Risk report 2025



Belfius

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2025 – key figures

RATIOS

CET1 RATIO	LEVERAGE RATIO	LCR	NSFR
Percent	Percent	Percent	Percent
15.87 (15.38)	**6.25** (6.46)	**144** (139)	**130** (133)

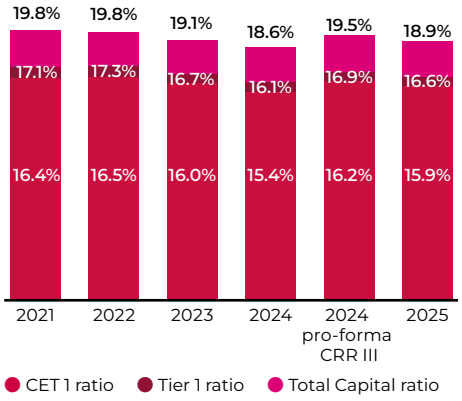
The figures in parentheses are from last year.

CREDIT

COST OF RISK	ASSET QUALITY RATIO	COVERAGE RATIO STAGE 3
EUR million	Percent	Percent
-80 (-133)	**2.0** (1.9)	**47.8** (49.4)

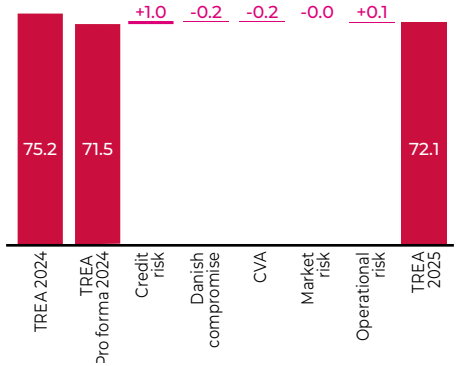
Capital ratio evolution

Percent



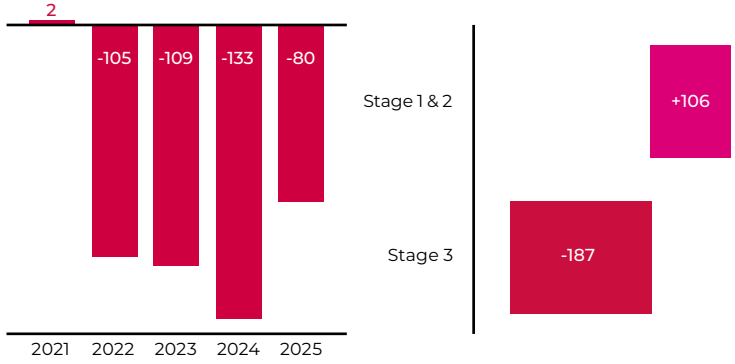
Total Risk Exposure Amount evolution

EUR billion



Cost of risk evolution

EUR million – Scope consolidated



2025 – key figures

RATINGS

MOODY'S	S&P	FITCH
A1 stable (A1 stable)	**A stable** (A stable)	**A- stable** (A- stable)

MREL CAPACITY
(% of TREA)

Percent

31.2 (30.3)

EXPOSURE TO CLIMATE SENSITIVE SECTORS
(% of total loans & advances)

Percent

20 (23)

OPERATIONAL LOSSES
(3 last year average, excluding operational incidents related to the credit risk)

EUR million

8.26 (5.15)

VALUE-AT-RISK (VAR) OF FINANCIAL MARKETS ACTIVITIES

EUR million

10.0 (10.1)

The figures in parentheses are from last year.

Summary of risk profile

Belfius 2025 risk profile summary

In 2025, Belfius strengthened its resilience and maintained solid financial performance despite a challenging macroeconomic and geopolitical environment. Through disciplined risk management, a proactive balance sheet strategy, and reinforced capital and liquidity position, the bank entered 2026 with a solid posture to navigate continued uncertainty.

