	24,056	22,405
TOTAL	61,563	56,196
Amount of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date:	5,338	4,331
Lease and sublease payments recognised as an expense during the period:		
Minimum lease payments	8,647	6,553
Contingent rents	0	8
TOTAL	8,647	6,561

The main underlying assets in lease relate to:

- (i) IT equipment
- (ii) cars

5.18. Quality of financial assets

1. Analysis of loans and securities not subject to impairment

(In thousands of EUR)	Gross amount (A)	
	31/12/14	31/12/15
Loans and advances due from banks	31,067,975	24,323,435
Loans and advances to customers	86,590,462	86,688,077
Investments held to maturity	2,834,531	5,017,155
Financial assets available for sale	25,013,085	19,641,368
Of which Fixed-income instruments	*23,625,178*	*17,704,654*
Of which Equity instruments	*1,387,907*	*1,936,714*
TOTAL	145,506,053	135,670,035

2. Analysis of impaired loans and securities

(In thousands of EUR)	Gross amount (B)		Specific impairment (C)		Net amount (B)+(C)	
	31/12/14	31/12/15	31/12/14	31/12/15	31/12/14	31/12/15
Loans and advances due from banks	0	5,353	0	(2,677)	0	2,676
Loans and advances to customers	2,064,983	2,028,637	(1,156,319)	(1,158,443)	908,664	870,194
Financial assets available for sale	142,586	162,878	(68,669)	(70,681)	73,917	92,197
Of which Fixed-income instruments		*2,460*		*(840)*	*0*	*1,620*
Of which Equity instruments	*142,586*	*160,418*	*(68,669)*	*(69,841)*	*73,917*	*90,577*
TOTAL	2,207,569	2,196,868	(1,224,988)	(1,231,801)	982,581	965,067

3. Analysis of loans and securities

(In thousands of EUR)	Gross amount (A)+(B)		Specific impairment (C)		Net amount (A)+(B)+(C)	
	31/12/14	31/12/15	31/12/14	31/12/15	31/12/14	31/12/15
Loans and advances due from banks	31,067,975	24,328,788	0	(2,677)	31,067,975	24,326,111
Loans and advances to customers	88,655,445	88,716,714	(1,156,319)	(1,158,443)	87,499,126	87,558,271
Investments held to maturity	2,834,531	5,017,155	0	0	2,834,531	5,017,155
Financial assets available for sale	25,155,671	19,804,246	(68,669)	(70,681)	25,087,002	19,733,565
Of which Fixed-income instruments	*23,625,178*	*17,707,114*	*0*	*(840)*	*23,625,178*	*17,706,274*
Of which Equity instruments	*1,530,493*	*2,097,132*	*(68,669)*	*(69,841)*	*1,461,824*	*2,027,291*
SUBTOTAL BEFORE COLLECTIVE IMPAIRMENT	147,713,622	137,866,903	(1,224,988)	(1,231,801)	146,488,634	136,635,102
Collective impairment (-)	0	0	0	0	(350,338)	(377,229)
TOTAL	147,713,622	137,866,903	(1,224,988)	(1,231,801)	146,138,296	136,257,873

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)	31/12/14	31/12/15
Demand deposits	331,304	124,907
Term deposits	2,019,522	442,161
Repurchase agreements	5,054,582	1,349,114
Central banks	5,056,421	1,652,590
Cash collateral received	8,891,643	7,919,944
Other borrowings	54,344	48,906
TOTAL	21,407,816	11,537,622

In 2015, Belfius Bank has fully repaid its LTRO (Longer-Term Financing Operations) financing. In addition, a significant decrease of repurchase agreements and term deposits can be noted. The amount outstanding as of end 2015 towards central banks concerns TLTRO (Targeted Longer-Term Refinancing Operations) financing.

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)	31/12/14	31/12/15
Demand deposits	18,947,087	19,732,552
Saving deposits	31,180,094	32,687,112
Term deposits	8,228,366	9,518,130
Other customer deposits	5,838,071	6,134,534
TOTAL CUSTOMER DEPOSITS	**64,193,618**	**68,072,328**
Repurchase agreements	2,293,059	70,082
Other borrowings	27,197	20,344
TOTAL CUSTOMER BORROWINGS	**2,320,256**	**90,426**
TOTAL	66,513,874	68,162,754

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. Debt securities

1. Analysis by nature

(In thousands of EUR)	31/12/14	31/12/15
Certificates of deposit	2,666,187	3,985,301
Customer savings certificates	6,481,847	5,323,551
Non-convertible bonds	13,680,872	11,096,725
Covered bonds(1)	6,284,010	7,371,975
TOTAL	29,112,916	27,777,552

(1) The covering assets of the Mortgage Pandbrieven (covered bonds) are mainly Belgian mortgage loans granted in accordance with the law on mortgage loans (law of 4 August 1992), through the branch network of Belfius.

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 Pandbrieven programme with a cover pool composed of loans granted to Belgian public sector entities (municipalities, provinces, etc.).

The underlying pool of loans of the covered bonds (Pandbrieven) amount to EUR 10.2 billion end 2015 (and EUR 9.1 billion end 2014). This covered pool guarantees the outstanding covered bonds: 5.5 billion mortgage covered bonds (versus 4.5 billion end 2014) and 1.8 billion public covered bonds (versus 1.75 billion end 2014).

A detailed description of the covering assets (including the outstanding amount and the characteristics of the loans in the cover pool) can be consulted on the website of Belfius in the section "Debt issuance" and in the management report "Risk management".

For more information, we also refer to the prospectus on Belfius website: *www.belfius.com/EN*.

6.4. Financial liabilities measured at fair value through profit or loss

(In thousands of EUR)	31/12/14	31/12/15
Financial liabilities held for trading	43,670	28,333
Financial liabilities designated at fair value(1)	9,123,042	6,888,136
TOTAL	9,166,712	6,916,469

(1) Mainly "branch 23" products and long term funding securities. The decrease is due to the transfer of International Wealth Insurer SA to "Liabilities included in disposal group and discontinued operations".

FINANCIAL LIABILITIES HELD FOR TRADING

1. Analysis by nature

(In thousands of EUR)	31/12/14	31/12/15
Bonds issued by public sector	36,872	23,676
Other bonds	4,464	3,739
Equity instruments	2,334	918
TOTAL	43,670	28,333

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)	31/12/14	31/12/15
Non-subordinated liabilities	4,743,775	4,897,591
Subordinated liabilities	304,832	0
Unit-linked products(1)	4,074,435	1,990,545
TOTAL	9,123,042	6,888,136

(1) The decrease is due to the transfer of International Wealth Insurer SA to "Liabilities included in disposal group and discontinued operations".

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 liabilities designated at fair value through profit or loss" is used in the following situations:

- for insurance activities: mainly (unit-linked) "branch 23" insurance contracts. The return of these unit-linked products belongs entirely to its policyholder;
- for 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 liabilities designated at fair value" is detailed in note 9.1.

6.5. Insurance contracts

1. General overview Life/Non-Life contracts

(In thousands of EUR)	31/12/14 Life branch 21 and 26	31/12/14 Life branch 23	31/12/14 Non-Life	31/12/14 Total	31/12/15 Life branch 21 and 26	31/12/15 Life branch 23	31/12/15 Non-Life	31/12/15 Total[3]
GROSS RESERVES[1]	16,979,641	0	1,067,633	18,047,274	15,572,361	0	1,116,210	16,688,571
Gross reserves – Share of reinsurers[2]	12,643	0	100,094	112,737	224,274	0	93,945	318,219
Gross earned premiums	1,085,073	0	551,157	1,636,230	789,371	0	587,042	1,376,413
Claims incurred and other technical expenses	(1,422,836)	19,691	(352,090)	(1,755,235)	(1,136,579)	18,941	(334,520)	(1,452,158)
Acquisition commissions	(87,235)	(6,054)	(95,579)	(188,868)	(62,801)	(14,797)	(110,866)	(188,464)
Technical result from ceded reinsurance	(2,843)	0	15,002	12,159	(2,028)	(23)	(19,621)	(21,672)
TOTAL TECHNICAL RESULT[3]	(427,841)	13,637	118,490	(295,714)	(412,037)	4,121	122,035	(285,881)

(1) Liabilities V. Technical provisions of insurance companies.
(2) See note 5.15. 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 (In thousands of EUR)	31/12/14 Insurance contracts	31/12/14 Investment contracts with DPF[1]	31/12/14 Total	31/12/15 Insurance contracts	31/12/15 Investment contracts with DPF[1]	31/12/15 Total
Gross premiums written	406,932	678,002	1,084,934	457,730	331,641	789,371
Change in gross unearned premium reserves (UPR)	139	0	139	0	0	0
GROSS EARNED PREMIUMS	407,071	678,002	1,085,073	457,730	331,641	789,371

(1) Discretionary participation feature (DPF).

(In thousands of EUR)	31/12/14	31/12/15
GROSS PREMIUMS WRITTEN LIFE	1,084,934	789,371
Direct business	1,084,393	789,371
Accepted reinsurance	541	0

(In thousands of EUR)	31/12/14 Insurance contracts	31/12/14 Investment contracts with DPF[1]	31/12/14 Total	31/12/15 Insurance contracts	31/12/15 Investment contracts with DPF[1]	31/12/15 Total
Gross claims paid	(357,081)	(1,282,463)	(1,639,544)	(454,302)	(1,454,452)	(1,908,754)
Changes in claims reserves	(5,203)	(4,737)	(9,940)	(6,854)	(10,653)	(17,507)
Changes in Life insurance reserves	1,272,961	(1,029,923)	243,038	(71,553)	877,369	805,816
Changes in profit sharing reserves	(1,845)	6,153	4,308	(2,214)	4,253	2,039
Changes in other technical reserves	0	0	0	356	0	356
Other technical income and charges	(9,148)	(11,550)	(20,698)	(11,093)	(7,434)	(18,527)
CLAIMS INCURRED AND OTHER TECHNICAL EXPENSES	899,684	(2,322,520)	(1,422,836)	(545,660)	(590,917)	(1,136,577)

(1) Discretionary participation feature (DPF).

(In thousands of EUR)	31/12/14 Insurance contracts	Investment contracts with DPF[(1)]	Total	31/12/15 Insurance contracts	Investment contracts with DPF[(1)]	Total
ACQUISITION COMMISSIONS	(79,896)	(7,339)	(87,235)	(26,015)	(36,786)	(62,801)

(1) Discretionary participation feature (DPF).

(In thousands of EUR)	31/12/14 Insurance contracts	Investment contracts with DPF[(1)]	Total	31/12/15 Insurance contracts	Investment contracts with DPF[(1)]	Total
Premiums ceded to reinsurers	(5,621)	(1)	(5,622)	(10,690)	(2)	(10,692)
EARNED PREMIUMS – SHARE OF REINSURERS	(5,621)	(1)	(5,622)	(10,690)	(2)	(10,692)
Claims paid – share of reinsurers	2,290	0	2,290	2,568	0	2,568
Changes in claims reserves – share of reinsurers	(259)	0	(259)	354	0	354
Changes in Life insurance reserves – share of reinsurers	61	0	61	6,429	0	6,429
Changes in profit sharing reserves – share of reinsurers	30	0	30	(35)	0	(35)
Other technical income and charges – share of reinsurers	(50)	0	(50)	(1,724)	0	(1,724)
CLAIMS INCURRED AND OTHER TECHNICAL EXPENSES – SHARE OF REINSURERS	2,072	0	2,072	7,592	0	7,592
Acquisition Commissions and profit sharing received from reinsurers	707	0	707	1,072	0	1,072
TECHNICAL RESULT FROM CEDED REINSURANCE	(2,842)	(1)	(2,843)	(2,026)	(2)	(2,028)

(1) Discretionary participation feature (DPF).

B. Changes in technical reserves

Change in unearned premium reserves

(In thousands of EUR)	31/12/14 Insurance contracts	Investment contracts with DPF[(1)]	Total	31/12/15 Insurance contracts	Investment contracts with DPF[(1)]	Total
Unearned premium reserves (UPR) as at 1 January	139	0	139	0	0	0
Gross change in unearned premium reserves (UPR) as at 31 December	0	0	0	0	0	0
Transferred unearned premium reserves (UPR)	0	0	0	0	0	0
GROSS CHANGE IN UNEARNED PREMIUM RESERVES (UPR)	139	0	139	0	0	0

(1) Discretionary participation feature (DPF).

Changes in claims reserves

(In thousands of EUR)	31/12/14 Insurance contracts	31/12/14 Investment contracts with DPF(1)	31/12/14 Total	31/12/15 Insurance contracts	31/12/15 Investment contracts with DPF(1)	31/12/15 Total
Claims reserves as at 1 January	54,157	52,933	107,090	56,560	57,670	114,230
Variation in opening due to variation of scope of consolidation	0	0	0	456	0	456
Claims reserves as at 31 December	(56,560)	(57,670)	(114,230)	(62,993)	(68,323)	(131,316)
Transferred claims reserves	(2,800)	0	(2,800)	(878)	0	(878)
GROSS CHANGE IN CLAIMS RESERVES	(5,203)	(4,737)	(9,940)	(6,855)	(10,653)	(17,508)

(1) Discretionary participation feature (DPF).

Changes in Life insurance reserves

(In thousands of EUR)	31/12/14 Insurance contracts	31/12/14 Investment contracts with DPF(1)	31/12/14 Total	31/12/15 Insurance contracts	31/12/15 Investment contracts with DPF(1)	31/12/15 Total
Life insurance reserves as at 1 January	5,580,553	10,673,726	16,254,279	4,308,839	11,642,159	15,950,998
Variation in opening due to conversion rate and to variation of scope of consolidation	0	0	0	360,728	0	360,728
Life insurance reserves as at 31 December	(4,308,839)	(11,642,159)	(15,950,998)	(4,718,200)	(10,540,093)	(15,258,293)
Transferred Life insurance reserves	1,247	(61,490)	(60,243)	(22,920)	(224,697)	(247,617)
GROSS CHANGE IN LIFE INSURANCE RESERVES	1,272,961	(1,029,923)	243,038	(71,553)	877,369	805,816

(1) Discretionary participation feature (DPF).

Changes in profit sharing reserve

(In thousands of EUR)	31/12/14 Insurance contracts	31/12/14 Investment contracts with DPF(1)	31/12/14 Total	31/12/15 Insurance contracts	31/12/15 Investment contracts with DPF(1)	31/12/15 Total
Profit sharing reserves as at 1 January	8,015	122,345	130,360	9,309	116,184	125,493
Variation in opening due to variation of scope of consolidation	0	0	0	1,497	0	1,497
Profit sharing reserves as at 31 December	(9,309)	(116,184)	(125,493)	(12,145)	(111,931)	(124,076)
Paid profit share	(557)	0	(557)	(356)	0	(356)
Transferred profit sharing reserve	6	(8)	(2)	(520)	0	(520)
GROSS CHANGE IN PROFIT SHARING RESERVE(2)	(1,845)	6,153	4,308	(2,215)	4,253	2,038

(1) Discretionary participation feature (DPF).
(2) This reserve includes the fund for future allocation.

Changes in other technical reserves

(In thousands of EUR)	31/12/14 Insurance contracts	31/12/14 Investment contracts with DPF[1]	31/12/14 Total	31/12/15 Insurance contracts	31/12/15 Investment contracts with DPF[1]	31/12/15 Total
Other technical reserves Life as at 1 January	0	0	0	0	0	0
Variation in opening due to variation of scope of consolidation	0	0	0	850	0	850
Other technical reserves Life as at 31 December	0	0	0	(396)	0	(396)
Transferred other technical reserves Life	0	0	0	(99)	0	(99)
GROSS CHANGE IN OTHER TECHNICAL RESERVES LIFE	0	0	0	355	0	355

(1) Discretionary participation feature (DPF).

C. Changes in technical reserves – share of reinsurers

Changes in claims reserves – share of reinsurers

(In thousands of EUR)	31/12/14 Insurance contracts	31/12/14 Investment contracts with DPF[1]	31/12/14 Total	31/12/15 Insurance contracts	31/12/15 Investment contracts with DPF[1]	31/12/15 Total
Share of reinsurers in claims reserves as at 1 January	(1,317)	0	(1,317)	(1,058)	0	(1,058)
Variation in opening due to variation of scope of consolidation	0	0	0	(455)	0	(455)
Share of reinsurers in claims reserves as at 31 December	1,058	0	1,058	1,428	0	1,428
Share of reinsurers in transferred claims reserves	0	0	0	439	0	439
CHANGES IN CLAIMS RESERVES – SHARE OF REINSURERS	(259)	0	(259)	354	0	354

(1) Discretionary participation feature (DPF).

Changes in Life insurance reserves – share of reinsurers

(In thousands of EUR)	31/12/14 Insurance contracts	31/12/14 Investment contracts with DPF[1]	31/12/14 Total	31/12/15 Insurance contracts	31/12/15 Investment contracts with DPF[1]	31/12/15 Total
Share of reinsurers in Life insurance reserves as at 1 January	(11,494)	0	(11,494)	(11,555)	0	(11,555)
Share of reinsurers in Life insurance reserves as at 31 December	11,555	0	11,555	221,743	0	221,743
Share of reinsurers in transferred Life insurance reserves	0	0	0	(203,759)	0	(203,759)
CHANGES IN LIFE INSURANCE RESERVES – SHARE OF REINSURERS	61	0	61	6,429	0	6,429

(1) Discretionary participation feature (DPF).

Changes in profit sharing reserves – share of reinsurers

(In thousands of EUR)	31/12/14 Insurance contracts	31/12/14 Investment contracts with DPF(1)	31/12/14 Total	31/12/15 Insurance contracts	31/12/15 Investment contracts with DPF(1)	31/12/15 Total
Share of reinsurers in transferred profit sharing reserve as at 1 January	0	0	0	(30)	0	(30)
Variation in opening due to variation of scope of consolidation	0	0	0	(1,010)	0	(1,010)
Share of reinsurers in transferred profit sharing reserve as at 31 December	30	0	30	1,005	0	1,005
Share of reinsurers in paid profit share	0	0	0	0	0	0
CHANGES IN PROFIT SHARING RESERVES – SHARE OF REINSURERS	30	0	30	(35)	0	(35)

(1) Discretionary participation feature (DPF).

D. Losses resulting from liability adequacy test (LAT)

Nil

E. Assets and Liabilities

Gross reserves

(In thousands of EUR)	31/12/14 Insurance contracts	31/12/14 Investment contracts with DPF(1)	31/12/14 Total	31/12/15 Insurance contracts	31/12/15 Investment contracts with DPF(1)	31/12/15 Total
Life insurance reserves	4,308,839	11,642,159	15,950,998	4,720,292	10,538,001	15,258,293
Reserves due to shadow accounting adjustments	362,120	426,800	788,920	81,406	521,825	603,231
Variation due to variation of scope of consolidation IFRS 5	0	0	0	(41,962)	(491,699)	(533,661)
TOTAL GROSS LIFE INSURANCE RESERVES	4,670,959	12,068,959	16,739,918	4,759,736	10,568,127	15,327,863
Claims reserves	56,560	57,670	114,230	62,993	68,323	131,316
Profit sharing reserve	9,309	116,184	125,493	12,145	111,932	124,077
Other technical reserves	0	0	0	396	0	396
Variation due to variation of scope of consolidation IFRS 5	0	0	0	0	(11,290)	(11,290)
TOTAL GROSS TECHNICAL RESERVES LIFE	4,736,828	12,242,813	16,979,641	4,835,270	10,737,092	15,572,362

(1) Discretionary participation feature (DPF).

Share of reinsurers

(In thousands of EUR)	31/12/14 Insurance contracts	31/12/14 Investment contracts with DPF[1]	31/12/14 Total	31/12/15 Insurance contracts	31/12/15 Investment contracts with DPF[1]	31/12/15 Total
Share of reinsurers in Life insurance reserve	11,555	0	11,555	221,743	0	221,743
Share of reinsurers in claims reserves	1,058	0	1,058	1,428	0	1,428
Share of reinsurers in profit sharing reserves	30	0	30	1,005	0	1,005
Share of reinsurers in other technical reserves	0	0	0	97	0	97
TOTAL SHARE OF REINSURERS IN TECHNICAL RESERVES LIFE	12,643	0	12,643	224,273	0	224,273

(1) Discretionary participation feature (DPF).

Discretionary participation feature included in equity

(In thousands of EUR)	31/12/14 Insurance contracts	31/12/14 Investment contracts with DPF[1]	31/12/14 Total	31/12/15 Insurance contracts	31/12/15 Investment contracts with DPF[1]	31/12/15 Total
Net discretionary participation feature included in equity	0	18,589	18,589	0	40,737	40,737

(1) Discretionary participation feature (DPF).

Reconciliation of changes in life insurance reserves

(In thousands of EUR)	2014 Gross amount contracts	2014 Reinsurance amount	2014 Net amount	2015 Gross amount contracts	2015 Reinsurance amount	2015 Net amount
LIFE INSURANCE RESERVES AS AT 1 JANUARY	16,391,292	11,493	16,379,799	16,739,918	11,555	16,728,363
Variation in opening due to variation of scope of consolidation	0	0	0	364,864	0	364,864
Net payment received/premiums receivable	965,048	4,777	960,271	563,132	3,863	559,269
Additional reserves due to shadow accounting adjustments	651,906	0	651,906	(185,690)	0	(185,690)
Claims paid	(1,638,371)	(1,880)	(1,636,491)	(1,913,410)	(313)	(1,913,097)
Results on death and on life	(77,565)	(3,691)	(73,874)	(76,797)	1,579	(78,376)
Attribution of technical interest	419,743	587	419,156	407,632	775	406,857
Other changes	27,865	269	27,596	(38,125)	204,286	(242,411)
Variation due to variation of scope of consolidation IFRS 5	0	0	0	(533,661)	0	(533,661)
LIFE INSURANCE RESERVES AS AT 31 DECEMBER	16,739,918	11,555	16,728,363	15,327,863	221,745	15,106,118

Classification of the reserve for life insurance branch 21 and 26 by guaranteed interest rate

Guaranteed interest rate	Classification of the reserve[1]			
(In thousands of EUR)	31/12/14		31/12/15	
> 4.00%	1,832,306	12%	1,666,261	11%
≤ 4.00%	2,191,685	14%	1,937,734	13%
≤ 3.50%	2,753,609	17%	2,712,557	18%
≤ 3.00%	3,997,996	25%	3,391,610	22%
≤ 2.50%	1,876,435	12%	1,816,066	12%
≤ 2.00%	2,268,520	14%	2,915,885	19%
Equal to 0%	798,622	5%	583,777	4%
Other	231,825	1%	234,403	1%
TOTAL	15,950,998	100%	15,258,293	100%

(1) Total gross technical reserves Life excluded shadow accounting adjustments.

3. Insurance contracts Non-Life

A. Income and expenses

(In thousands of EUR)	31/12/14	31/12/15
Gross premiums written	555,357	591,089
Change in gross unearned premium reserves (UPR)	(4,200)	(4,047)
GROSS EARNED PREMIUMS	551,157	587,042

(In thousands of EUR)	31/12/14	31/12/15
Gross claims paid	(323,103)	(302,733)
Changes in claims reserves	(25,445)	(29,234)
Changes in profit sharing reserves	(151)	(441)
Changes in other technical reserves	(3,389)	(1,229)
Other technical income and charges	(2)	(883)
CLAIMS INCURRED AND OTHER TECHNICAL EXPENSES	(352,090)	(334,520)

(In thousands of EUR)	31/12/14	31/12/15
Acquisition commissions insurance paid	(36,472)	(49,768)
Acquisition commissions brokers distribution paid	(59,107)	(61,098)
ACQUISITION COMMISSIONS	(95,579)	(110,866)

(In thousands of EUR)	31/12/14	31/12/15
Premiums ceded to reinsurers	(40,032)	(35,639)
Share of reinsurers in change of unearned premium reserves (UPR)	38	208
EARNED PREMIUMS – SHARE OF REINSURERS	(39,994)	(35,431)
Claims paid – share of reinsurers	38,664	18,917
Changes in claims reserves – share of reinsurers	14,049	(6,635)
Changes in profit sharing reserves – share of reinsurers	0	364
Changes in other technical reserves – share of reinsurers	1	(86)
Other technical income and charges – share of reinsurers	(687)	35
CLAIMS INCURRED AND OTHER TECHNICAL EXPENSES – SHARE OF REINSURERS	52,027	12,595
Acquisition commissions and profit sharing received from reinsurers	2,969	3,215
TECHNICAL RESULT FROM CEDED REINSURANCE	15,002	(19,621)

B. Changes in technical reserves

Change in unearned premium reserves

(In thousands of EUR)	31/12/14	31/12/15
Unearned premium reserves (UPR) as at 1 January	114,080	118,280
Unearned premium reserves (UPR) as at 31 December	(118,280)	(122,327)
GROSS CHANGE IN UNEARNED PREMIUM RESERVES (UPR)	(4,200)	(4,047)

Change in claims reserves

(In thousands of EUR)	31/12/14	31/12/15
Claims reserves as at 1 January	866,696	913,758
Claims reserves as at 31 December	(913,758)	(955,618)
Transferred claims reserves	21,617	12,626
GROSS CHANGE IN CLAIMS RESERVES	(25,445)	(29,234)

Changes in profit sharing reserves

(In thousands of EUR)	31/12/14	31/12/15
Profit sharing reserves as at 1 January	0	151
Profit sharing reserves as at 31 December	(151)	(591)
Paid profit share	0	(516)
Transferred profit sharing reserve	0	516
GROSS CHANGE IN PROFIT SHARING RESERVE	(151)	(440)

Changes in other technical reserves

(In thousands of EUR)	31/12/14	31/12/15
Other technical reserves as at 1 January	31,433	35,444
Other technical reserves as at 31 December	(35,444)	(37,674)
Transferred other technical reserves	622	1,001
GROSS CHANGE IN OTHER TECHNICAL RESERVES	(3,389)	(1,229)

C. Changes in technical reserves - share of reinsurers

Share of reinsurers in change of unearned premium reserves (UPR)

(In thousands of EUR)	31/12/14	31/12/15
Share of reinsurers in unearned premium reserves as at 1 January	(1,755)	(1,793)
Share of reinsurers in unearned premium reserves as at 31 December	1,793	2,002
SHARE OF REINSURERS IN CHANGE IN UNEARNED PREMIUM RESERVES (UPR)	38	209

Changes in claims reserves - share of reinsurers

(In thousands of EUR)	31/12/14	31/12/15
Share of reinsurers in claims reserves as at 1 January	(83,757)	(97,806)
Share of reinsurers in claims reserves as at 31 December	97,806	91,171
CHANGES IN CLAIMS RESERVES - SHARE OF REINSURERS	14,049	(6,635)

Changes in profit sharing reserves – share of reinsurers

(In thousands of EUR)	31/12/14	31/12/15
Share of reinsurers in transferred profit sharing reserve as at 1 January	0	0
Variation in opening due to variation of scope of consolidation	0	0
Share of reinsurers in transferred profit sharing reserve as at 31 December	0	364
CHANGES IN PROFIT SHARING RESERVES – SHARE OF REINSURERS	0	364

Changes in other technical reserves - share of reinsurers

(In thousands of EUR)	31/12/14	31/12/15
Other technical reserves as at 1 January	(493)	(494)
Other technical reserves as at 31 December	494	408
CHANGES IN OTHER TECHNICAL RESERVES - SHARE OF REINSURERS	1	(86)

D. Losses resulting from liability adequacy test (LAT)

Nil

E. Non-life insurance by product group

(In thousands of EUR)	Gross earned premiums	Claims incurred and other technical expenses	Acquisition commissions	Technical result from ceded reinsurance	Operating expenses	Net income on capital	Other	Total P&L
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)

(In thousands of EUR)	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
TOTAL AS AT 31 DECEMBER 2015	587,042	(334,520)	(110,866)	(19,622)	(122,511)	47,289	1,442	48,254
ACCEPTED REINSURANCE	1,844	(2,620)	(202)	227	(149)	688	(8)	(220)
DIRECT BUSINESS	585,198	(331,900)	(110,664)	(19,849)	(122,362)	46,601	1,450	48,474
All risks / accidents	85,554	(53,157)	(18,349)	(2,098)	(20,446)	9,209	(63)	650
Cars / third party liability	155,051	(87,940)	(25,430)	(1,165)	(34,315)	23,704	(118)	29,787
Cars / other branches	79,571	(46,035)	(11,865)	(926)	(18,051)	1,495	(7)	4,182
Credit and suretyship	0	(576)	0	0	(63)	157	(1)	(483)
Non Life distribution	0	0	(899)	0	0	0	1,739	840
Health	30,571	(23,606)	(3,241)	440	(7,053)	3,376	(25)	462
Fire and other damage to property	198,184	(87,125)	(48,645)	(16,550)	(35,249)	7,363	(52)	17,926
Accidents at work	36,267	(33,461)	(2,235)	450	(7,185)	1,297	(23)	(4,890)

4. Assets and liabilities

A. Gross reserves

(In thousands of EUR)	31/12/14	31/12/15
Claims reserves	827,384	863,281
Reserves Unallocated Loss Adjustment Expenses (ULAE)	31,410	28,729
Reserves for claims incurred but not reported (IBNR)	54,964	63,609
GROSS TECHNICAL RESERVES NON-LIFE	**913,758**	**955,619**
Other technical reserves	35,595	38,265
Unearned premium reserves (UPR)	118,280	122,327
TOTAL GROSS RESERVES NON-LIFE	**1,067,633**	**1,116,211**

B. Share of reinsurers

(In thousands of EUR)	31/12/14	31/12/15
Share of reinsurers in claims reserves	97,806	91,171
SHARE OF REINSURERS	**97,806**	**91,171**
Share of reinsurers in other technical reserves	494	772
Share of reinsurers in unearned premium reserves (UPR)	1,793	2,002
TOTAL SHARE OF REINSURERS IN TECHNICAL RESERVES NON-LIFE	**100,094**	**93,946**

C. Reconciliation of changes in claims reserves

	2014			2015		
(In thousands of EUR)	Gross amount contracts	Reinsurance amount	Net amount	Gross amount contracts	Reinsurance amount	Net amount
CLAIMS RESERVES AS AT 1 JANUARY	866,696	83,758	782,938	913,758	97,806	815,952
Claims paid on previous years	(135,648)	(3,732)	(131,916)	(136,645)	(13,218)	(123,427)
Changes in claim charges on previous years	(41,502)	4,836	(46,338)	(43,035)	2,460	(45,495)
Liabilities on claims current year	224,212	12,944	211,268	221,539	4,123	217,416
CLAIMS RESERVES AS AT 31 DECEMBER	**913,758**	**97,806**	**815,952**	**955,617**	**91,171**	**864,446**

6.6. Provisions and contingent liabilities

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	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
Amount 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) As of 1 October 2013 within Belfius Bank an agreement was reached on a set of measures to reduce the cost and the number of 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. The restructuring plan for staff is reassessed frequently. The decrease compared to end 2014 is mainly related to the use of the provision following payments to employees that left the bank.
(2) The "Provision for legal litigations" contain mainly disputes with third parties, see below.
(3) 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	Total
AS AT 1 JANUARY 2015	165,658	18,976	169,904	52,127	14,750	5,694	50,060	477,169
Additional provisions	20,108	574	9,472	6,681	13,506	3,008	12,099	65,448
Amount used	(2,465)	(1,437)	(58,292)	(1,073)	0	(3,494)	(11,810)	(78,571)
Unused amounts reversed	(309)	0	(1,435)	(13,287)	(16,399)	(440)	(11,199)	(43,069)
Transfers[3]	16,976	0	0	(14)	0	0	0	16,962
Provisions booked from/to equity[4]	(32,436)	0	0	0	0	0	0	(32,436)
Foreign exchange adjustments	0	0	0	2	38	0	0	40
AS AT 31 DECEMBER 2015	167,532	18,113	119,649	44,436	11,895	4,768	39,150	405,543

(1) As of 1 October 2013 within Belfius Bank an agreement was reached on a set of measures to reduce the cost and the number of 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. The restructuring plan for staff is reassessed frequently. The decrease compared to end 2014 is mainly related to the use of the provision following payments to employees that left the bank.
(2) The "Provision for legal litigations" contain mainly disputes with third parties, see below.
(3) The transfers relate mainly to certain employee benefits, that were formerly included in the technical reserves in 2014, and have been considered "defined benefit" plans in 2015.
(4) Following the new legislation on pension plans in 2015, the internally insured defined contribution plans, that were formerly included in the technical reserves, have been considered "defined benefit" plans in 2015.

2. Post-employment benefits

In Belgium, each employee is eligible for a state pension plan. In addition, Belfius provides pension plan benefits for its employees and in some cases reimburses certain medical costs for active and retired employees.

Additional pension plans are mainly settled through the payment of a lump sum even though the option exists to receive a payment as an annuity.

Additional pension plans

The new legislation of 18/12/2015 with regard to ensuring the sustainability and the social character of supplementary pensions and to strengthen complementarity in relation to the legal retirement pension, included the changes in employers' guaranteed interest rate on contributions for defined contribution plans. Following these changes, a calculation of the obligations using the projected unit credit method was required for defined contribution plans. End 2015, this methodology was applied by Belfius, and if according to this calculation a net liability arose, it was included in the liabilities of Belfius.

The legislation provided a number of additional rules, for example: on the timing of payment of the supplementary pension and on a ban on favorable anticipation as well as on transitional measures for beneficiaries who will be 55 years or older in 2016.

First analysis thereof shows that the impact of the new legislation on the obligations is expected to be limited end 2015.

Defined contribution plans (= DC)

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 or insurance contract.

Belgian defined contribution pension plans are by Belgian law subject to minimum guaranteed rates of return on employer contributions and on employee contributions.

This compulsory return implies that Belgian defined contribution plans are defined benefit plans under the requirement of IAS 19.

There are several defined contribution plans within Belfius Bank. The main defined contribution plan is funded by employer and employee contributions. Employer contributions made to the plan are based on seniority and salary. Employee contributions are a fixed percentage of salary.

The defined contribution plans of Belfius Bank are all managed in an OFP (organism for financing of pensions).

Belfius Insurance and Corona dispose of, defined contribution pension plans (branch 21), for their employees (internal plans).

The guaranteed minimum return for which the employer is responsible, at the end, changed materially in 2015 following the new legislation.

If the pension plan is stuctured as a branch 21 group insurance, the so-called horizontal method is applicable. The reserves preserve their initial employer's guarantee until the final payout. This means that the existing reserves as at 31/12/2015 are still subject to the existing guaranteed 3.25% on employee contributions and 3.75% on the employer contributions until departure. For future deposits, as from 01/01/2016 onwards, the guarantee becomes variable in function of the OLO 10 years interest rate with a minimum guarantee of 1.75% and a maximum guarantee of 3.75% (for the year 2016, the guarantee is 1.75%).

For the defined contribution plans that are managed within an OFP (Organization for the Financing of Pensions) the so-called vertical method is applicable. This means that the existing guarantee of 3.25% on employers contributions and 3.75% on employee contributions only applies until 31/12/2015. For the year 2016, the accumulated reserves as well as the new contributions are accrued to the minimum variable employer guaranteed interest rate (1.75%).

The defined contribution plans are treated as defined benefit plans for the consolidated financial statements. The fair value of the qualifying (in the net pension obligation recognized) underlying assets of the defined contribution plans amounted to EUR 137.9 million end 2015.

Defined benefit plans (= DB)

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 accounts).

Belfius Bank has liabilities for several defined benefit plans.

Before 2007, employees build up rights in these defined benefit plans, which could vary according to the time of entry into service and according the entity to which the employees are allocated.

As from 01/01/2007 new employees in Belfius Bank were no longer granted to a defined benefit plan. Instead, a defined contribution plan was introduced for new employees.

Since 01/10/2013 the existing defined benefit plans of Belfius Bank have been closed and members can no longer add service time in these defined benefit plans. From that date, the defined benefit plans of Belfius Bank are managed dynamically and all employees' new pension rights are allocated into the defined contribution plan of Belfius Bank.

The largest defined benefit plan of Belfius Bank is a group insurance at Ethias. The plan is legally overfunded at the end of 2015, and since there is no additional service time that builds up, there were also no contributions paid in 2015. The other two defined benefit retirement plans for employees of Belfius Bank are managed in an OFP. These two plans are also legally overfunded at the end of 2015 and for this reason no contributions were paid in 2015.

At Belfius Insurance new employees also enter into a defined contribution plan, but the employees who had a defined benefit plan still continue to build their rights into these defined benefit plans. The main defined benefit plan of Belfius Insurance is internally insured and consequently, the assets of the plan are not included in the reporting of the net pension liabilities.

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 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/expense)	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**

(In thousands of EUR)	Present value of obligation	Plan assets at fair value	Deficit/ (surplus)	Asset ceiling	Net liability/ (asset)
AS AT 1 JANUARY 2015	1,810,971	(1,671,967)	139,004	26,653	165,657
Service cost					
Current service cost	52,567	0	52,567	0	52,567
Past service cost and (gain)/loss on settlements	7,901	0	7,901	0	7,901
Administrative expenses and taxes	0	1,234	1,234	0	1,234
Interest income - Interest expense	35,107	(32,766)	2,341	553	2,894
(A) EXPENSE AND INCOME RECOGNISED IN P&L	95,575	(31,532)	64,043	553	64,596
Remeasurements (gain)/loss					
Effect of changes in demographic assumptions	4,282	0	4,282	0	4,282
Effect of changes in financial assumptions	(62,484)	0	(62,484)	0	(62,484)
Effect of experience adjustments	17,894	0	17,894	0	17,894
Return on plan assets (excl. interest income)	0	(15,737)	(15,737)	0	(15,737)
Changes in the effect of asset ceiling (excluding interest income/expense)	0	0	0	24,196	24,196
(B) REMEASUREMENTS (GAIN)/LOSS RECOGNISED IN OCI	(40,308)	(15,737)	(56,045)	24,196	(31,849)
DEFINED BENEFIT COST INCLUDED (A)+(B)	55,267	(47,269)	7,998	24,749	32,747
Contributions					
Employer	0	(45,973)	(45,973)	0	(45,973)
Plan participants	3,132	(3,132)	0	0	0
Payments					
Benefit payments	(81,320)	79,063	(2,257)	0	(2,257)
Other					
Foreign exchange adjustments	2,256	(2,244)	12	(12)	0
Other(1)	17,358	0	17,358	0	17,358
AS AT 31 DECEMBER 2015	1,807,664	(1,691,522)	116,142	51,390	167,532

(1) Following the new legislation on pension plans in 2015, the internally insured defined contribution plans, that were formerly included in the technical reserves, have been considered defined benefit plans in 2015.

B. Fair value of plan assets

(In thousands of EUR)	31/12/14	31/12/15
Plan assets at fair value		
Cash and cash equivalents	18,774	26,429
Equity instruments	214,492	215,692
Debt securities	1,301,764	1,297,596
Real estate	43,768	54,941
Other	93,170	96,862
TOTAL	1,671,968	1,691,520

In 2015, 95.4% of the plan assets at fair value is based on market quotes.

C. Assumptions for Belgian plans

	31/12/14	31/12/15
Discount rate	1.70% - 2.05%	2.10% - 2.70%
Inflation rate	1.75%	1.75%
Salary growth rate	1.75% - 3.1%	0.75% - 2.25%

Assumptions

The discount rate is based since 2012 on a constructed AA-curve of corporate bonds including collateralised bonds.