Belfius safeguarded profitability despite market volatility

Profitability remained protected, supported by effective asset liability management during a period of significant market volatility and a steepening euro yield curve. Net interest income (EUR 2033 million) slightly exceeded expectations, reflecting successful interest rate risk strategies and robust commercial activity.

Market risk exposures were tightly managed, avoiding P&L impacts even during episodes of pronounced volatility such as Liberation Day.

Credit losses remained contained despite rising bankruptcies

In 2025, Belgium recorded an unprecedented surge in corporate bankruptcies. Reflecting this national trend, Belfius also observed an increase in defaulted counterparties. Despite this pressure, the cost of risk on non-performing loans was effectively contained at EUR 187 million, a decrease from EUR 249 million in 2024. Reversals on performing loans brought total cost of risk down to EUR 80 million.

Asset quality stayed strong thanks to proactive portfolio management

Despite some credit quality pressure on the commercial portfolio, the non-performing loan ratio held at a solid 2.0% at year-end, supported by proactive portfolio steering and accelerated write-offs.
Targeted derisking actions reduced legacy exposures by EUR 760 million, improving the average rating of these portfolios from BBB+ to A- and lowering non-investment grade assets proportion to below 3.5%.

Capital ratios improved and remained robust under CRR 3

Belfius further strengthened its capital base, achieving a pro forma CET 1 ratio of 16.2% on January 1st 2025 following the successful implementation of the CRR 3 framework. During the year, the bank maintained a stable total risk exposure amount (TREA) with impacts from commercial growth offset by new model implementations and legacy portfolio derisking. Belfius also continued to support shareholder value with extraordinary and interim dividends, all while preserving robust solvency and MREL buffers. The CET 1 established at 15.9% at the end of year 2025.
The strong capital ratios reinforce the bank's capacity to absorb stress and support strategic developments.

Liquidity remained solid despite volatile deposit flows

Belfius maintained a strong and resilient liquidity profile throughout the year, even amid increased volatility in deposit outflows due to digitalization and instant payments. Liquidity remained strong, with an LCR of 144%, a NSFR of 130% and a loan-to-deposit ratio at a comfortable level of 94% at the end of 2025.

Operational risks remained under control, supported by stronger frameworks

Operational risks remained effectively contained, with average annual potential net losses from operational incidents over 2023–2025 amounting to EUR 8.3 million. Most incidents were linked to external fraud and remained within risk appetite. Enhancements to the control environment — including strengthened third party risk management, a more advanced anti-financial crime framework, and continued prioritization of information security and data privacy — further reduced residual operational risks.

ESG and climate risks are further embedded in risk management

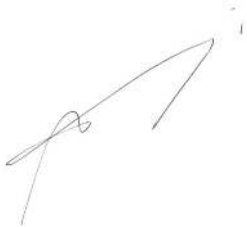
ESG and climate risks are increasingly embedded into the business strategy and in the risk management frameworks. The implementation of the Climate Transition Plan and the Prudential Transition Plan, alongside improved ESG data and risk assessment tools, underscore Belfius' commitment to long-term resilience and sustainable value creation.

Stress testing confirmed Belfius' strong resilience

The 2025 EU-wide stress test, conducted every two years, confirmed once again Belfius' strong financial stability and resilience. As in previous exercises — and even under the most severe stress scenarios ever applied since the launch of these tests — Belfius maintained a fully-loaded CET 1 ratio well above all regulatory requirements throughout the entire stress horizon, with a fully-loaded CET 1 ending up at a very solid level of 12.36% at the end of the stress period in 2027.

Belfius is well positioned for future uncertainties

With strong capital and liquidity buffers, solid asset quality, disciplined risk management, and a forward-looking approach to emerging risks, Belfius is well positioned to navigate 2026 and continue delivering value to shareholders, customers and society.



Hédi Ben Mahmoud
CRO Belfius Bank



Declaration Approved by the Management Body on the Adequacy of Risk Management Arrangements

Belfius Bank is a Belgian banking and insurance group fully owned by the Belgian Federal State through the Federal Holding and Investment Company. As a locally anchored financial institution, Belfius serves private individuals, professionals, companies, social profit institutions and public authorities, with a business model focused on long-term value creation, prudent risk-taking and a sound financial profile.