Belfius applies standard Belgian legal mortality tables which have been adjusted to reflect the current increased longevity.

The inflation rate is based on the long term estimates published by the European Central Bank.

D. Sensitivity[1] of the present value of the Defined Benefit Obligation at end of year to changes of assumptions

	-50 bps	+50 bps
Discount rate	5.85 %	-5.26 %
Inflation rate	-4.00 %	4.68 %
Real salary increase	-2.21 %	3.38 %

(1) If all other assumptions are held constant.

E. Weighted average duration of the benefit obligation

	31/12/14	31/12/15
Belgium	12.66	11.99

F. Risks and ALM

Several of 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 of the pension plans 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 set up 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.

3. Contingent liabilities

Belfius (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 those where it is acting as an insurer, capital and credit provider, employer, investor and tax payer.

In accordance with IFRS, Belfius makes provisions for such 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.

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

The most important cases are listed below, regardless of whether a provision has been made or not. Their description does not deal with elements or evolutions that do not have an impact on the position of Belfius. If the cases listed below were to be successful, they could eventually result in monetary consequences for Belfius. Such impact remains unquantifiable at this stage.

A. Housing Fund of the Brussels Capital Region

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

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

There was no significant evolution in this claim during 2015.

No provision has been made for this claim.

B. BBTK and ACLVB

On 8 May 2014, two trade unions within Belfius Bank, BBTK and ACLVB, summoned Belfius Bank before the Brussels Labour Court. They demand the annulment of the collective bargaining agreements that Belfius Bank signed in 2013 with two other trade unions of the bank. BBTK and ACLVB are of the opinion that these collective bargaining agreements amend, without their consent, previous collective bargaining agreements Belfius Bank also concluded with them. In addition, they are of the opinion that an employer can only sign a collective bargaining agreement with some of the existing trade unions within the firm, if the said employer has not signed previous collective bargaining agreements with other trade unions. The bank rejects this claim as the previous collective bargaining agreements have not been amended and because the law provides in general that a collective bargaining agreement can be signed with only one trade union.

On 26 November 2015, the Labour Tribunal adjourned the hearing for oral pleadings to 20 October 2016 for procedural reasons having no impact on the merits of the case.

There was no further significant evolution in this claim during 2015.

No provision has been made for this claim.

C. Arco

On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) summoned Belfius Bank, together with the 3 aforementioned Arco companies, before the Brussels Commercial Court. 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 orders Belfius Bank in solidum with each of the 3 above mentioned Arco companies to repay their capital contributions, increased by interest and compensation. On an ancillary basis, they applied to the Commercial Court to order Belfius Bank to pay 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 assessment of damages, Belfius cannot assess the content of the claim and has to reject it.

On 16 December 2014 and on 15 January 2016, 1,027, respectively 466 other shareholders of the 3 above mentioned Arco companies joined the summons on a voluntary basis. Belfius has asked for their files so that it can evaluate the content of their claim.

On 17 December 2015, 2,169 shareholders of the 3 above mentioned Arco companies issued a writ to the Belgian State for compulsory intervention. They demand that the Commercial Court orders the Belgian State to pay compensation based on the alleged illegality of the guarantee scheme the Belgian State enacted in favour of Arco shareholders. This demand is subordinated to their claims against Belfius Bank and has no negative impact on Belfius Bank.

There was no further significant evolution in this claim during 2015.

No provision has been made for this claim.

At the level of Belfius insurance, no special provision has been made for important litigation cases.

6.7. Subordinated debts

1. Analysis by nature

(In thousands of EUR)	31/12/14	31/12/15
CONVERTIBLE SUBORDINATED DEBT		
Loan capital perpetual subordinated notes	0	0
Other	0	0
NON-CONVERTIBLE SUBORDINATED DEBT		
Loan capital perpetual subordinated notes	349,508	365,468
Other	536,850	547,536
TOTAL(1)	886,358	913,004
Hybrid capital and redeemable preference shares	0	0

(1) The increase in subordinated debt is due to the foreign exchange impact (mainly Japanese Yen).

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.(1)	EUR	15,000	15/07/2019	a) not applicable b) no specific conditions c) none	CMS linked(2)
2.(1)	EUR	40,000	03/12/2019	a) not applicable b) no specific conditions c) none	• if GBP libor 12 months < 5%: rate = GBP libor 12 months + 20 bps, • if GBP libor 12 months >= 5%: rate = 7.55%
3.(1)	EUR	11,000	16/12/2019	a) not applicable b) no specific conditions c) none	CMS linked(2)
4.	EUR	29,948	01/03/2022	a) not applicable b) no specific conditions c) none	Euribor 3m + 43 bps
5.	EUR	44,939	04/04/2022	a) not applicable b) no specific conditions c) none	6%
6.	EUR	20,000	02/04/37 (call date: 02/04/2017)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each period of 5 years b) no specific conditions c) none	4.86%
7.	EUR	20,000	01/03/47 (call date: 01/03/2017)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each period of 5 years b) no specific conditions c) none	5.04%
8.	EUR	17,500	undetermined (call date: 29/12/2023)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each period of 12 years b) no specific conditions c) none	IRS 12y + 200 bps
9.	EUR	17,500	undetermined (call date: 29/12/2019)	a) possible with the agreement of the NBB, from the time of the call, then at the end of each period of 10 years b) no specific conditions c) none	IRS 10y + 200 bps
10.	EUR	50,000	undetermined (call date: 15/07/2023)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each period of 12 years b) no specific conditions c) none	IRS 12y + 200 bps
11.	EUR	65,904	undetermined (call date: 18/05/2016)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	Euribor 6m + 187 bps
12	GBP	150,000	09/02/17 (call date: 09/02/2016)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	GBP Libor 3m + 70 bps
13.	USD	50,000	undetermined (call date: 25/02/2016)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	USD Libor 3m + 175 bps
14.	USD	100,000	undetermined (call date: 21/03/2016)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each interest period b) no specific conditions c) none	USD Libor 3m + 175 bps
15.(1)	JPY	10,000,000	11/09/2025	a) not applicable b) no specific conditions c) none	6.10%

(1) Bifurcated
(2) CMS: Constant Maturity Swap

Ref. No.	Currency	Amount in thousands of currency units	Maturity date or method for determining the duration	a) Circumstances for early redemption b) Conditions for subordination c) Conditions for convertibility	Conditions of compensations
16.[1]	JPY	10,000,000	11/09/25	a) not applicable b) no specific conditions c) none	6.05%
17.	EUR	72,000	undetermined (call date: 1/1/2025)	a) possible with the agreement of the NBB, from the date of the call, then at the end of each year b) no specific conditions c) none	6.25% till 01/01/2025, then: Euribor 3m + 417 bps

(1) Bifurcated

6.8. Other liabilities

(In thousands of EUR)	31/12/14	31/12/15
Other liabilities (except relating to insurance activities)	1,953,951	1,677,003
Other liabilities specific to insurance activities	196,566	379,558
TOTAL	2,150,517	2,056,561

1. Other liabilities (except relating to insurance activities)

(In thousands of EUR)	31/12/14	31/12/15
Accrued costs	79,879	101,503
Deferred income	45,298	35,130
Subsidies	1	0
Other granted amounts received	68	141
Salaries and social charges (payable)	138,614	134,243
Operational taxes	69,633	63,214
Pending payments to clients and debts to service providers	1,277,898	968,299
Pending payments from lease contracts	124,819	86,140
Pending payments from factoring activities	217,741	288,333
TOTAL	1,953,951	1,677,003

2. Other liabilities specific to insurance activities

(In thousands of EUR)	31/12/14	31/12/15
Debts for deposits from assignees	97,630	303,849
Debts resulting from direct insurance transactions	73,790	51,011
Debts resulting from reinsurance transactions	24,882	24,565
Other insurance liabilities	264	133
TOTAL	196,566	379,558

6.9. Liabilities included in disposal group and discontinued operations

(In thousands of EUR)	31/12/14	31/12/15
Liabilities of subsidiaries held for sale[1]	0	3,243,438
Discontinued operations	0	0
TOTAL	**0**	**3,243,438**

(1) As at 31 December 2015, International Wealth Insurer SA was recorded as "Non current assets (disposal group) held for sale and discontinued operations" and "Liabilities included in disposal group and discontinued operations".

In 2015, Belfius Insurance has decided to activate the sale of its insurance participation in "International Wealth Insurer" following the strategy of Belfius to concentrate its activities in Belgium. In 2015, a share purchase agreement has been signed with Valor Group for the sale of the participation of IWI. The deal is in the process of validation by the Luxembourg regulator "Commissariat aux Assurances" or "CAA".

Seeing that the sale is highly likely, the assets and liabilities of IWI has been reclassified to "Non current assets (disposal group) held for sale and discontinued operations" and "Liabilities included in disposal group and discontinued operations" and presented separately from other assets and liabilities.

The assets classified as "held for sale" are valued at its carrying amount or at its fair value less costs to sell. Based on the amount per end 2015, the sale would have a positive impact on the consolidated result. As a result, it is not necessary to recognize an impairment on the participation.

Based on IFRS 5, the sale of IWI should not be considered as a "disposal group".

A discription is provided in note 10.2.

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

We refer to the chapter "Financial results" in the management report.

7.1. Interest income – interest expense

(In thousands of EUR)	31/12/14(PF(1))	31/12/15
INTEREST INCOME(2)	5,558,955	4,672,441
INTEREST INCOME OF ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	4,013,145	3,418,204
Cash and balances with central banks	1,062	770
Loans and advances due from banks	246,748	43,262
Loans and advances to customers	2,824,505	2,611,723
Financial assets available for sale	882,800	635,464
Investments held to maturity	18,798	86,304
Interest on impaired assets	32,270	31,572
Other	6,962	9,109
INTEREST INCOME OF ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	1,545,810	1,254,237
Financial assets held for trading	37,485	28,849
Financial assets designated at fair value	29	0
Derivatives held for trading	468,331	471,914
Derivatives as hedging instruments	1,039,965	753,474
INTEREST EXPENSE(2)	(3,471,479)	(2,648,756)
INTEREST EXPENSE OF LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(1,098,085)	(718,412)
Due to banks	(60,886)	(31,833)
Customer borrowings and deposits(1)	(383,914)	(193,920)
Debt securities	(625,539)	(464,806)
Subordinated debts	(21,572)	(22,045)
Other	(6,174)	(5,808)
INTEREST EXPENSE OF LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(2,373,394)	(1,930,344)
Financial liabilities held for trading	(229)	728
Financial liabilities designated at fair value	(176,104)	(180,139)
Derivatives held for trading	(349,191)	(324,197)
Derivatives as hedging instruments	(1,847,870)	(1,426,736)
NET INTEREST INCOME	2,087,476	2,023,685

(1) In order to align the presentation of the bank levies to 2015 classification, the levies related to the deposit guarantee scheme were in 2014 consolidated statement of income reclassified from "II. Interest expense" to "XII. Other expense".
(2) Negative interest paid on assets are included in interest expense. Negative interest received on liabilities are included in interest income.

7.2. Dividend income

(In thousands of EUR)	31/12/14	31/12/15
Financial assets available for sale	49,027	60,507
Financial assets held for trading	391	1,140
TOTAL	49,418	61,647

7.3. Net income from equity method companies

(In thousands of EUR)	31/12/14	31/12/15
Income from equity method companies before tax	3,011	8,907
Share of tax	(1,031)	(615)
TOTAL	1,980	8,292

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

(In thousands of EUR)	31/12/14	31/12/15
Net trading income	(122,781)	41,444
Net result of hedge accounting	(112,817)	6,174
Net result of financial instruments designated at fair value through profit or loss and result from the related derivatives(1)	9,361	7,060
Forex activity and exchange differences	4,503	(16,946)
TOTAL	(221,734)	37,732

Fair value adjustments had a positive impact on the result of 2015, following the improved market environment during 2015 compared to year-end 2014 (mainly an improvement of the credit spreads and basis spreads). The total amount recorded on the balance sheet as credit value adjustments stands at EUR -250 million end 2015 (compared to EUR -269 million end 2014), whereas total amount on the balance sheet of the debit value adjustment recorded amounts to EUR +27 million end 2015 (and EUR +24 million end 2014). The total amount on the balance sheet related to funding value adjustments amounts to EUR -48 million end 2015 (compared to EUR -74 million end 2014). We refer to note 9.5. which gives a global overview of the market risks.

	31/12/14	31/12/15
(1) Among which trading derivatives included in a fair value option strategy	99,761	(38,586)

Result of hedge accounting

(In thousands of EUR)	31/12/14	31/12/15
FAIR VALUE HEDGES	4,736	29,438
Fair value changes of the hedged item attributable to the hedged risk	135,984	28,956
Fair value changes of the hedging derivatives	(131,248)	482
PORTFOLIO HEDGE	(117,553)	(23,264)
Fair value changes of the hedged item	2,596,183	(876,458)
Fair value changes of the hedging derivatives	(2,713,736)	853,194
TOTAL	(112,817)	6,174

(In thousands of EUR)	31/12/14	31/12/15
DISCONTINUATION OF CASH FLOW HEDGE ACCOUNTING (CASH FLOWS STILL EXPECTED TO OCCUR) - AMOUNTS RECORDED IN INTEREST MARGIN	93	97

Following the changes in the basis risk and the low interest environment, the net result from hedge accounting has increased. Nevertheless, the efficiency tests were respected at all times.

Belfius applies mainly Fair value Hedges for establishing a hedge relationship between the hedged items and hedging instruments for the interest rate risk. It applies this on a macro basis on the asset side and on the liability as well as on a micro hedge basis for certain bonds on asset and liability side.

7.5. Net income on investments and liabilities

(In thousands of EUR)	31/12/14	31/12/15
Gains on Loans and advances	103,050	18,143
Gains on Financial assets available for sale	126,689	269,408
Gains on Tangible fixed assets	36,057	13,274
Gains on Liabilities	1	0
Other gains	2,373	3,140
TOTAL GAINS	268,170	303,965
Losses on Loans and advances	(136,103)	(16,447)
Losses on Financial assets available for sale	(98,996)	(202,393)
Losses on Investments held to maturity		(9)
Losses on Tangible fixed assets	(959)	(253)
Losses on Assets held for sale	(82)	(82)
Losses on Liabilities	(920)	(679)
Other losses	(335)	(70,247)
TOTAL LOSSES	(237,395)	(290,110)
NET IMPAIRMENT	10,595	325
TOTAL	41,370	14,180

The Net Income on investments and liabilities is mainly impacted by further derisking in Side Portfolio as well as sales within Belfius Insurance portfolio. Note that the result in Side of derisking in the credit guarantees portfolio is recorded in the line "other".

Net impairment

	Specific risk		Total
(In thousands of EUR)	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

	Specific risk		Total
(In thousands of EUR)	Allowances	Write-backs	
AS AT 31 DECEMBER 2015			
Securities available for sale	(3,418)	3,743	325
TOTAL	(3,418)	3,743	325

7.6. Fee and commission income – expense

	31/12/14			31/12/15		
(In thousands of EUR)	Income	Expense	Net	Income	Expense	Net
Commissions on unit trusts and mutual funds managed by third parties	138,303	(4,631)	133,672	187,379	(5,645)	181,734
Insurance activity	116,039	(6,443)	109,596	112,972	(6,601)	106,371
Credit activity	33,618	(9,768)	23,850	34,071	(10,853)	23,218
Purchase and sale of securities	28,661	(1,245)	27,416	24,357	(1,525)	22,832
Purchase and sale of unit trusts and mutual funds	39,932	(960)	38,972	53,330	(566)	52,764
Payment services	142,322	(47,300)	95,022	138,844	(46,666)	92,178
Commissions to not exclusive brokers	2,925	(11,726)	(8,801)	2,250	(13,896)	(11,646)
Services on securities other than safekeeping	1,671	(743)	928	3,750	(620)	3,130
Custody	18,240	(4,456)	13,784	17,893	(4,068)	13,825
Issues and placements of securities	3,417	(801)	2,616	3,861	(1,917)	1,944
Servicing fees of securitisation	447	0	447	363	(813)	(450)
Private banking	12,188	(4,196)	7,992	15,427	(5,438)	9,989
Clearing and settlement	6,655	(5,215)	1,440	7,079	(6,039)	1,040
Securities lending	219	(32)	187	92	(21)	71
TOTAL	544,637	(97,516)	447,121	601,668	(104,668)	497,000

7.7. Other income

(In thousands of EUR)	31/12/14	31/12/15
Operational taxes	911	1,042
Rental income from investment property	21,318	21,875
Other rental income	8,790	10,242
Write-back of provisions for litigations	12,209	25,369
Other income on other activities(1)	94,033	80,464
OTHER INCOME	**137,261**	**138,992**

(1) "Other income on other activities" includes other operational income from operating lease and other operational income.

7.8. Other expense

(In thousands of EUR)	31/12/14(PF(1))	31/12/15
Impairment on inventory	(2)	(2)
Bank levies(1)	(139,584)	(205,106)
Repair and maintenance on investment properties that generated income during the current financial year	(728)	(7,273)
Provisions for litigations	(3,738)	(2,294)
Other expense on other activities(2)	(32,140)	(97,110)
OTHER EXPENSE	**(176,192)**	**(311,785)**

(1) In order to align the presentation of the bank levies to 2015 classification, the levies related to the deposit guarantee scheme were in 2014 consolidated statement of income reclassified from "II. Interest expense" to "XII. Other expense". Note that the total financial sector levies amount to -246 million EUR for 2015, compared to -157 million EUR end 2014.

(2) "Other expenses on other activities" includes other operational expenses for operating lease (other than rental expenses and contingent rents), depreciation and amortization on office furniture and equipment given in operational lease, other operational expenses, depreciation and amortization on investment property, and other operational taxes.

7.9. Staff expense

(In thousands of EUR)	31/12/14	31/12/15
Wages and salaries	(484,618)	(438,953)
Social security and insurance costs	(137,332)	(134,080)
Pension costs-defined benefit plans(1)	(53,251)	(62,898)
Pension costs-defined contribution plans(1)	(643)	(879)
Other postretirement obligations (reversal / use)	28,169	(479)
Other long-term employee benefits	(465)	864
Restructuring expenses (reversal / use)(1)	21,496	36,745
Other expense	(10,651)	(10,739)
TOTAL	(637,295)	(610,419)

(1) We refer to note 6.6. "Provisions and contingent liabilities" for a detailed description.

(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
of which Bank group	5,458	1	11	5,470
of which Belins group	1,257	85	5	1,347

(Average FTE) as at 31 December 2015	Belgium	Luxembourg	Ireland	Fully consolidated
Senior Executives	155	4	2	161
Employees	6,275	75	8	6,358
TOTAL	6,430	79	10	6,519
of which Bank group	5,179	2	10	5,191
of which Belins group	1,251	77	0	1,328

7.10. General and administrative expense

(In thousands of EUR)	31/12/14	31/12/15
Occupancy	(30,236)	(30,353)
Operating leases (except technology and system costs)	(7,596)	(7,409)
Professional fees	(31,458)	(38,939)
Marketing advertising and public relations	(42,863)	(36,675)
Technology and system costs	(149,106)	(155,257)
Software costs and research and development costs	(31,210)	(30,286)
Repair and maintenance expenses	(920)	(767)
Insurance (except related to pension)	(5,576)	(4,678)
Transportation of mail and valuable	(33,601)	(20,560)
Operational taxes	(45,641)	(50,592)
Other general and administrative expense	(62,110)	(57,318)
TOTAL(1)	(440,317)	(432,834)

(1) The impact of cost control efforts resulted in a decrease of the general and administrative expenses.