The Board of Directors has defined and approved a clear Risk Appetite that reflects the level of risk Belfius is willing to assume across all material risk types, in alignment with its strategy, stakeholder expectations and regulatory requirements. The Risk Appetite Framework is fully integrated into the strategic planning process, the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP). It guides both strategic decisions and day-to-day risk management.

The Management Board is responsible for implementing the approved Risk Appetite through a comprehensive limit framework, a robust committee structure and clear reporting mechanisms. Risk attention points are communicated and monitored consistently across the organisation, ensuring alignment between strategy, risk appetite and operations.

Risk management at Belfius is organised according to the Three Lines of Defence model and supported by effective policies, procedures and internal controls. Belfius maintains strong risk data aggregation and reporting capabilities. Scenario-based stress testing (and reversed stress testing) is embedded in the overall risk management framework and informs strategic steering and capital planning.

All material risks are monitored within the Group Risk Appetite Framework and reported quarterly to the Management Board and the Board of Directors. Breaches of risk indicators, should they occur, are promptly escalated with root cause analysis and corrective action plans.

As a regulated financial conglomerate with banking and insurance activities, Belfius complies with the Financial Conglomerate Directive and submits consolidated reporting on capital, intragroup transactions, risk concentrations and leverage.

In accordance with Article 435 of the Capital Requirements Regulation, the Management Board concludes that Belfius Bank's risk management system is adequate with regard to the institution's risk profile and strategy, and considers that this Risk Report provides assurance of the effectiveness of the Group's risk management arrangements.

This declaration was approved by the Board of Directors of Belfius Bank on 26 March 2026.

I. Regulatory framework and Pillar 3 disclosure

The capital adequacy regulations consist of three Pillars.

The first Pillar – minimum capital requirements – defines the way banking institutions calculate their regulatory capital requirements in order to cover credit risk (including Counterparty Credit Risk), market risk, operational risk and Credit Valuation Adjustment (CVA).
The framework provides different approaches for calculating credit risk (3 approaches: Standardised, Foundation Internal Rating-Based and Advanced Internal Rating-Based), market risk (2 approaches: Standardised Approach and Internal Model Approach), operational risk (3 approaches: Basic Indicator Approach, Standardised Approach and Advanced Measurement Approach) and CVA (2 approaches: Standardised Approach and Internal Model Approach). The Pillar 1 also encompasses the leverage requirement which is a non-risk-based ratio serving as backstop to the risk-based minimum capital requirements.

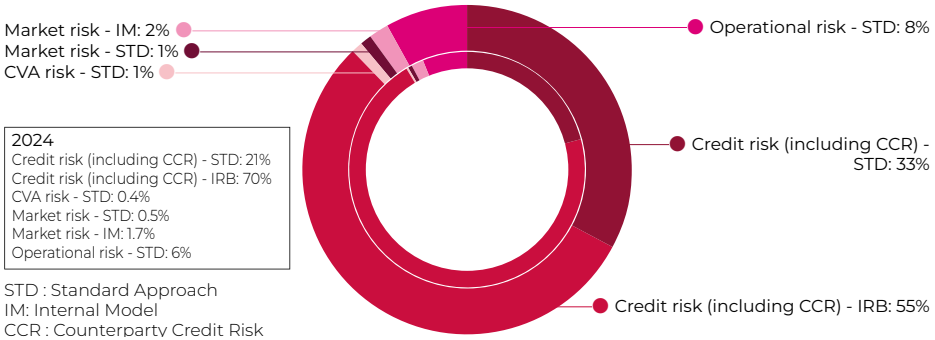
The second Pillar – supervisory review – provides the European regulators acting under the Single Supervisory Mechanism (SSM) with a framework to help them in assessing the adequacy of banks' capital to be used to cover either risks identified in the first Pillar but not sufficiently covered by the Pillar 1, and other risks such as among others interest rate risks.