7.11. Depreciation and amortisation of fixed assets

(In thousands of EUR)	31/12/14	31/12/15
Depreciation of buildings	(29,808)	(30,537)
Depreciation of other tangible assets	(19,274)	(12,654)
Amortisation of intangible assets	(36,499)	(34,014)
TOTAL	(85,581)	(77,205)

7.12. Impairments on financial instruments and provisions for credit commitments

1. Collective impairment

	31/12/14			31/12/15		
(In thousands of EUR)	Allowances	Write-backs	Total	Allowances	Write-backs	Total
TOTAL OF COLLECTIVE IMPAIRMENT ON LOANS	(93,209)	115,138	21,929	(75,036)	50,413	(24,623)

2. Specific impairment

	31/12/14				
(In thousands of EUR)	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)
Commitments	(10,901)	2,189	0	0	(8,712)
TOTAL	(212,335)	195,777	(76,550)	12,634	(80,474)

(1) Is presented under item XV. of the Assets.

	31/12/15				
(In thousands of EUR)	Allowances	Write-backs	Losses	Recoveries	Total
Loans and advances due from banks	(2,562)	0	0	9,293	6,731
Loans and advances to customers	(169,145)	175,168	(110,192)	26,701	(77,468)
Assets from insurance companies(1)	(207)	203	0	0	(4)
Other receivables	(194)	0	0	0	(194)
Commitments	(13,506)	16,399	0	0	2,893
TOTAL	(185,614)	191,770	(110,192)	35,994	(68,042)

(1) Is presented under item XV. of the Assets.

7.13. Impairment on tangible and intangible assets

(In thousands of EUR)	31/12/14	31/12/15
Impairment on investment property	(4,659)	(1,207)
Impairment on land and buildings	(265)	120
Impairment on intangible assets(1)	0	(11,711)
TOTAL	(4,924)	(12,798)

(1) Following the increased digitalisation, Belfius has reviewed the (expected) economic use of its internally developped software and recorded, where necessary, exceptional impairments.

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7.14. 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 5 years;
- (ii) a cost of equity of 10%; and
- (iii) a long term growth rate for Belgium of 0.5%.

Based on that scenario, a surplus could be identified, note that there have been no changes in parameters compared to last year.

All scenario's (ranging from a growth rate from 0% to 2% and a discount rate of 6% to 12%) showed that no impairment was required. Only if the Cost of Capital (discount curve) would be higher than 15% together with a growth rate of 0.5%, would an impairment be necessary.

7.15. Tax (expense) income

	31/12/14			31/12/15		
(In thousands of EUR)	Tax on current year result	Other tax expense	Total	Tax on current year result	Other tax expense	Total
Current tax expense / income: Income tax on current year	(31,836)		(31,836)	(60,303)		(60,303)
Current tax expense / income: Income tax on previous year		3,295	3,295		1,668	1,668
Current tax expense / income: Provision for tax litigations		(7,189)	(7,189)		(2,500)	(2,500)
TOTAL CURRENT TAXES			**(35,730)**			**(61,135)**
Deferred taxes on current year	(109,826)		(109,826)	(137,583)		(137,583)
Deferred taxes on previous year		45,707	45,707		22,845	22,845
TOTAL DEFERRED TAXES			**(64,119)**			**(114,738)**
TOTAL	**(141,662)**	**41,813**	**(99,849)**	**(197,886)**	**22,013**	**(175,873)**
STANDARD CALCULATED TAX RATE			17.84%			25.79%

Effective corporate income tax charge

(In thousands of EUR)	31/12/14	31/12/15
NET INCOME BEFORE TAX	559,729	681,948
Income and losses from companies accounted for by the equity method	1,980	8,292
TAX BASE (A)	557,749	673,656
Statutory tax rate	33.99%	33.99%
TAX EXPENSE USING STATUTORY RATE	189,579	228,976
Tax effect of rates in other jurisdictions	11,903	(423)
Tax effect of non-taxable revenues(1)	(15,646)	(12,696)
Tax effect of non-tax deductible expenses	19,424	20,078
Tax effect from reassessment of unrecognised deferred tax assets	1,872	15,004
Items taxed at a reduced rate	(8,918)	(11,187)
Other increase (decrease) in statutory tax charge	(56,552)	(41,866)
TAX ON CURRENT YEAR RESULT (B)	**141,662**	**197,886**
Tax base	557,749	673,656
EFFECTIVE TAX RATE (B)/(A)	**25.4%**	**29.4%**

(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)	31/12/14	31/12/15
Loans to be delivered and purchases of assets	1,829,796	3,253,049
Borrowings to be received and sales of assets	2,382,296	4,399,154

8.2. Guarantees

(In thousands of EUR)	31/12/14	31/12/15
Guarantees given to credit institutions	1,625,513	1,263,913
Guarantees given to customers	4,507,973	4,349,497
Guarantees received from credit institutions[1]	1,461,587	1,236,105
Guarantees received from customers	29,961,694	29,550,054

(1) This amount includes the personal guarantees and similar rights of recourse obtained for derivatives.

8.3. Loan commitments

(In thousands of EUR)	31/12/14	31/12/15
Unused lines granted to credit institutions	4,494	266,883
Unused lines granted to customers	17,767,225	22,595,235
Unused lines obtained from credit institutions	386	0

8.4. Other commitments to financing activities

(In thousands of EUR)	31/12/14	31/12/15
Insurance activity – Commitments received	75,042	74,764
Banking activity – Commitments given(1)	47,821,477	23,404,829
Banking activity – Commitments received	61,807,816	69,159,763

(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 the "Risk Management" section 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 6.1 billion (nominal) at the end of 2014 and EUR 7.3 billion (nominal) at the end of 2015.

See also note 6.3 "Debt securities".

8.5. Bond lending and bond borrowing transactions

(In thousands of EUR)	31/12/14	31/12/15
Securities lending	1,882	7,272
Securities borrowing	334,702	333,743

IX. Notes on risk exposure

(some amounts may not add up due to roundings-off)

9.1. Fair value

1. Fair value of financial instruments

A. Breakdown of fair value of assets

	31/12/14			31/12/15		
(In thousands of EUR)	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and balances with central banks	2,412,855	2,412,855	0	576,276	576,276	0
Loans and advances(1)(2)	118,216,763	127,213,588	8,996,825	111,507,154	117,415,514	5,908,360
Investments held to maturity	2,834,531	2,914,118	79,587	5,017,155	5,090,770	73,615
Financial assets measured at fair value through profit or loss	6,100,168	6,100,168	0	3,222,991	3,222,991	0
Financial assets available for sale	25,087,002	25,087,002	0	19,733,565	19,733,565	0
Derivatives	31,130,082	31,130,082	0	25,943,567	25,943,567	0
Non current assets (disposal group) held for sale and discontinued operations	24,932	43,174	18,242	3,354,528	3,366,748	12,220

(1) The figures of 31/12/2014 have been restated to allow for a better comparison of the balance sheet amounts.
(2) The low interest rate environment caused a significant number of prepayments in 2015 resulting in a decrease of the unrealised gain on "loans and advances" compared to 2014. Note that this unrealised gain has been approximated taking into account an internal estimate of the future potential prepayment rate.

B. Breakdown of fair value of liabilities

	31/12/14			31/12/15		
(In thousands of EUR)	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Borrowings and deposits	87,921,690	88,142,315	220,625	79,700,376	79,884,719	184,343
Financial liabilities measured at fair value through profit or loss	9,166,711	9,166,711	0	6,916,469	6,916,469	0
Derivatives	38,165,388	38,165,388	0	30,060,085	30,060,085	0
Debt securities	29,112,916	30,042,286	929,370	27,777,552	28,430,570	653,018
Subordinated debts	886,358	913,156	26,798	913,004	994,683	81,679
Liabilities included in disposal group and discontinued operations			0	3,243,438	3,243,438	0

For some assets and liabilities, Belfius estimates that the fair value approximates their carrying value.

The own credit risk on liabilities has not changed significantly.

The carrying amount does not include the "Fair value revaluation of portfolio hedge" as it is presented separately on the balance sheet. In 2014, the value of the hedged interest rate risk amount is EUR 5,072 million on the asset side and EUR 294 million on the liability side. End 2015, EUR 4,373 million on the asset side and EUR 226 million on the liability side are recognised on the balance sheet.

2. Analysis of fair value of financial instruments

A. Assets

(In thousands of EUR)	31/12/15 Level 1	Level 2	Level 3	Total
Loans and advances[1]	2,180,562	45,977,781	79,055,245	127,213,588
Investments held to maturity	2,914,118			2,914,118
SUBTOTAL	**5,094,680**	**45,977,781**	**79,055,245**	**130,127,706**
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 (disposal group) held for sale and discontinued operations		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	82,493,211	192,488,132

(1) The figures of 31/12/2014 have been restated to allow for a better comparison of the balance sheet amounts.

(In thousands of EUR)	31/12/15 Level 1	Level 2	Level 3	Total
Loans and advances	1,727,159	36,543,337	79,145,018	117,415,514
Investments held to maturity	4,693,941	240,271	156,558	5,090,770
SUBTOTAL	**6,421,100**	**36,783,608**	**79,301,576**	**122,506,284**
Financial assets measured at fair value through profit or loss	2,351,704	595,944	275,343	3,222,991
Financial assets available for sale	17,746,604	473,375	1,513,586	19,733,565
Derivatives	1,191	24,517,592	1,424,784	25,943,567
Non current assets (disposal group) held for sale and discontinued operations[1]	3,292,786	66,854	7,108	3,366,748
SUBTOTAL	**23,392,285**	**25,653,765**	**3,220,821**	**52,266,871**
TOTAL	29,813,385	62,437,373	82,522,397	174,773,155

(1) The "non current assets (disposal group) held for sale and discountinued operations" and the "liabilities included in disposal group and discontinued operations" relate mainly to the portfolio of International Wealth Insurer.

B. Liabilities

(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 and discontinued operations				0
TOTAL	12,704,012	141,140,366	12,585,478	166,429,856

(In thousands of EUR)	31/12/15 Level 1	Level 2	Level 3	Total
Borrowings and deposits	0	78,917,253	967,466	79,884,719
Debt securities	8,136,721	5,228,126	14,885,723	28,430,570
Subordinated debts	324,055	288,757	381,871	994,683
SUBTOTAL	8,460,776	84,434,136	16,235,060	109,309,972
Financial liabilities measured at fair value through profit or loss	2,018,093	2,345,307	2,553,069	6,916,469
Derivatives	5,908	28,910,713	1,143,464	30,060,085
Liabilities included in disposal groups and discontinued operations(1)	3,243,438			3,243,438
TOTAL	13,908,215	115,690,156	19,931,593	149,529,964

(1) The "non current assets (disposal group) held for sale and discountinued operations" and the "liabilities included in disposal group and discontinued operations" relate mainly to the portfolio of International Wealth Insurer.

3. Transfer between Level 1 and Level 2 fair value for assets and liabilities at fair value in the balance sheet

A. Assets at fair value in the balance sheet

(In thousands of EUR)	31/12/14 From 1 to 2	31/12/14 From 2 to 1	31/12/15 From 1 to 2	31/12/15 From 2 to 1
Financial assets measured at fair value through profit or loss	0	19,489	0	0
Financial assets available for sale	2,858	184,094	10,510	67,761
TOTAL	2,858	203,583	10,510	67,761

B. Liabilities at fair value in the balance sheet

(In thousands of EUR)	31/12/14 From 1 to 2	31/12/14 From 2 to 1	31/12/15 From 1 to 2	31/12/15 From 2 to 1
Financial liabilities measured at fair value through profit or loss	0	0	0	0
Derivatives	15,162	0	0	0
TOTAL	15,162	0	0	0

4. Reconciliation Level 3

A. Assets

(In thousands of EUR)	31/12/14 Opening balance	Total of realised gains and losses in P&L	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	Closing balance
Financial assets measured at fair value through profit or loss	761,628	0	63,941	0	170,146	(21,336)	0	12	(612,724)	361,667
Financial assets available for sale	1,675,363	0	12,956	46,831	835,329	(366,579)	(574,639)	366,875	(546,815)	1,449,321
Derivatives	1,602,567	0	101,679	0	232,764	0	(745,929)	434,648	0	1,625,729
TOTAL	4,039,558	0	178,576	46,831	1,238,239	(387,915)	(1,320,568)	801,535	(1,159,539)	3,436,717

(In thousands of EUR)	31/12/15									
	Opening balance	Total of realised gains and losses in P&L	Total of unrealised gains and losses in P&L	Total gains/ losses in other comprehen-sive income	Purchases	Sale	Settlement	Transfers in Level 3	Transfer out of Level 3	Closing balance
Financial assets measured at fair value through profit or loss	361,667	0	(24,300)	0	95,856	(147,867)	0	31	(10,044)	275,343
Financial assets available for sale	1,449,321	(54)	9,718	26,925	521,924	(514,276)	(23,313)	66,405	(23,064)	1,513,586
Derivatives	1,625,729	0	(98,373)	0	203,869	0	(339,333)	33,278	(386)	1,424,784
TOTAL	3,436,717	(54)	(112,955)	26,925	821,649	(662,143)	(362,646)	99,714	(33,494)	3,213,713

B. Liabilities

(In thousands of EUR)	31/12/14									
	Opening balance	Total of realised gains and losses in P&L	Total of unrealised gains and losses in P&L	Purchases	Sale	Direct origination	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	0	52,304	(1,191,437)	93,848
Derivatives	828,071	(316)	252,126	80,152			(826,669)	1,098,296	(44,630)	1,387,030
TOTAL	2,220,587	(316)	251,934	95,210	(174,401)	0	(826,669)	1,150,600	(1,236,067)	1,480,878

(In thousands of EUR)	31/12/15									
	Opening balance	Total of realised gains and losses in P&L	Total of unrealised gains and losses in P&L	Purchases	Sale	Direct origination	Settlement	Transfers in Level 3	Transfer out of Level 3	Closing balance
Financial liabilities measured at fair value through profit or loss	93,848	0	(97)	99	(17,855)	633,136	0	1,858,921	(14,983)	2,553,069
Derivatives	1,387,030		(142,006)	160,545			(307,968)	46,463	(600)	1,143,464
TOTAL	1,480,878	0	(142,103)	160,644	(17,855)	633,136	(307,968)	1,905,384	(15,583)	3,696,533

The column "total of realised gains and losses in P&L" and "total of unrealised gains and losses in P&L" cannot be analysed on a stand alone basis, as some assets or liabilities classified at amortised cost or some assets and liabilities classified in level 1 or 2 may be hedged by derivatives classified in level 3.

5. Valuation techniques and data (level 1, 2 en 3)

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

Financial instruments measured at fair value for which reliable quoted market prices are available (level 1)

If the market is active – meaning that reliable bid-offer prices are available representing effective transactions for meaningful amounts concluded on an arm's length basis between willing counterparties – these market prices provide for reliable evidence of fair value and are therefore used for fair value measurement (f.e. interest rate futures, high liquid bonds, etc).

The use of market prices quoted in an active market for identical instruments with no adjustments qualifies for inclusion in level 1 within IFRS 13 fair value hierarchy, which is not the case for the use of quoted prices in inactive markets or the use of quoted spreads.

Financial instruments measured at fair value for which no reliable quoted market prices are available and for which valuations are obtained by means of valuation techniques (level 2 and 3)

Financial instruments for which no quoted market prices in active markets are available, are valued by means of valuation techniques. The determination whether or not there is an active market is based on criteria such as volume, bid- offer spread and the number of price/spread contribution. The models that Belfius uses range from standard models available in the market to in-house developed valuation models. Availability of some observable market prices and model inputs reduces the need for management judgement and estimation and the uncertainty associated with the determination of fair values. These availabilities vary depending on the products and markets and is subject to changes based on specific events and general conditions in the financial markets.

Once a financial instrument is not classified as level 1, Belfius requires that two conditions are met for inclusion in level 2 (f.e. currency swaps, swaptions, cap/floors, foreign exchange contracts/ options, and less liquid bonds):

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

Fair value measurements that do not fall under level 1 or do not comply with the two conditions for level 2 mentioned above, are reported as part of the level 3 disclosure. In that respect, the following parameters are within Belfius not considered to be observable: Belgian inflation, CMS spread, equity correlations (such as equity baskets, illiquid bonds, total return swaps, credit default obligations and credit default swaps).

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"). In line with continuous market evolutions, Belfius continues to refine its calculation methodologies for the determination of market-derived spreads (mark-to-model) by means of a method based on cross-sections on a large universe of bonds and CDS spreads.

A regular back testing of the Belfius Mark-to-Model is based on the comparison between model spreads and (as good as it gets) market information (even if illiquid and/or potentially less relaible) for illiquid positions which are fair valued in mark-to-model. A comparable exercise is also done on model spreads through a market challenging. Model spreads and (assumed) market spreads are compared on a monthly basis across different risk dimensions such as the rating, maturity and sectors.

Derivatives are valued at mid-market prices for which, again, the former described cascade (level 1, 2, 3) is applied. For level 2 fair values, Belfius uses observable market parameters and valuation models that are in line with the market practices. The discount interest rate curve takes account of any collateral agreements.

Following additional value adjustments are also applied within Belfius:

- Unearned credit spread: this value adjustment takes account of the possibility that a counterparty might default and part of the fair value cannot be recovered (Credit Value Adjustment) and of the creditworthiness of Belfius (Debit Value Adjustment). The Unearned credit spread is calculated both on collateralized and non collateralized derivatives. For collateralized derivatives with standard ISDA/CSA agreements, the unearned credit spread is calculated taking into account the Margin Period of Risk and the collateral exchanged. For uncollateralized derivatives an estimation is made of the expected exposures, by forecasting the future fair value of the derivative in line with market practice. These expected exposures are then multiplied by an expected loss indication. Seeing that the majority of these expected losses are not directly observable in the market, Belfius uses market-derived spreads on a mix of fundamental (or "through-the-cycle") information and information from the market (or "point-in-time"). These spreads are determined by means of a method based on cross-sections on a large universe of bonds and CDS spreads.
- 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.
- Funding spread: this value adjustment takes into account the funding cost or benefit for uncollateralized transactions. For all uncollateralized transactions, a correction is made for the funding value adjustment based on the average funding cost of Belfius Bank. This funding cost is determined by ALM taking into account the different funding sources.
- Market price uncertainty: value adjustment for uncertainty of market parameters.

- Model risk: this value adjustment is made if the assumptions used in a valuation model cannot be verified with sufficient accuracy.
- Cash-CDS adjustment: this adjustment takes into account the spread difference between the cash and corresponding derivatives.

Financial instruments measured at amortised cost (having 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 allowing for the reclassification of certain illiquid financial assets. Belfius decided to benefit from this opportunity to reclassify assets for which no active market, nor reliable quoted prices, were at that time no longer available.

Financial instruments classified in Held to Maturity and Loans and Advances since inception (having valuations at fair value in IFRS disclosures)

The fair value of loans and advances, including mortgages loans and Held to Maturity instruments, is determined using the following valuation principles.

General principles:

- the carrying amount of loans maturing within 12 months is assumed to reflect their fair value;
- for bonds the valuation is done in the same way as bonds classified in AFS.

Interest-rate part:

- the fair value of fixed-rate loans and mortgage loans reflects interest-rate movements since inception;
- loans with an adjustable rate are priced using the corresponding forward rates increased with the contractual margin;
- market or model values for caps, floors and prepayment options are included in the fair value of loans and receivables;
- the fair value of variable-rate loans (f.i. 3M euribor) is assumed to be approximated by their carrying amounts;
- a correction for the credit risk is also included in the fair value.

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	Impact in P&L or equity of alternative assumptions (in millions of EUR)
OTC swaps on Belgian inflation	Expectations in Belgian inflation	+30 bps	-8.88
OTC derivatives on CMS spread	Correlation between CMS interest rates	+10%	1.08
OTC swaps Bermudian Feature	Mean Reversion	1%	1,39
Collateralised Debt Obligation	Credit spread	-10 bps	-3.42
Credit Default Swap	Credit spread	-10 bps	+1.34
Illiquid bonds	Credit spread	-10 bps	+6.1

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 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 recognized as deferred Day One Profit or Loss (DOP) in 2014 nor in 2015.

More specifically, as Belfius sells plain vanilla products, like Interest Rate Swaps (IRS) or complex products (like structured transactions) which are hedged in the market in line with market risk limits and framework, the resulting day one profit is recognized up-front. Only a few transactions of non material amounts have non observable parameters, consequently the Deferred DOP is immaterial.

9.2. Credit risk exposure

1. Analysis of total credit risk exposure

The definition of Maximum Credit Risk Exposure "MCRE" has been modified in 2015 to bring it completely in line with our risk management measure FEAD – Full Exposure At Default, as used in our Pillar 3 report, and is determined as follows:

- → for balance sheet assets (except for derivatives): the gross carrying amounts (before impairment);
- → for derivatives: the fair value of derivatives increased with the potential future exposure (calculated under the current exposure method or add-on);
- → for reverse repurchase agreements: the carrying amount complemented by the excess collateral provided for repurchase agreements;
- → for off-balance sheet commitments: either the undrawn part of liquidity facilities or the maximum commitment of Belfius for guarantees granted to third parties (including financial guarantees given).

We refer to note 9.3.5. for further information.

A. Exposure by geographical region

(In thousands of EUR)	31/12/14 (PF(1))	31/12/15
Belgium	120,856,006	119,556,446
France(2)	15,669,951	11,081,262
Germany	6,917,344	3,510,893
Greece(3)	901	419
Ireland	130,701	465,388
Italy	8,861,037	6,973,909
Luxembourg	979,596	748,577
Spain	4,045,944	5,021,690
Portugal	225,702	147,832
Other EU countries(4)	4,963,661	3,691,041
Rest of Europe	467,761	1,091,849
Turkey	270,363	169,607
United Kingdom	12,548,195	11,614,379
United States and Canada	5,195,802	4,203,377
South and Central America	528,787	560,953
Southeast Asia	380,611	502,088
Japan	407,861	674,494
Other	2,712,361	1,865,520
TOTAL	185,162,584	171,879,724

(1) The definition of MCRE has been refined. We refer to note 9.2. As a result the figures of 2014 have been restated.
(2) In the beginning of 2015 Dexia Crédit Local repaid the Government Guaranteed Bonds (GGB's) for EUR 10 billion.
(3) The exposure on Greece mainly concerns a small number of retail loans granted to residents in Greece having economical ties to Belgium and displaying good credit stance.
(4) Includes supranational entities, such as the European Central Bank.

B. Exposure by category of counterparty

(In thousands of EUR)	31/12/14 (PF(1))	31/12/15
Central governments(2)	31,719,904	17,182,908
Local public sector	49,346,818	51,509,503
Corporate	23,980,488	26,147,585
Monolines	4,009,820	3,613,271
ABS/MBS	2,425,916	1,834,341
Project finance	1,900,552	1,807,263
Individuals, SME, self-employed	39,267,152	40,548,548
Financial institutions	32,395,621	29,197,658
Other	116,313	38,647
TOTAL	185,162,584	171,879,724

(1) The definition of MCRE has been refined. We refer to note 9.2. As a result the figures of 2014 have been restated.
(2) In the beginning of 2015 Dexia Crédit Local repaid the Government Guaranteed Bonds (GGB's) for EUR 10 billion.

C. Detail of most important countries per counterpart

(In thousands of EUR)	31/12/14 (PF[1]) Central government bonds[2]	Financial institutions[3]	ABS/MBS	Local public sector	Corporate - Project finance	Other	Total
Belgium	8,731,704	939,171	14,708	46,795,696	17,192,333	47,182,394	120,856,006
France	498,441	8,474,887	0	1,010,471	775,965	4,910,187	15,669,951
United Kingdom	0	5,018,610	339,142	55,659	4,214,625	2,920,159	12,548,195
Spain[3]	168,932	3,242,630	297,171	164,150	166,176	6,885	4,045,944
Italy	5,251,385	2,860,905	589,401	13	155,415	3,918	8,861,037
United States and Canada	0	3,386,893	371,302	45,340	269,831	1,122,436	5,195,802
TOTAL	14,650,462	23,923,096	1,611,724	48,071,329	22,774,345	56,145,979	167,176,935

(1) The definition of MCRE has been refined. We refer to note 9.2. As a result the figures of 2014 have been restated.
(2) Direct exposure.
(3) Mainly covered bonds.

(In thousands of EUR)	31/12/15 Central government bonds[1]	Financial institutions[2]	ABS/MBS	Local public sector	Corporate - Project finance	Other	Total
Belgium	10,749,652	1,199,585	8,549	49,101,059	18,300,599	40,197,002	119,556,446
France	662,144	8,526,540	10,462	1,006,446	753,652	122,018	11,081,262
United Kingdom	0	3,842,836	322,244	57,334	4,445,536	2,946,429	11,614,379
Spain[2]	281,047	4,215,360	218,447	146,179	155,001	5,656	5,021,690
Italy	3,986,065	2,385,565	442,033	13	157,154	3,079	6,973,909
United States and Canada	0	1,751,146	404,077	60,644	1,297,290	690,220	4,203,377
TOTAL	15,678,908	21,921,032	1,405,812	50,371,675	25,109,232	43,964,404	158,451,063

(1) Direct exposure.
(2) Mainly covered bonds.

2. Credit quality of financial assets not impaired

(In thousands of EUR)	31/12/14 (PF[1]) AAA to AA-	A+ to BBB-	Non-investment grade	Unrated	Total
Financial assets available for sale (excluding variable income securities)	12,442,136	9,804,183	1,188,737	18,138	23,453,194
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	8,045	547	1,956,631
Loans and advances (at amortised cost)[2]	50,317,164	32,969,995	15,693,596	1,264,967	100,245,722
Investments held to maturity	648,955	2,185,575	0	0	2,834,530
Derivatives	3,300,469	15,808,052	287,015	54,893	19,450,429
Other financial instruments – at cost	444,887	78,122	3,243	971,100	1,497,352
Loan commitments granted	9,123,456	6,208,955	3,385,039	350,380	19,067,830
Guarantee commitments granted	5,929,877	6,818,345	1,312,399	128,200	14,188,821
TOTAL	83,199,180	75,168,012	21,878,074	2,788,225	183,033,491

(1) The definition of MCRE has been refined. We refer to note 9.2. As a result the figures of 2014 have been restated.
(2) In the beginning of 2015 Dexia Crédit Local repaid the Government Guaranteed Bonds (GGB's) for EUR 10 billion.

(In thousands of EUR)	31/12/15 AAA to AA-	A+ to BBB-	Non-investment grade	Unrated	Total
Financial assets available for sale (excluding variable income securities)	9,869,785	7,616,908	666,979	49,180	18,202,852
Financial assets designated at fair value (excluding variable income securities)	0	324,668	0	0	324,668
Financial assets held for trading (excluding variable income securities)	588,668	553,305	943	477	1,143,393
Loans and advances (at amortised cost)(1)	36,577,777	39,116,089	15,996,223	2,066,649	93,756,738
Investments held to maturity	2,739,761	2,268,192	9,202	0	5,017,155
Derivatives	2,634,870	14,226,493	284,164	38,828	17,184,355
Other financial instruments - at cost	396,368	129,900	9,050	827,385	1,362,703
Loan commitments granted	13,015,335	7,348,422	3,594,084	258,456	24,216,297
Guarantee commitments granted	1,707,541	5,907,989	966,434	49,032	8,630,996
TOTAL	67,530,105	77,491,966	21,527,079	3,290,007	169,839,157

(1) In the beginning of 2015 Dexia Crédit Local repaid the Government Guaranteed Bonds (GGB's) for EUR 10 billion.

The indicated ratings are either internal or external based. In fact, Belfius applies the AIRBA (Advanced Internal Ratings Based Approach) for the calculation of capital requirements for credit risk within the context of Pillar 1 of Basel III. Except for Asset Backed Securities (ABS) positions for which the credit risk is calculated based on external ratings (Fitch, Standard & Poors or Moody's).

The decrease of the financial assets is mainly situated in the guarantees granted as well as in the Available for Sale portfolio following the further derisking and sales within the Belfius Insurance portfolio. In addition, within the Loans and Advances portfolio, a general decrease can be noted, despite the increase of the A+ to BBB- category resulting from new production.

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)	31/12/14 Past-due but not impaired financial assets ≤ 90 days	> 90 days ≤ 180 days	> 180 days	Carrying amount of individually impaired financial assets, before deducting any impairment loss
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

(In thousands of EUR)	31/12/15 Past-due but not impaired financial assets ≤ 90 days	> 90 days ≤ 180 days	> 180 days	Carrying amount of individually impaired financial assets, before deducting any impairment loss
Financial assets available for sale (excluding variable income securities)	0	0	0	2,460
Loans and advances (at amortised cost)	493,278	13,663	19,566	2,033,990
Other financial instruments - at cost	0	0	0	4,811
TOTAL	493,278	13,663	19,566	2,041,261

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			

(In thousands of EUR)	31/12/15 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	740,970	(104,088)	244,947	8,159
Loan commitments – given	37,694		14,833	160

We refer to the chapter "Risk management" of the management report for futher information.

5. Movements in allowances for credit losses

(In thousands of EUR)	As at 1 January 2014	Utilisation	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other	As at 31 December 2014	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
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)**

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(In thousands of EUR)	As at 1 January 2015	Utilisation	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other	As at 31 December 2015	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
SPECIFIC ALLOWANCES FOR INDIVIDUALLY AND COLLECTIVELY ASSESSED FINANCIAL ASSETS	**(1,224,989)**	**76,480**	**(174,948)**	**102,183**	**(10,527)**	**(1,231,801)**	**35,994**	**(89,936)**
Loans and advances due from banks	0	0	(2,562)	0	(115)	(2,677)	9,293	0
Loans and advances to customers	(1,156,319)	72,985	(169,145)	102,183	(8,147)	(1,158,443)	26,701	(89,936)
Investments held to maturity	0	0	0	0	0	0	0	0
Financial assets available for sale	(68,670)	3,495	(3,241)	0	(2,265)	(70,681)	0	0
Of which Fixed-income instruments	*0*	*0*	*(840)*	*0*	*0*	*(840)*	*0*	*0*
Of which Equity instruments	*(68,670)*	*3,495*	*(2,401)*	*0*	*(2,265)*	*(69,841)*	*0*	*0*
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS	**(350,337)**	**0**	**(75,036)**	**50,413**	**(2,269)**	**(377,229)**	**0**	**0**
Loans and advances due from banks	(9,201)	0	(3,940)	5,104	(72)	(8,109)	0	0
Loans and advances to customers	(341,136)	0	(71,096)	45,309	(2,197)	(369,120)	0	0
TOTAL	**(1,575,326)**	**76,480**	**(249,984)**	**152,596**	**(12,796)**	**(1,609,030)**	**35,994**	**(89,936)**

6. Credit risk information for loans designated at fair value through profit or loss

Amounts involved are immaterial. See note 5.7. "Financial assets measured at fair value through profit and loss".

7. Credit risk information about financial liabilities designated at fair value through profit or loss

As at 31 December 2014 (In thousands of EUR)	Book value	Amount of change in the fair value attributable to changes in the credit risk of the liability: Change of the period	Amount of change in the fair value attributable to changes in the credit risk of the liability: Cumulative amount	Difference between carrying amount of the financial liability and contractual amount required to be paid at maturity(1)
	9,123,041	0	0	190,681

(1) This amount includes the premium/discount and the change in market value.

As at 31 December 2015 (In thousands of EUR)	Book value	Amount of change in the fair value attributable to changes in the credit risk of the liability: Change of the period	Amount of change in the fair value attributable to changes in the credit risk of the liability: Cumulative amount	Difference between carrying amount of the financial liability and contractual amount required to be paid at maturity(1)
	6,888,136	0	0	133,575

(1) This amount includes the premium/discount and the change in market value.

9.3. Information on asset encumbrance and collateral received

1. Assets

	31/12/14			
(In thousands of EUR)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Equity instruments	0	0	1,705,538	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		

	31/12/15			
(In thousands of EUR)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Equity instruments	0	0	1,722,323	1,722,323
Debt securities	3,039,508	3,286,030	15,016,520	16,416,513
Loans and advances	33,839,087	33,839,087	66,585,010	66,585,010
of which cash collateral given	17,795,000	17,795,000		

2. Collateral received

	As at 31 December 2014		As at 31 December 2015	
(In thousands of EUR)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	3,071,413	778,762	1,220,459	7,320,320
Equity instruments	0	0	0	263,145
Debt securities	3,071,413	778,762	1,220,459	7,057,175
Own debt securities issued other than own covered bonds or ABS	0	583,955	0	462,287

The amount of EUR 3.0 billion debt securities encumbered is composed of EUR 1.7 billion "Financial assets available for sale", EUR 0.2 billion "Investments held to maturity", EUR 0.8 billion "Loans and advances" and 0.3 billion "Financial assets measured at fair value through profit or loss".

The encumbered assets of Belfius have decreased significantly compared to 2014 due to the decrease of the ECB funding as well as a decrease in repurchase funding. Belfius was also able to issue new secured funding through its funding vehicle Penates 5 for EUR 800 million.

The information on asset encumbrance was determined according to the current Belfius interpretation of the EBA definition and scope.

An asset is considered as "encumbered" if it cannot be freely withdrawn when given as pledge to secure debts or as collateral for issuances.

It 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 European Central Bank (ECB) amounts to EUR 8.0 billion by the end of 2015 (EUR 26.0 billion end 2014). The decrease is mainly linked to the repayment of the Government Guaranteed Bonds by Dexia Crédit Local. This amount of assets pledged is composed of EUR 1.9 billion to collateralise the TLTRO funding of EUR 1.65 billion and EUR 6.1 billion which is available. The assets pledged to collateralise the TLTRO funding are composed of EUR 1.7 billion public and mortgage loans (through securitisation vehicle Penates) and of EUR 0.2 billion bonds.

On 5 June, 2014, the ECB announced a series of targeted longer-term refinancing operations (TLTRO's). The TLTRO's 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 was held in September 2014, and then on a quarterly basis until Q2 2016.

Counterparties participating in a TLTRO are subject to borrowing limits based on ""eligible loans"". Loans that are eligbile include loans granted in the euro area to either non-financial corporations (including non-profit organizations) and households (though excluding loans for house purchase). Loans granted to financial entities or the public sector are excluded.

In 2014, Belfius had an outstanding TLTRO participation of EUR 1.5 billion. In 2015, Belfius drawed an additional EUR 0.15 billion, resulting in a total participation of EUR 1.65 billion.

In addition, an amount of EUR 19.2 billion of collateral is pledged for derivatives (cash + securities) end 2015. Securities pledged amount to EUR 1.4 billion, of which EUR 0.7 billion of AFS securities. End 2015, an amount of approximately EUR 17 billion of assets is pledged for funding purposes, of which EUR 15.3 billion loans (EUR 8.9 billion Mortgage loans and EUR 6.4 billion Public loans) are pledged for covered bonds and ABS issues.

Among the EUR 4.3 billion securities encumbered, EUR 1.7 billion are used for repo and other non-ECB collateralised deposits.

The underlying pool of loans of the covered bonds (Pandbrieven) amount to EUR 10.2 billion end 2015 (and EUR 9.1 billion end 2014). This covered pool guarantees the outstanding covered bonds: EUR 5.5 billion mortgage covered bonds (versus EUR 4.5 billion end 2014) and 1.8 billion public covered bonds (versus 1.75 billion end 2014).

We refer to the chapter "Risk management" from the management report for further information.

3. Encumbered assets/collateral received and associated liabilities

(In thousands of EUR)	As at 31 December 2014		As at 31 December 2015	
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABS encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABS encumbered
Carrying amount of selected financial liabilities	46,037,344	51,224,171	32,403,964	36,351,549

4. Transfer of financial assets that do not qualify for derecognition in the consolidated balance sheet

(In thousands of EUR)	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
Loans and advances due from banks	1,938,834	1,753,439			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
Financial assets available for sale	2,611,397	2,398,179			0
TOTAL	**8,872,136**	**8,437,786**	**3,192,172**	**2,786,755**	**405,417**

(In thousands of EUR)	31/12/15				
	Carrying amount of transferred assets	Carrying amount of associated liabilities	For those liabilities that recourse only to the transferred assets		
			Fair value of transferred assets	Fair Value of associated liabilities	Net position
Loans and advances due from banks					0
Loans and advances to customers	3,234,270	3,225,350	2,629,777	2,360,096	269,681
Financial assets held for trading	7,656	7,100			0
Financial assets available for sale	353,556	357,190			0
TOTAL	3,595,482	3,589,640	2,629,777	2,360,096	269,681

There is a significant decline in the carrying amount of transferred assets and the associated liabilities following the decrease of funding through repurchase agreements.

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, as the underlying collateral of the repurchase agreements and securitised loans are encumbered, they 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 recognized on the balance sheet and the liquid assets obtained through securitisation are represented by a debt instrument. We refer to note XII."Securitisation" for further details.

Only the securitized 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 here.

The related received cash transfer is recognised as a liability.

5. Maximum credit risk exposure by class of financial instruments and impact of collateral

(In thousands of EUR)	31/12/14 (PF[1])		31/12/15	
	Maximum credit risk exposure	Effect of physical collateral	Maximum credit risk exposure	Effect of physical collateral
Financial assets available for sale (excluding variable income securities)	23,454,292	0	18,204,038	0
Financial assets designated at fair value (excluding variable income securities)	338,982	0	324,668	0
Financial assets held for trading (excluding variable income securities)	1,956,633	0	1,143,393	0
Loans and advances (at amortised cost)	102,287,008	2,212,595	95,722,315	2,690,039
Investments held to maturity	2,834,531	0	5,017,155	0
Derivatives	19,453,261	0	17,185,144	0
Other financial instruments – at cost	1,497,586	0	1,372,268	0
Loan commitments granted	19,107,158	87,593	24,241,161	95,105
Guarantee commitments granted	14,233,133	34,221	8,669,582	48,588
TOTAL	185,162,584	2,334,409	171,879,724	2,833,732

(1) The definition of MCRE has been refined. We refer to note 9.2. As a result the figures of 2014 have been restated.

6. Collateral and other credit enhancements obtained by taking possession of collateral

Amounts involved are immaterial.

7. Offsetting

A. Financial assets subject to offsetting

(In thousands of EUR)	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	
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). Belfius does not longer belong to the DGMNA with Dexia at the end of 2015.

(In thousands of EUR)	31/12/15					
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off	Net amounts of financial assets presented in the balance sheet	Amounts not set off in the balance		Net amount
				Financial instrument	Securities + cash collateral received	
Derivatives with London Clearing House	7,592,724	7,561,940	30,784	0	0	30,784
Derivatives with master netting agreements	22,139,767	0	22,139,767	11,146,480	7,406,279	3,587,008
Reverse repurchase agreements with master netting agreements	6,473,087	0	6,473,087	0	6,459,452	13,635
TOTAL	36,205,578	7,561,940	28,643,638	11,146,480	13,865,731	3,631,427

B. Financial liabilities subject to offsetting

(In thousands of EUR)	31/12/14 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	Amounts not set off in the balance: Securities + cash collateral pledged	Net amount
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		35,225,381	13,121,774	21,298,378	805,229
Repurchase agreements with master netting agreements	7,347,638		7,347,638	0	7,346,944	694
Financial instruments under DGMNA(1)	1,773,069		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). Belfius does not longer belong to the DGMNA with Dexia at the end of 2015.

(In thousands of EUR)	31/12/15 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	Amounts not set off in the balance: Securities + cash collateral pledged	Net amount
Derivatives with London Clearing House	7,567,079	7,561,941	5,138	0	0	5,138
Derivatives with master netting agreements	28,863,542	0	28,863,542	11,103,380	17,372,580	387,582
Repurchase agreements with master netting agreements	1,442,881	0	1,442,881	0	1,441,653	1,228
TOTAL	37,873,502	7,561,941	30,311,561	11,103,380	18,814,233	393,948

9.4. Interest-rate repricing risk: breakdown by remaining maturity until next refixing interest rate

Sight accounts and saving deposits are presented in the column "At sight and on demand" as the information presented below takes into account the residual maturity until the next interest-rate refixing date on the legal repayment date, rather than on the observed behavioral customer data. However, for the determination of the interest sensitivity or earnings , the observed behaviour of customers on these liabilities is taken into account (see note 9.5. "Market risk and ALM").

1. 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	Undetermined maturity	Accrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
Cash and balances with central banks	2,412,799	0	0	0	0	0	56	0		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	0	2,834,531
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
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
Derivatives							1,322,376	29,807,706		31,130,082
Fair value revaluation of portfolio hedge								5,071,952		5,071,952
Investments in equity method companies						146,494				146,494
Tangible fixed assets						1,297,180				1,297,180
Intangible assets(1)						89,749				89,749
Goodwill(1)						103,966				103,966
Current tax assets(1)						9,257				9,257
Deferred tax assets(1)						685,671				685,671
Other assets	30,807	117,396	41,839	53,006	51,848	903,613			(1,937)	1,196,572
Non current assets (disposal group) held for sale and discontinued operations						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

(1) Certain line items were aggregated in 2014, and have been detailed further in 2015 to facilitate the reading of the balance sheet.

B. Liabilities

(In thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity	Acrrued interest	Changes in fair value and fair value of derivatives	Total
Due to banks	9,219,042	10,040,040	527,856	1,519,619	33,020	9,828	58,411	0	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
Debt securities		8,422,284	6,351,385	8,705,934	5,375,718	0	257,595	0	29,112,916
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
Technical provisions of insurance companies						18,047,274			18,047,274
Derivatives							2,042,912	36,122,476	38,165,388
Fair value revaluation of portfolio hedge								293,993	293,993
Provisions and contingent liabilities						477,169			477,169
Subordinated debts			15,000	259,176	212,745	386,845	6,649	5,943	886,358
Current tax liabilities(1)						28,259			28,259
Deferred tax liabilities(1)						230,301			230,301
Other liabilities	116,589	1,403,915	79,246	12,913	15,208	522,411	235	0	2,150,517
Liabilities included in disposal group and discontinued operations									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	0	0	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**

(1) Certain line items were aggregated in 2014, and have been detailed further in 2015 to facilitate the reading of the balance sheet.

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 managed based on more advanced assumptions (see note 9.5. Market risk and ALM).

2. 2015

A. Assets

(In thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity	Acrrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
Cash and balances with central banks	576,233	0	0	0	0	0	43	0	0	576,276
Loans and advances due from banks	16,552,176	7,448,815	120,630	80,732	85,786	5,380	(7,556)	42,825	(10,786)	24,318,002
Loans and advances to customers	3,157,648	16,131,676	14,792,343	20,343,227	32,085,188	1,707,185	477,120	22,328	(1,527,563)	87,189,152
Investments held to maturity	0	165,550	16,220	254,284	4,521,182	0	59,919	0	0	5,017,155
Financial assets available for sale	0	571,782	1,002,505	3,242,530	9,766,985	1,837,695	321,550	3,061,199	(70,681)	19,733,565
Financial assets measured at fair value through profit or loss	0	732,650	169,904	89,906	95,198	2,005,131	4,403	125,799	0	3,222,991
Derivatives							1,064,789	24,878,778		25,943,567
Fair value revaluation of portfolio hedge								4,372,902		4,372,902
Investments in equity method companies						106,775				106,775
Tangible fixed assets						1,199,789				1,199,789
Intangible assets						81,941				81,941
Goodwill						103,966				103,966
Current tax assets						6,116				6,116
Deferred tax assets						565,622				565,622
Other assets	37,298	138,545	49,955	122,097	182,371	641,587	0	0	(2,076)	1,169,777
Non current assets (disposal group) held for sale and discontinued operations	0	0	0	0	0	3,300,817	0	55,124	(1,413)	3,354,528
TOTAL ASSETS	20,323,355	25,189,018	16,151,557	24,132,776	46,736,710	11,562,004	1,920,268	32,558,955	(1,612,519)	176,962,124
Regular way trade	0	3,239,412	13,513	0	0	123	0	0		3,253,048
Derivatives	510,465	38,648,270	51,085,177	167,931,230	272,574,062	4,982,096	0	0	0	535,731,300
OFF BALANCE SHEET	510,465	41,887,682	51,098,690	167,931,230	272,574,062	4,982,219	0	0	0	538,984,348
TOTAL FOR INTEREST RATE REPRICING RISK	20,833,820	67,076,700	67,250,247	192,064,006	319,310,772	16,544,223	1,920,268	32,558,955	(1,612,519)	715,946,473

B. Liabilities

(In thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undeter-mined maturity	Acrrued interest	Changes in fair value and fair value of derivatives	Total
Due to banks	8,043,616	1,678,778	37,252	1,720,443	31,882	21,085	4,566	0	11,537,622
Customer borrowings and deposits	52,332,596	14,006,521	280,022	714,797	690,738	2,269	135,811	0	68,162,754
Debt securities	0	8,007,521	7,006,234	7,609,040	4,948,156	0	206,601	0	27,777,552
Financial liabilities measured at fair value through profit or loss	0	939,454	1,338,427	1,622,901	809,990	1,991,198	80,317	134,182	6,916,469
Technical provisions of insurance companies						16,688,571			16,688,571
Derivatives							1,645,509	28,414,576	30,060,085
Fair value revaluation of portfolio hedge								226,472	226,472
Provisions and contingent liabilities						405,543			405,543
Subordinated debts	0	0	0	269,429	231,824	400,536	6,807	4,408	913,004
Current tax liabilities						42,369			42,369
Deferred tax liabilities						271,967			271,967
Other liabilities	88,998	1,218,855	62,828	48,559	9,107	627,986	228	0	2,056,561
Liabilities included in disposal group and discontinued operations	0	0	0	0	0	3,243,438	0	0	3,243,438
TOTAL LIABILITIES	60,465,210	25,851,129	8,724,763	11,985,169	6,721,697	23,694,962	2,079,839	28,779,638	168,302,407
Regular way trade	0	3,002,972	3,670	0	0	1,392,512			4,399,154
Derivatives	0	38,137,306	49,924,511	174,251,350	280,182,626	5,357,467	0	0	547,853,260
OFF BALANCE SHEET	0	41,140,278	49,928,181	174,251,350	280,182,626	6,749,979	0	0	552,252,414
TOTAL FOR INTEREST RATE REPRICING RISK	60,465,210	66,991,407	58,652,944	186,236,519	286,904,323	30,444,941	2,079,839	28,779,638	720,554,821

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	(39,631,390)	85,293	8,597,303	5,827,487	32,406,449	(13,900,718)

The actual interest rate risk of Belfius is managed based on more advanced assumptions (see note 9.5. Market risk and ALM).

9.5. Market risk and ALM

We refer to the chapter "Risk Management" of the Management report for further information.

1. Financial markets

Within Belfius Bank, the Financial Markets Services department (FM) is the central point of entry to the financial markets. The department does not negotiate positions for own account; all transactions are based on client transactions. Transactions made by external or internal clients, for instance liquidity management and ALM belonging to the last category, are hedged overall within a framework of limits that complies with Belfius's risk policies. As a result, the various market risks are kept within that framework, a.o. by hedging transactions. The VaR figures stated below reflect these residual positions.

- The risks on flow management activities include general interest rate, foreign exchange, equity prices, credit spread and other risks (inflation, CO_2). These risks are managed within Value at Risk limits and other appropriate risk limits;
- Cash and Liquidity Management (CLM) is monitored by means of Value at Risk limits (VaR) and interest rate sensitivity limits.
- The spread risk of the investment portfolio and flow management activities are managed with spread limits.

In 2014 the VaR limits were significantly reduced in order to bring them in line with the reduced risk appetite of the bank.

VaR(1) (99% 10 days) (In thousands of EUR)	2014				2015			
	IR(2) & FX(3)	Equity	Spread	Other risks(4)	IR(2) & FX(3)	Equity	Spread	Other risks(4)
By activity								
Average	6,201	1,321	10,459	879	9,496	2,593	7,522	1,311
EOY	4,380	1,832	10,124	1,448	9,740	2,462	5,696	1,285
Maximum	9,595	5,742	13,422	1,944	24,408	7,953	9,486	2,111
Minimum	2,299	680	8,597	555	3,585	1,295	5,368	663
Global								
Average	18,860				20,922			
EOY	17,785				19,183			
Maximum	23,320				33,796			
Minimum	14,018				14,926			
Limit	32,000				32,000			

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

2. Asset liability management (ALM)

A. Interest rate risk

Interest rate risk has two forms – economic value volatility and earnings volatility. The measurement of both is complementary in understanding the complete scope of interest rate risk in the balance sheet (excluding financial markets).

Economic value indicators capture the long-term effect of the interest rate changes on the economic value. Interest rate sensitivity of economic value measures the net change of the ALM economic value to an interest rate move by 10 basis points across the entire curve.

Earnings at Risk indicators capture the short-term effect of the interest rate changes on the earnings. In the table below, the impact on net interest income (before tax) is shown in case of a 25 bps increase of interest rates.

(In thousands of EUR)	31/12/14 (PF(1))	31/12/15
Bank		
Sensitivity	80,300	19,800
Earnings at risk(1)	39,000	51,000
Insurance		
Sensitivity	11,300	11,220
Earnings at risk(1)	2,400	970

(1) The figures "earnings at risk" of 31/12/2014 have been included to allow comparability.

B. Listed equity & real estate

(In thousands of EUR)	31/12/14	31/12/15
Bank		
Market value	2,707	1,402
Insurance		
Market value - quoted shares & assimilated	580,000	699,000
Market value - quoted real estate	336,000	438,000
Shock 30% (negative)	(274,800)	(341,100)
VaR (99%, 10 days)	39,344	69,000

C. Real estate - direct property

(In thousands of EUR)	31/12/14	31/12/15
Insurance		
Market value	625,000	677,000
Shock 12.5% (negative)	(78,000)	(85,000)

3. Bond portfolio

A. Outstanding nominal amounts

(In thousands of EUR)	31/12/14	31/12/15
Bank(1)	16,052,948	14,361,283
Insurance	11,493,371	10,699,516

(1) Bonds of the Side and ALM portfolio's.

B. Interest-rate sensitivity

The interest rate risk of the bond portfolio of the bank is either micro-hedged (for the Side portfolio; hence low net interest rate sensitivity), or is managed through the ALM-framework (in ALM portfolio; hence net interest rate sensitivity part of global ALM interest rate sensitivity).

The sensitivity to 1% interest rate increase of the bond portfolio of the insurance companies amounted to EUR -8.0 mio at the end of 2015, part of the global ALM management of the insurance companies.

C. Credit-spread sensitivity

This calculation estimates the sensitivity of the bond portfolio after one basis point spread widening.

(In thousands of EUR)	31/12/14	31/12/15
Bank(1)	(21,385)	(19,940)
Insurance	(10,275)	(8,859)

(1) Bonds of the Side and ALM portfolio's.

9.6. Liquidity risk

Liquidity is managed with a view to comply with our Liquidity Risk Management guidelines and framework. We refer to the management report for a detailed description.

End 2015, the LCR ratio stood at 132% (or EUR 4 billion excess cash) compared to 122% in 2014 (or EUR 3.6 billion excess cash).

Breakdown residual maturity

Current accounts and saving deposits are included in the column "At sight and on demand" even if they have no fixed repayment date.

All other assets and liabilities are split over the different periodes according to the contractual cashflows characteristics.

1. 2014

A. Assets

(In thousands of EUR)	Breakdown of gross amount and premium/discount						Accrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity				
Cash and balances 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	0		2,834,531
Financial assets available for sale	0	775,673	665,756	5,046,979	12,899,772	1,368,134	408,725	3,990,632	(68,669)	25,087,002
Financial assets measured at fair value through profit or loss	0	300,108	231,473	75,828	1,208,134	4,100,098	6,026	178,501	0	6,100,168
Derivatives							1,322,376	29,807,706		31,130,082
Fair value revaluation of portfolio hedge								5,071,952		5,071,952
Investments in equity method companies						146,494				146,494
Tangible fixed assets						1,297,180				1,297,180
Intangible assets(1)						89,749				89,749
Goodwill(1)						103,966				103,966
Current tax assets(1)						9,257				9,257
Deferred tax assets(1)						685,671				685,671
Other assets	30,807	114,747	40,853	56,251	52,238	903,613			(1,937)	1,196,572
Non current assets (disposal group) held for sale and discontinued operations						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	0	0	0	0	23,561,841
CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE	0	7,997,923	4,029,565	4,220,332	9,143,752	65	0	0	0	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

(1) Certain line items were aggregated in 2014, and have been detailed further in 2015 to facilitate the reading of the balance sheet.

B. Liabilities

(In thousands of EUR)	Breakdown of gross amount and premium/discount						Accrued interest	Changes in fair value and fair value of derivatives	Total
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undeter-mined 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
Debt securities		1,874,337	5,672,450	11,639,509	9,669,025		257,595		29,112,916
Financial liabilities measured at fair value through profit or loss	0	160,781	557,595	2,322,398	1,771,851	4,076,017	85,526	192,544	9,166,712
Technical provisions of insurance companies		253,421	1,831,302	6,130,005	9,501,404	331,142			18,047,274
Derivatives							2,042,912	36,122,476	38,165,388
Fair value revaluation of portfolio hedge								293,993	293,993
Provisions and contingent liabilities						477,169			477,169
Subordinated debts			15,000	259,176	212,745	386,845	6,649	5,943	886,358
Current tax liabilities(1)						28,259			28,259
Deferred tax liabilities(1)						230,301			230,301
Other liabilities	116,589	1,403,937	79,246	12,913	15,209	522,388	235		2,150,517
Liabilities included in disposal group and discontinued operations									0
TOTAL LIABILITIES	59,559,300	27,396,901	9,683,942	22,793,463	21,834,009	6,073,645	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	0	0	0	0	0	7,804,446	0	119,376	7,923,822
Non-controlling interests						2,775			2,775
TOTAL EQUITY	0	0	0	0	0	7,807,221	0	119,376	7,926,597
TOTAL LIABILITIES AND EQUITY	59,559,300	27,396,901	9,683,942	22,793,463	21,834,009	13,880,866	2,524,347	36,734,346	194,407,174
Regular way trade		2,382,284	12						2,382,296
Foreign exchange derivatives	0	6,194,591	4,114,669	4,280,751	9,080,131	0	0	0	23,670,142
CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE	0	8,576,875	4,114,681	4,280,751	9,080,131	0	0	0	26,052,438
TOTAL LIQUIDITY GAP	59,559,300	35,973,776	13,798,623	27,074,214	30,914,140	13,880,866	2,524,347	36,734,346	220,459,612

(1) Certain line items were aggregated in 2014, and have been detailed further in 2015 to facilitate the reading of the balance sheet.

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	41,399,686	(3,293,318)

The actual liquidity risk of Belfius is managed based on more advanced assumptions.

The liquidity position presented here results from the difference between the cashflows at contractual maturities of assets and liabilities and also takes into account the cashflows stemming from hedge transactions. This allows a presentation of the liquidity gap.

The market value of the derivatives is reported in the column "Changes in fair value and fair value of derivatives".

2. 2015

A. Assets

(In thousands of EUR)	Breakdown of gross amount and premium/discount: At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity	Accrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
Cash and balances with central banks	576,233						43			576,276
Loans and advances due from banks	16,552,161	7,293,883	67,426	135,487	220,236	24,326	(7,556)	42,825	(10,786)	24,318,002
Loans and advances to customers	3,157,648	9,446,752	6,849,579	21,754,284	45,301,819	1,707,185	477,120	22,328	(1,527,563)	87,189,152
Investments held to maturity			16,220	257,677	4,655,339	28,000	59,919			5,017,155
Financial assets available for sale		306,048	1,010,439	3,363,591	9,894,784	1,846,635	321,550	3,061,199	(70,681)	19,733,565
Financial assets measured at fair value through profit or loss		107,248	170,492	100,456	709,462	2,005,131	4,403	125,799		3,222,991
Derivatives							1,064,789	24,878,778		25,943,567
Fair value revaluation of portfolio hedge								4,372,902		4,372,902
Investments in equity method companies						106,775				106,775
Tangible fixed assets						1,199,789				1,199,789
Intangible assets						81,941				81,941
Goodwill						103,966				103,966
Current tax assets						6,116				6,116
Deferred tax assets						565,622				565,622
Other assets	37,436	138,539	49,823	124,946	179,522	641,587			(2,076)	1,169,777
Non current assets (disposal group) held for sale and discontinued operations	0	0	0	0	0	3,300,817		55,124	(1,413)	3,354,528
TOTAL ASSETS	20,323,478	17,292,470	8,163,979	25,736,441	60,961,162	11,617,890	1,920,268	32,558,955	(1,612,519)	176,962,124
Regular way trade	0	3,239,412	13,513	0	0	123				3,253,048
Foreign exchange derivatives	0	10,342,783	4,675,047	4,787,887	8,421,047	0	0	0	0	28,226,764
CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE	0	13,582,195	4,688,560	4,787,887	8,421,047	123	0	0	0	31,479,812
TOTAL LIQUIDITY GAP	20,323,478	30,874,665	12,852,539	30,524,328	69,382,209	11,618,013	1,920,268	32,558,955	(1,612,519)	208,441,936

B. Liabilities

(In thousands of EUR)	Breakdown of gross amount and premium/discount						Accrued interest	Changes in fair value and fair value of derivatives	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	8,043,616	1,305,851	409,608	1,717,962	34,934	21,085	4,566		11,537,622
Customer borrowings and deposits	52,332,596	13,979,171	296,072	726,097	690,738	2,269	135,811		68,162,754
Debt securities		2,217,400	7,620,877	9,374,409	8,358,265		206,601		27,777,552
Financial liabilities measured at fair value through profit or loss		174,604	376,977	2,622,674	1,536,518	1,991,197	80,317	134,182	6,916,469
Technical provisions of insurance companies		368,791	1,101,007	5,857,985	9,360,788				16,688,571
Derivatives							1,645,509	28,414,576	30,060,085
Fair value revaluation of portfolio hedge								226,472	226,472
Provisions and contingent liabilities						405,543			405,543
Subordinated debts				269,429	231,824	400,536	6,807	4,408	913,004
Current tax liabilities						42,369			42,369
Deferred tax liabilities						271,967			271,967
Other liabilities	88,998	1,218,855	62,828	48,559	9,107	627,986	228		2,056,561
Liabilities included in disposal group and discontinued operations						3,243,438			3,243,438
TOTAL LIABILITIES	60,465,210	19,264,672	9,867,369	20,617,115	20,222,174	7,006,390	2,079,839	28,779,638	168,302,407
Core shareholders' equity						8,308,602			8,308,602
Gains and losses not recognised in the statement of income								350,089	350,089
TOTAL SHAREHOLDERS' EQUITY	0	0	0	0	0	8,308,602	0	350,089	8,658,691
Non-controlling interests						1,026			1,026
TOTAL EQUITY	0	0	0	0	0	8,309,628	0	350,089	8,659,717
TOTAL LIABILITIES AND EQUITY	60,465,210	19,264,672	9,867,369	20,617,115	20,222,174	15,316,018	2,079,839	29,129,727	176,962,124
Regular way trade		3,002,972	3,670	0	0	1,392,512			4,399,154
Foreign exchange derivatives	0	10,312,217	4,718,698	4,752,835	8,312,705	0	0	0	28,096,455
CASH FLOW FROM DERIVATIVES AND REGULAR WAY TRADE	0	13,315,189	4,722,368	4,752,835	8,312,705	1,392,512	0	0	32,495,609
TOTAL LIQUIDITY GAP	60,465,210	32,579,861	14,589,737	25,369,950	28,534,879	16,708,530	2,079,839	29,129,727	209,457,733

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	(40,141,732)	(1,705,196)	(1,737,198)	5,154,378	40,847,330	(5,090,517)

The actual liquidity risk of Belfius is managed based on more advanced assumptions.

More detailed information regarding liquidity is available in the chapter "Risk Management" of the management report.

The liquidity position presented here results from the difference between the cashflows at contractual maturities of assets and liabilities and also takes into account the cashflows stemming from hedge transactions. This allows a presentation of the liquidity gap.

The market value of the derivatives is reported in the column "Changes in fair value and fair value of derivatives".

9.7. Currency risk and foreign exchange

1. Currency risk

	31/12/14				
(In thousands of EUR)	GBP	USD	Other	EUR	Total
Total assets	8,207,948	4,875,665	2,583,378	178,740,183	194,407,174
Total liabilities and equity	5,406,601	5,386,346	2,698,924	180,915,303	194,407,174
NET ON BALANCE POSITION	**2,801,347**	**(510,681)**	**(115,546)**	**(2,175,120)**	**0**
Off balance sheet – to receive	1,239,536	10,338,401	3,381,974	8,776,043	23,735,954
Off balance sheet – to deliver	4,021,515	9,867,986	3,146,766	6,740,479	23,776,746
OFF BALANCE SHEET – NET POSITION	**(2,781,979)**	**470,415**	**235,208**	**2,035,564**	**(40,792)**
NET POSITION	19,368	(40,266)	119,662	(139,556)	

	31/12/15				
(In thousands of EUR)	GBP	USD	Other	EUR	Total
Total assets	8,247,909	5,123,194	3,166,779	160,424,242	176,962,124
Total liabilities and equity	5,517,335	5,005,702	2,582,109	163,856,978	176,962,124
NET ON BALANCE POSITION	**2,730,574**	**117,492**	**584,670**	**(3,432,736)**	**0**
Off balance sheet – to receive	1,897,875	11,876,822	3,874,574	12,031,229	29,680,500
Off balance sheet – to deliver	4,644,787	12,022,674	4,368,199	8,502,328	29,537,988
OFF BALANCE SHEET – NET POSITION	**(2,746,912)**	**(145,852)**	**(493,625)**	**3,528,901**	**142,512**
NET POSITION	(16,338)	(28,360)	91,045	96,165	

2. Foreign exchange

		31/12/14		31/12/15	
		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.4789	1.4720	1.4898	1.4817
Canadian dollar	CAD	1.4016	1.4611	1.5110	1.4262
Swiss franc	CHF	1.2026	1.2119	1.0859	1.0643
Koruna (Czech republic)	CZK	27.7205	27.5637	27.0215	27.2670
Danish krone	DKK	7.4662	7.4538	7.4628	7.4605
Euro	EUR	1.0000	1.0000	1.0000	1.0000
Pound sterling	GBP	0.7765	0.8015	0.7381	0.7245
Hong Kong dollar	HKD	9.3848	10.2174	8.4480	8.5649
Forint	HUF	316.5500	310.7136	315.9750	309.5000
Shekel	ILS	4.7123	4.7397	4.2426	4.2960
Yen	JPY	145.0650	140.6855	130.8650	133.5942
Mexican peso	MXN	17.8454	17.6583	18.8113	17.6566
Norwegian Krone	NOK	9.0576	8.4182	9.5920	8.9801
New Zealand dollar	NZD	1.5491	1.5995	1.5889	1.5957
Swedish krona	SEK	9.4801	9.1220	9.1628	9.3324
Singapore dollar	SGD	1.6038	1.6745	1.5421	1.5224
Turkish lira	TRY	2.8290	2.8977	3.1711	3.0380
US dollar	USD	1.2103	1.3173	1.0899	1.1049

9.8. Insurance risks

More detailed information regarding insurance risk is available in the chapter “Risk Management” of the management report.

X. Notes on the significant changes in scope of consolidation and list of subsidiaries and affiliated enterprises of Belfius

10.1. Significant changes in scope of consolidation

(Only those changes that have a material impact (i.e. an impact of more than 1% of balance sheet total and/or P&L) have been reported).

1. As at 31 december 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.

2. As at 31 december 2015

The real estate company Immo Zeedrift was purchased end 2014 and is fully consolidated from the beginning of 2015. The securitization vehicles Penates 7, Penates 8, Penates 9 and Penates 10 also joined the scope of consolidation.

As from 2015, Sepia is fully consolidated (previously a joint venture). Belfius Insurance has purchased on August 17 2015, the 50% stake in Sepia from KBC Insurance and has signed a reinsurance contract whereby KBC will retain half of the risks of the Sepia insurance portfolio; as such the historical risk sharing on the portfolio continues. On January 1 2016, Sepia merged with Belfius Insurance.

The company AIS Consulting was liquidated during 2015. Companies Eurco Ireland Ltd (previously Eurco Re) and IBRO Holdings NV were deconsolidated as they are being liquidated. In addition, Belfius Insurance has decided to activate the sale of its insurance participation in "International Wealth Insurer" (subject to certain conditions), this had no impact on the scope in 2015.

Ecetia Finances is no longer consolidated through the equity method in 2015 because the largest part of the equity participation has been converted into a loan.

10.2. Acquisitions and disposals of consolidated companies

1. Main acquisitions

A. Year 2014

On 31 January 2014, Immo Malvoz SPRL has been acquired.

It concerns an investment in an entity specialized in retirement homes.

B. Year 2015

On 17 December 2014, Immo Zeedrift SA has been acquired. It is consolidated from 2015 onwards. It concerns an investment in a company specialized in retirement homes.

As from 2015, Sepia is fully consolidated (previously a joint venture). Belfius Insurance has purchased on 17 August 2015, the 50% stake in Sepia from KBC Insurance and has signed a reinsurance contract whereby KBC will retain half of the risks of the Sepia insurance portfolio; as such the historical risk sharing on the portfolio continues. On 1 January 2016, Sepia merged with Belfius Insurance.

The assets and liabilities acquired were as follows:

(In thousands of EUR)	2014	2015	
	Immo Malvoz SPRL	Immo Zeedrift SA	Sepia SA
Cash and cash equivalents	390	29	12,751
Loans and advances due from banks	0	0	26,156
Financial investments	0	0	461,929
Current tax assets	0	0	1,818
Tangible fixed assets	11,395	19,520	0
Other assets	0	136	214,200
Customer borrowings and deposits	(3,656)	(14,488)	0
Subordinated debts	0	0	(8,928)
Technical provisions of insurance companies	0	0	(481,813)
Other liabilities	(114)	(1,562)	(216,023)
NET ASSETS	8,015	3,635	10,090
Already in possession of the Group	0	0	5,045
Purchase price (in cash)	8,015	3,635	5,045
Less:			
cash and cash equivalents in the subsidiary acquired	390	29	12,751
NET CASH OUTFLOW THROUGH ACQUISITION	7,625	3,606	(7,706)

2. Main disposals

A. Year 2014

There were no significant disposals in 2014.

B. Year 2015

There were no significant disposals in 2015.

3. Assets and liabilities included in disposal groups held for sale and discontinued operations

There were no subsidiaries recorded as "Non current assets (disposal group) held for sale and discontinued operations" and "Liabilities included in disposal group and discontinued operations" end 2014.

As at 31 December 2015 International Wealth Insurer SA was recorded as "Non current assets (disposal group) held for sale and discontinued operations" and "Liabilities included in disposal group and discontinued operations". We refer to note 5.16. and 6.9.

The transferred assets and liabilities were as follows:

(In thousands of EUR)	2014	2015 International Wealth Insurer (IWI) SA
Cash and cash equivalents	0	15,181
Loans and advances due from banks	0	3,583
Loans and advances to customers	0	10,091
Financial assets measured at fair value through profit or loss	0	2,631,080
Financial investments	0	662,092
Tangible fixed assets	0	707
Other assets	0	16,532
Customer borrowings and deposits	0	(7,450)
Financial liabilities measured at fair value through profit or loss	0	(2,631,080)
Technical provisions of insurance companies	0	(544,951)
Other liabilities	0	(59,957)

10.3. Subsidiaries, equity accounted enterprises, affiliated enterprises and enterprises in which the group holds rights representing at least 20% of the issued capital

1. Fully-consolidated subsidiaries

Name	Head office	% of capital held(1)	Business code
Belfius Asset Finance Holding SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	10
Belfius Auto Lease SA	Place Charles Rogier 11 B-1210 Bruxelles	100	5
Belfius Commercial Finance SA	Place Charles Rogier 11 B-1210 Bruxelles	100	15
Belfius Financing Company SA	Rue de l'Industrie 20 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	Rue de l'Industrie 20 L-8399 Windhof	100	21
Belfius Ireland Unltd	6 George's Dock IRL-IFSC Dublin 1	100	49
Belfius Lease SA	Place Charles Rogier 11 B-1210 Bruxelles	100	5
Belfius Lease Services SA	Place Charles Rogier 11 B-1210 Bruxelles	100	5
Copharma Industries Unltd.(2)	6 George's Dock IRL-Dublin 1	100	47
Coquelets SA	Avenue Galilée 5 B-1210 Bruxelles	100	31
Corona SA	Avenue de la Métrologie 2 B-1130 Bruxelles	100	28

(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
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
Eurco Ltd(2)	6 George's Dock IRL-Dublin 1	100	47
Immo Malvoz SPRL	Avenue Galilée 5 B-1210 Bruxelles	100	31
Immo Zeedrift SA	Avenue Galilée 5 B-1210 Bruxelles	100	31
IWI International Wealth Insurer SA	Rue Nicolas Bové 2 L-1253 Luxembourg	99.99	25
Legros-Renier Les Amarentes 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 Pacheco 44 B-1000 Bruxelles	0	49
Penates Funding SA	Rue Royale 97 B-1000 Bruxelles	10	49
Sepia SA	Avenue Galilée 5 B-1210 Bruxelles	100	25

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 bus 3 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
Eurco Ireland Ltd (previously Eurco Re)(2)	6 George's Dock IRL-Dublin 1	100	non-significant	27
Fynergie SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	non-significant	32
Ibro Holdings Unltd(2)	6 George's Dock IRL-Dublin 1	100	non-significant	47
GCC II Feeder BV	Herengracht 338 NL-1016 CG Amsterdam	100	non-significant	41
Immorente SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	non-significant	31
Service Communal de Belgique SCI (in liquidation)	Avenue Louise 106 B-1050 Ixelles	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.
(2) The subsidiaries of Belfius Insurance located in Ireland are in liquidation.

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
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)	Avenue des Arts 58 B-1000 Bruxelles	60	31
Pole Star SA(2)	Avenue des Arts 58 B-1000 Bruxelles	60	31
Société Espace Leopold SA	Rue de la Régence 58 B-1000 Bruxelles	50	31
TEB Participations SA	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 bus 0301 B-3000 Leuven	20	non-significant	47
Bancontact-Mistercash SA	Rue d'Arlon 82 B-1040 Bruxelles	20	non-significant	48
Banking Funding Company SA	Rue d'Arlon 82 B-1040 Bruxelles	21.62	non-significant	48
Bedrijvencentrum Regio Mechelen NV	De regenboog 11 B-2800 Mechelen	24.33	non-significant	41
Belgian Mobile Wallet SA	Place Sainte Gudule 5 B-1000 Bruxelles	20	non-significant	21
DG Infra+ Bis SCS	Karel Oomsstraat 37 B-2018 Antwerpen	25.64	non-significant	10
DG Infra+ Ter SCS	Karel Oomsstraat 37 B-2018 Antwerpen	27.50	non-significant	10
Finimmo SA	Boulevard Pachéco 44 B-1000 Bruxelles	50	non-significant	16
Himba NV	Hamiltonpark 24-26 B-8000 Brugge	48.51	non-significant	31
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
Inclusio SCA	Avenue Hermann-Debroux 40 B-1160 Bruxelles	23.88	non-significant	31
Inforum G.I.E.	Rue D' Arlon 53 Bte 4 B-1040 Bruxelles	50	non-significant	41
Justinvest NV	Heistraat 129 B-2610 Antwerpen-Wilrijk	33.33	non-significant	32
Kuborn Real Estate NV	Avenue Maurice 8 B-1050 Bruxelles	20	non-significant	32
Leskoo NV	Avenue des Communautés 100 B-1200 Sint-Lambrechts-Woluwe	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
R.E.D. Laboratories SA	Z1. Researchpark 100 B-1731 Zellik	22.18	non-significant	33
Re-Vive Brownfield Fund I CVBA	Kleemburg 1 bus 001 B-9050 Gent	23.75	non-significant	31
Société Mixte de Développement Immobilier SA	Avenue Maurice Destenay 13 B-4000 Liège	25.04	non-significant	32
Syneco Agence Conseil ASBL	Place l'Ilon 13 B-5000 Namur	20	non-significant	47
TDP SA	Boulevard Pachéco 44 B-1000 Bruxelles	50	non-significant	47
TEB Foncière SA	Rue Louvrex 95 B-4000 Liège	20.49	non-significant	31
Wandelaar Invest SA	Vieux Marché aux Grains 63 B-1000 Bruxelles	25	non-significant	5
Wayves SA	Place Charles Rogier B-1210 Bruxelles	50	non-significant	20
Zakenkantoor Vandepitte-Laplae NV	Astridlaan 37 B-8310 Assebroek - Brugge	26	non-significant	30

5. Belfius Bank Branches (not consolidated)

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	26	4
Belfius Auderghem-Boisfort SCRL	Boulevard du Souverain 282 B-1160 Bruxelles	26	4
Belfius Basilix SCRL	Boulevard de Smet de Nayer 2A B-1090 Bruxelles	26	4
Belfius Binche-Mariemont SCRL	Route de Mons 333 B-7130 Binche	25.88	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 Sint-Andries	26	4
Belfius Bruxelles-Anderlecht SCRL	Place de la Vaillance 35 B-1070 Anderlecht	26	4
Belfius Centre Ardenne SCRL	Avenue de Bouillon 16 B-6800 Libramont-Chevigny	26	4
Belfius Charleroi Pont-à-Nôle SCRL	Avenue Paul Pastur 114 B-6032 Mont-sur-Marchienne	26	4
Belfius Charleroi-Sud SCRL	Boulevard Joseph Tirou 76-82 B-6000 Charleroi	26	4
Belfius Condroz-Famenne SCRL	Rue Saint Eloi 1 B-5590 Ciney	26	4
Belfius Dilbeek-Lennik CVBA (en liquidation)	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 (O.-VL.)	26	4
Belfius Eeklo Gent-Oost CVBA	Grondwetlaan 9 B-9040 Sint-Amandsberg	26	4
Belfius Entre Sambre & Meuse SCRL	Rue de France 50-52 B-5600 Philippeville	25.74	4

(1) Percentage of capital held by holding company.

Name	Head office	% of capital held[1]	Business code
Belfius Etterbeek SCRL	Rue des Champs 6 B-1040 Bruxelles	24.81	4
Belfius Famenne-Semois SCRL	Rue des Ardennes 2 B-5570 Beauraing	26	4
Belfius Fléron-Beyne-Soumagne SCRL	Avenue des Martyrs 257 B-4620 Fléron	26	4
Belfius Geer-Visé SCRL	Rue Saint Hadelin 1 B-4600 Visé	26	4
Belfius Gent Centrum & Noordwest CVBA	Brugsesteenweg 514 B-9000 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 et Senne SCRL	Rue Albert 1er 23 B-7100 La Louvière	26	4
Belfius Haspengouw-West CVBA	Clockemstraat 38 B-3800 Sint-Truiden	26	4
Belfius Haute-Ardenne SCRL	Rue du Vieux Marché 21 C B-6690 Vielsalm	26	4
Belfius Hesbaye SCRL	Grand'Place 5 B-4280 Hannut	26	4
Belfius Kempen Noord CVBA	Gemeenteplaats 6 B-2960 Brecht	26	4
Belfius Kempen Oost CVBA	Markt 27 B-2400 Mol	25.16	4
Belfius Klein Brabant CVBA	Nieuwstraat 21 B-2830 Willebroek	26	4
Belfius Kortrijk CVBA	Wijngaardstraat 52 B-8500 Kortrijk	25.88	4
Belfius Lambermont-Laeken SCRL	Avenue H. Conscience 182 B-1140 Evere	26	4
Belfius West-Brabant CVBA	Chaussée d'Alsemberg 1410 B-1620 Drogenbos	26	4
Belfius Leuven CVBA	Brusselsestraat 2 B-3000 Leuven	26	4
Belfius Liège Centre et Sud SCRL	Rue des Mineurs 12 B-4000 Liège	26	4
Belfius Liège Nord et Est SCRL	Chaussée de Tongres 391 B-4000 Liège	26	4
Belfius Louise SCRL	Place Stéphanie 8 B-1050 Bruxelles	26	4
Belfius Mandel-Leie CVBA	Holdestraat 19 B-8760 Meulebeke	26	4
Belfius Meuse-Ourthe-Amblève SCRL	Place Joseph Thiry 47 B-4920 Aywaille	26	4
Belfius Midden-Limburg CVBA	Dorpsstraat 1A B-3530 Houthalen-Helchteren	26	4
Belfius Namur-Eghezée SCRL	Chaussée de Louvain 440 B-5004 Namur	26	4
Belfius Namur-Gembloux SCRL	Avenue de la Faculté d'Agronomie 12 B-5030 Gembloux	25.30	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 Boîte 41 B-7700 Mouscron	26	4

(1) Percentage of capital held by holding company.

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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 Noord-Brabant 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	Marktplein 36 B-9520 St.-Lievens-Houtem	26	4
Belfius Regio Genk-Maaseik CVBA	Fruitmarkt 7 B-3600 Genk	26	4
Belfius Regio Hasselt CVBA	Havermarkt 36-38 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 Regio Charleroi Airport SCRL	Place des Martyrs 2 B-6041 Gosselies	26	4
Belfius Région Huy-Andenne SCRL	Avenue du Bosquet 41/11 B-4500 Huy	26	4
Belfius Region Liège-Airport SCRL	Chaussée du Roi Albert 50 B-4431 ans	26	4
Belfius Regio Noord-Antwerpen CVBA	Antwerpsesteenweg 49 B-2950 Kapellen	26	4
Belfius Région Spa-Pays de Herve SCRL	Place du Marché 22 B-4651 Battice	26	4
Belfius Regio Oostende-Oostkust CVBA	Monnikenwerve 200 B-8000 Brugge	26	4
Belfius Centrum-West CVBA	Hendrik Consciencestraat 23 bus 6 B-8800 Roeselare	26	4
Belfius Regio St. Niklaas CVBA	Hendrik Heymanplein 9 B-9100 St.-Niklaas	26	4
Belfius Regio Tienen CVBA	Nieuwstraat 36 B-3300 Tienen	26	4
Belfius Regio Middelkerke-Koekelare CVBA	Kerkstraat 58 B-8430 Middelkerke	26	4
Belfius Regio Turnhout-Hoogstraten CVBA	Vrijheid 109 B-2320 Hoogstraten	26	4
Belfius Regio Waregem-Kruishoutem CVBA	Markt 12 B-8790 Waregem	25.88	4
Belfius Regio Westhoek CVBA	Grote Markt 31 B-8600 Diksmuide	26	4
Belfius Regio Zuid-Gent CVBA (in vereffening)	Koning Albertlaan 142 B-9000 Gent	26	4
Belfius Scheldeland CVBA	Kalkendorp 21 B-9270 Laarne	25.74	4
Belfius Sille et 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 105/107/109 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.

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 Quièvrain	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	25.17	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 (Bus 1) B-3770 Riemst	26	4

(1) Percentage of capital held by holding company.

Business code

1. Bank, credit institution
2. Private savings bank
3. Government credit institution
4. Banking agency
5. Leasing
6. Home loans
7. Development capital
8. Consumer credits
9. Other lending activities
10. Investment company
11. Stock broking
12. Variable capital investment company
13. Mutual funds
14. Fund manager
15. Factoring
16. Infrastructure and construction financing
17. Other specific financing
18. Financial market administration
19. Asset and portfolio management, financial advisory services
20. Financial engineering, consultancy, financial research
21. Other professional services in financial sector
22. Guarantee company
23. Trust company
24. Foreign currency exchange
25. Life insurance
26. Non-life insurance
27. Captive reinsurance
28. General insurance
29. Financial product agency and broking
30. Insurance agency and broking
31. Real estate (proprietary portfolio)
32. Real estate agency (third party)
33. Health and welfare
34. Computer business
35. Banking associations
36. Other associations
37. Sewage, road cleaning and maintenance and waste management
38. Recreation
39. Telecommunications
40. Transportation
41. Other services
42. Energy
43. Economic development
44. Water
45. Book publishing and multimedia
46. Research and development
47. Other service activities
48. Production, management, distribution of computerized payment media
49. Financing
50. Merchant banking

10.4. Involvement with unconsolidated structured entities

1. The nature, purpose, and activities of a structured entity

Belfius' involvement with unconsolidated structured entities is mainly from an 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 Credit Default Swaps, Total Return Swaps and Interest Rate Swaps.

We refer to note 12. "Securitisation".

2. Amounts concerned

	31/12/14	
(In thousands of EUR)	Carrying amount	Maximum credit risk exposure (PF[1])
FINANCIAL ASSETS	**4,383,427**	**3,624,160**
Financial assets held for trading	1,336,660	517,769
Financial assets measured at fair value through profit or loss	0	0
Financial assets available for sale	1,194,472	1,196,458
Derivatives hedge accounting	0	0
Loans and Receivables	1,852,295	1,909,933
Investments held to maturity	0	0
FINANCIAL LIABILITIES	**129,373**	**0**
Financial liabilities held for trading	129,373	0

(1) The definition of MCRE has been refined. We refer to note 9.2. As a result the figures of 2014 have been restated.

	31/12/15	
(In thousands of EUR)	Carrying amount	Maximum credit risk exposure
FINANCIAL ASSETS	**2,665,144**	**2,348,992**
Financial assets held for trading	493,211	170,049
Financial assets measured at fair value through profit or loss	0	0
Financial assets available for sale	543,849	542,839
Derivatives hedge accounting	0	0
Loans and Receivables	1,462,512	1,470,532
Investments held to maturity	165,572	165,572
FINANCIAL LIABILITIES	**120,542**	**0**
Financial liabilities held for trading	120,542	0

XI. Related parties transactions

The standard IAS 24 "Related Parties Disclosures" provides a partial exemption from the disclosure requirements for government-related entities. Consequently these related entities are not included in the note "Related parties transactions". The exposure of Belfius on for instance Belgian Government bonds can be found in the chapter "Risk Management" of the management report.

1. Related parties transactions

	Directors and key management personnel(1)		Subsidiaries(2)	
(In thousands of EUR)	31/12/14	31/12/15	31/12/14	31/12/15
Loans(3)	791	1,752	5,976	0
Interest income	18	45	121	1
Deposits(3)	1,361	2,021	13,629	10,802
Interest expense	(12)	(10)	(15)	(20)
Net commission	0	0	103	113
Guarantees issued and commitments provided by the Group(4)	0	0	12,448	19,605
Guarantees and commitments received by the Group	2,101	3,521	0	0

	Associates		Joint ventures in which the entity is a venturer	
(In thousands of EUR)	31/12/14	31/12/15	31/12/14	31/12/15
Loans(3)	340,001	337,206	21,483	6,952
Interest income	14,381	11,149	885	326
Deposits(3)	111,553	114,033	17,015	10,242
Interest expense	(752)	(416)	(13)	(3)
Net commission	20,508	21,415	53	66
Guarantees issued and commitments provided by the Group(4)	177,256	185,886	3,888	3,888
Guarantees and commitments received by the Group	69,001	70,824	28,965	14,538

(1) Key management includes the Board of Directors and the Managing Board, as well as these persons's children and spouses or domestic partners and children of these persons's spouses or domestic partners.
(2) The amounts reported relate to transactions with subsidiaries that are not consolidated due to immateriality.
(3) Transactions with related parties are concluded at general market conditions.
(4) Unused lines granted.

No impairments were recorded on loans given to related parties.

2. Key management compensations(1)

(In thousands of EUR)	31/12/14	31/12/15
Short-term benefits(2)	3,401	4,419
Post-employment benefits(3)	0	0

(1) Key management includes the Board of Directors and the Managing Board, as well as these persons's children and spouses or domestic partners and children of these persons's spouses or domestic partners.
(2) Short-term benefits include the salaries, bonuses and other advantages.
(3) 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 June 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.

Note that no claims have been made up to the date of this report towards Belfius under these representations and waranties.

A. The purpose and context of the comfort letters

In the framework of three 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 tranch (economically expensive for DRECM) or a counter guarantee from a rated entity. In this context Belfius Bank as a successor of Artesia Banking Corporation S.A. 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 July 16 2010, these comfort letters are still in place. However, we believe that the risks for Belfius are extremely remote, seen only two repurchase demands are outstanding (and being contested by DRECM), no previous transactions have led to any repurchases, and DRECM is sufficiently capitalized to meet its contractual obligations.

XII. 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 12,425 million as at 31 December 2015 compared to EUR 16,438 million as at 31 December 2014.

Dexia Secured Funding Belgium, Penates Funding and Mercurius Funding are included in the consolidated financial statements. Belfius’s other securitisation vehicles (Atrium I en Atrium II) 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 Aa2(sf), the Class A2 Notes currently Aa2(sf) as well, the Class A1 Notes have redeemed in full). As at 31 December 2015, EUR 4.2 million were still outstanding under the Class A2 Notes while the Class A1 Notes have 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 Aa2(sf), the Class A2 Notes currently Aa2(sf) as well, the Class A1 Notes have redeemed in full). As at 31 December 2015, EUR 14.5 million is still outstanding under the Class A2 Notes.

Dexia Secured Funding Belgium (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 2015 EUR 1,101 million were still outstanding. The notes had a rating of A-sf/A3/BBB+sf at 31 December 2015.

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 (rated AAsf at closing by Fitch), EUR 300 million non-rated Class B Notes and EUR 60 million non rated Class C Notes. As at 31 December 2015, EUR 2,339 million were still outstanding. The Class A Notes had a rating of AA-sf on 31 December 2015.

The DSFB-2 Notes are currently held by Belfius Bank. The Class A Notes of DSFB-4 are privately placed with an external investor. The Class B Notes and the Class C Notes of DSFB-4 are retained by Belfius Bank.

Penates Funding is a Belgian securitisation vehicle with currently ten compartments, of which three with activity, namely Penates-1, Penates-4 and Penates-5.

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 2015, 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 1,495 million and EUR 40 million respectively. There was hence EUR 1,535 million outstanding under Penates-1 at 31 December 2015. The decrease in outstanding is the result of increased prepayments in the underlying mortgage loan portfolio.

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 Aaasf/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 2015, the Class A and the Class B Notes have a A+sf and A-sf rating 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 2015, 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 1,912 million and the Class D Notes where the balance decreased to EUR 75 million. Hence there was EUR 2,909 million outstanding under Penates-4 at 31 December 2015. The decrease in outstanding is the result of increased prepayments in the underlying mortgage loan portfolio.

On 16 November 2015, Belfius Bank closed a EUR 1,030 million RMBS securitisation transaction. The SPV, Penates Funding acting through its compartment Penates-5, securitised Belgian residential mortgage loans originated by Belfius Bank and issued EUR 350 million Class A1 Mortgage-Backed Floating Rate Notes due 2049 (Fitch AAAsf/Moody's Aaa(sf)); EUR 450 million Class A2 Mortgage-Backed Floating Rate Notes due 2049 (Fitch AAAsf/Moody's Aaa(sf)); EUR 200 million Class B Mortgage-Backed Floating Rate Notes due 2049 (unrated); EUR 30 million Class C Floating Rate Notes due 2049 (unrated). As at 31 December 2015, the rating and the outstanding amounts for all classes of notes were still unchanged. Hence there was EUR 1.030 million outstanding under Penates-5 at 31 December 2015.

The Penates transactions 1 and 4 have been fully subscribed by Belfius Bank and its subsidiary Belfius Ireland. The notes can be used as collateral in repurchase agreements. The Penates transaction 5, Classes A1 and A2 Notes have been subscribed by institutional investors. Class B and C Notes have been subscribed by Belfius Bank.

Mercurius Funding is a Belgian securitisation vehicle with currently six compartments. It was established in 2012. One compartment, Mercurius-1, had outstanding notes at the end of 2015.

On 7 May 2012, Belfius closed a EUR 4,124 million SME (Small & Medium Enterprises) CLO 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.

At the end of 2015, the Moody's rating on the Class A Notes had changed to Aa3(sf), while the ratings at DBRS and Fitch were unchanged. The balance of the Class A Notes decreased to EUR 2,002 million. The outstanding amounts for the Class B Notes were still at their initial amount. Hence there was EUR 2,926 million outstanding under Mercurius-1 at 31 December 2015.

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 NV
Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2015[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 2015, 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 NV ("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 176,962,124 (000) EUR and the consolidated statement of income shows a consolidated profit (group share) for the year then ended of 506,076 (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.

Unqualified opinion

In our opinion, the consolidated financial statements of Belfius Bank NV give a true and fair view of the group's net equity and financial position as of 31 December 2015, 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.

(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 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, 4 April 2016

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 2015

Balance sheet (after appropriation)

Assets (In thousands of EUR)		31/12/14	31/12/15
I.	Cash in hand, balances with central banks and post office banks	501,240	463,097
II.	Treasury bills eligible for refinancing with central banks	346,290	157,329
III.	Loans and advances to credit institutions	22,030,122	23,318,887
	A. Repayable on demand	19,815,800	16,230,757
	B. Other loans and adv. (with agreed maturity dates)	2,214,322	7,088,130
IV.	Loans and advances to customers	65,816,881	68,361,312
V.	Debt securities and other fixed-income securities	38,092,295	22,524,932
	A. Issued by public bodies	7,407,091	6,939,991
	B. Issued by other borrowers	30,685,204	15,584,941
VI.	Shares and other variable-yield securities	110,929	99,800
VII.	Financial fixed assets	2,520,397	2,480,431
	A. Participating interests in affiliated enterprises	1,993,490	1,994,640
	B. Participating interests in other enterprises linked by participating interests	143,481	105,595
	C. Other shares held as financial fixed assets	32,426	29,196
	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	61,312	64,469
IX.	Tangible fixed assets	652,035	635,343
X.	Own shares	0	0
XI.	Other assets	4,038,550	3,226,340
XII.	Deferred charges and accrued income	28,117,514	22,044,882
TOTAL ASSETS		162,287,565	143,376,822

Liabilities

(In thousands of EUR)		31/12/14	31/12/15
I.	Amounts owed to credit institutions	21,085,531	11,026,388
	A. Repayable on demand	8,611,513	7,489,946
	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	12,474,018	3,536,442
II.	Amounts owed to customers	81,052,464	80,039,488
	A. Savings deposits	31,140,411	32,654,733
	B. Other debts	49,912,053	47,384,755
	1. Repayable on demand	21,616,024	21,781,192
	2. With agreed maturity dates or periods of notice	28,296,029	25,603,563
	3. As a result of the rediscounting of trade bills	0	0
III.	Debts evidenced by certificates	19,263,845	19,803,790
	A. Debt securities and other fixed-income securities in circul.	15,636,619	16,694,380
	B. Other	3,627,226	3,109,410
IV.	Other liabilities	4,516,582	3,794,945
V.	Accrued charges and deferred income	27,550,037	19,812,575
VI.	A. Provisions for liabilities and charges	270,993	195,586
	1. Pensions and similar obligations	352	328
	2. Taxation	16,100	18,600
	3. Other liabilities and charges	254,541	176,658
	B. Deferred taxes	0	0
VII.	Fund for general banking risks	988,737	988,737
VIII.	Subordinated liabilities	1,173,766	897,469
CAPITAL AND RESERVES		**6,385,610**	**6,817,844**
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	221	219
XII.	Reserves	2,718,091	3,150,327
	A. Legal reserve	345,807	345,807
	B. Reserves not available for distribution	2,344	2,344
	1. In respect of own shares held	0	0
	2. Other	2,344	2,344
	C. Untaxed reserves	26,167	26,167
	D. Reserves available for distribution	2,343,773	2,776,009
XIII.	Profits (losses (-)) brought forward	0	0
TOTAL LIABILITIES		162,287,565	143,376,822

Off-balance sheet

(In thousands of EUR)		31/12/14	31/12/15
I.	Contingent liabilities	19,565,722	16,985,546
	A. Non-negotiated acceptances	74,196	78,683
	B. Guarantees serving as direct credit substitutes	17,941,050	15,347,742
	C. Other guarantees	1,425,391	1,420,567
	D. Documentary credits	125,085	138,554
	E. Assets charged as collateral security on behalf of third parties	0	0
II.	Commitments which could give rise to a risk	21,825,010	26,208,396
	A. Firm credit commitments	785,577	107,951
	B. Commitments as a result of spot purchases of transferable or other securities	549,319	297,095
	C. Undrown margin on confirmed credit lines	20,460,114	25,803,350
	D. Underwriting and placing commitments	30,000	0
	E. Commitments as a result of open-ended sale and repurchase agreements	0	0
III.	Assets lodged with the credit institution	97,199,085	98,962,289
	A. Assets held by the credit institution for fiduciary purposes	0	0
	B. Safe custody and equivalent items	97,199,085	98,962,289
IV.	Uncalled amounts of share capital	13,469	11,393

Statement of income (presentation in list form)

(In thousands of EUR)		31/12/14	31/12/15
I.	Interest receivable and similar income	2,998,858	2,610,178
	of which: from fixed-income securities	*1,014,167*	*670,201*
II.	Interest payable and similar charges (-)	(1,677,010)	(1,337,694)
III.	Income from variable-yield securities	50,490	176,332
	A. From shares and other variable-yield securities	553	5,957
	B. From participating interests in affiliated enterprises	44,301	161,830
	C. From participating interests in other enterprises linked by participating interests	4,106	6,901
	D. From other shares held as financial fixed assets	1,530	1,644
IV.	Commissions receivable	548,789	608,225
	A. Brokerage and commissions	0	0
	B. Allowances for services of administration, advice and custody	0	0
	C. Other commissions receivable	548,789	608,225
V.	Commissions payable (-)	(415,081)	(480,933)
VI.	Profit (loss (-)) on financial transactions	(167,536)	(47,445)
	A. On trading of securities and other financial instruments	(304,771)	(346,361)
	B. On disposal of investment securities	137,235	298,916
VII.	General administrative expenses (-)	(1,000,124)	(947,539)
	A. Remuneration, social security costs and pensions	(565,607)	(517,031)
	B. Other administrative expenses	(434,517)	(430,508)
VIII.	Depreciation/Amortization of and other write-downs on (-) formation expenses, intangible and tangible fixed assets	(63,673)	(63,905)
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"	(79,241)	(86,046)
X.	Decrease/Increase (-) in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	10,210	30,649
XI.	Utilization and write-backs of provisions for liabilities and charges other than those included in the off balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	63,465	103,424
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	(70,033)	(28,970)
XIII.	Transfer from (Transfer to) the fund for general banking risks	0	0
XIV.	Other operating income	117,252	128,643
XV.	Other operating charges	(61,360)	(141,077)
XVI.	Profits (Losses (-)) on ordinary activities before taxes	255,006	523,842
XVII.	Extraordinary income	19,668	14,942
	A. Adjustments to depreciation/amortization of and to other write-downs on intangible and tangible fixed assets	1,275	1,080
	B. Adjustments to write-downs on financial fixed assets	0	0
	C. Adjustments to provisions for extraordinary liabilities and charges	0	0
	D. Gain on disposal of fixed assets	18,393	13,862
	E. Other extraordinary income	0	0
XVIII.	Extraordinary charges (-)	(3,987)	(12,154)
	A. Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets	(2,628)	(11,642)
	B. Write-downs on financial fixed assets	(206)	(20)
	C. Provisions for extraordinary liabilities and charges	0	0
	D. Loss on disposal of fixed assets	(857)	(456)
	E. Other extraordinary charges	(296)	(36)
XIX.	Profits (Losses (-)) for the period before taxes	270,687	526,630
XIX*bis*.	A. Transfer to deferred taxes (-)	0	0
	B. Transfer from deferred taxes	0	0
XX.	Income taxes	(5,368)	(19,397)
	A. Income taxes (-)	(9,729)	(21,435)
	B. Adjustement of income taxes and write-back of tax provisions	4,361	2,038
XXI.	Profits (Losses (-)) for the period	265,319	507,233
XXII.	Transfer to untaxed reserves (-)	0	0
	Transfer from untaxed reserves	0	0
XXIII.	Profit (Losses (-)) for the period available for approbation	265,319	507,233

Approbation account

(In thousands of EUR)		31/12/14	31/12/15
A.	Profits (Losses (-)) to be appropriated	265,319	507,233
	1. Profits (Losses (-)) for the period available for approbation	265,319	507,233
	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	265,319	432,233
	1. To capital and share premium account	0	0
	2. To legal reserve	11,758	0
	3. To other reserves	253,561	432,233
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	75,000
	1. Dividends(1)	0	75,000
	2. Director's entitlements(1)	0	0
	3. Other allocations(1)	0	0

(1) Only applicable to Belgian limited liability companies.

Belfius Bank NV
Statutory auditor's report to the shareholders' meeting on the annual accounts for the year ended 31 December 2015[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 2015 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 NV ("the company"), prepared in accordance with the financial reporting framework applicable in Belgium, which show total assets of 143,376,822 (000) EUR and a profit for the year of 507,233 (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 NV give a true and fair view of the company's net equity and financial position as of 31 December 2015 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.

Diegem, 4 April 2016

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 35 94
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 15 31 15 00
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 Unlimited Company
Managing a Public Sector bond portfolio
6, George's Dock
IRL-IFSC Dublin 1
Tel.: + 353 15 31 15 00
Fax: + 353 18 29 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

General information about Belfius Bank

Company name and legal form
Belfius Bank SA

Contact
Tel.: + 32 2 222 11 11
Fax: + 32 2 285 14 30

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 or your relationship manager. If your problem is not resolved, then contact 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 Negotation department of Belfius Bank

Belfius Bank
Negotiation department – RT 15/14
Boulevard Pachéco 44
B-1000 Brussels
E-mail: *negotiationclaims@belfius.be*

If you are a natural person acting in a private capacity and you are not satisfied with the responses you have received from the bank's official bodies mentioned above, you can take your complaint to the Ombudsman in financial conflicts if it relates to banking products.

Ombudsman in financial conflicts
North Gate II
Boulevard du Roi Albert II 8, boîte 2
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