The third Pillar – market discipline – develops a set of qualitative and quantitative disclosures allowing market participants to make a better assessment of capital, risk exposure, risk assessment processes, and hence the capital adequacy of the institution. The requirements of the third Pillar are met by this publication.

I.1. Pillar 1 implementation

Belfius uses different approaches for the determination of its minimum regulatory capital requirements under Pillar 1:

Reporting methods used (Outside 2025 – Inside 2024)



I.1.1. Credit Risk

Since 1 January 2008, Belfius has been authorised to use the Advanced Internal Rating-Based Approach (AIRB Approach) for the determination of its minimum regulatory capital requirements (see section III.1.).

Belfius has also decided to maintain a Standardised Approach for some portfolios for which this approach is specifically authorised by the Basel framework, such as small busi-

ness units, non-material portfolios, portfolios corresponding to activities in run-off, to be sold or portfolios and entities for which Belfius has adopted a phased roll-out of the AIRB Approach.

At the end of 2025, credit risks (including Counterparty Credit Risk) capital requirements represented 89% of the Total Risk Exposure Amount.

In the graph above, the increase in credit risk under the Standardised Approach in 2025 compared to 2024 is due to the treatment of the Danish Compromise, which was assessed under the AIRB Approach in 2024 but falls under the Standardised Approach following the implementation of the CRR 3 regulation from 2025 onward.

I.1.2. Counterparty Credit Risk and CVA risk

Belfius calculates its exposures based on the Standardised Approach for Counterparty Credit Risk (SA-CCR). Capital requirements are calculated according to the same principles as for credit risk.

The additional charge to cover the risk of Mark-to-Market losses due to a deterioration in the creditworthiness of the counterparties, the CVA risk, is calculated according to the Standardised Approach, and represented 0.7% of the Total Risk Exposure Amount as of end of 2025.

I.1.3. Market Risk

Since June 25, 2013, Belfius has been authorized to use its historical VaR model for the determination of its regulatory capital requirements. This Internal Model Approach is currently granted for general interest rate risk and foreign exchange risk. Belfius applies the Standardised Approach for specific interest rate risk, equity risk and commodity risk. At the end of 2025, market risks requirements accounted for 2.2% of the Total Risk Exposure Amount.

I.1.4. Operational Risk

For operational risk, Belfius Bank applies the Standardised Approach, which accounts for 8.3% of the Total Risk Exposure Amount at year-end 2025.

I.2. Pillar 2 implementation

The Internal Capital Adequacy Assessment Process (ICAAP), applicable since the end of 2008, requires banks to demonstrate to the supervisors the adequacy of their risk profile and of their capital by providing an overview of the internal consolidated process for assessing Capital Adequacy in relation with risk profile.

In this context, appropriate governance has been put in place for the calculation and management of the risks and for the assessment of the economic capital needs from a Risk Appetite perspective (see section III.3.3.). The Capital Adequacy Statement (CAS) formalizes all the ICAAP constituting elements of Belfius' assessment process with regards to its internal capital adequacy. It provides the official and comprehensive view of the Management body on the ongoing assessment of the risks Belfius faces in a holistic and forward-looking manner, along with the level of capital needed, both now and in the future, having considered all necessary management actions. The CAS, endorsed and signed by the management body, has been communicated to the supervisors.

Next to the ICAAP, an ILAAP (Internal Liquidity Adequacy Assessment Process) describing how Belfius Bank monitors and assesses the adequacy of its liquidity and funding risk management is designed. Similarly, a Liquidity Adequacy Statement (LAS), endorsed and signed by the management body, demonstrating that Belfius Bank has an adequate management and monitoring of its liquidity and funding positions and risks, has also been communicated to the supervisors. A detailed description of the Belfius liquidity and funding risk management framework can be found in the chapter Risk management of the Belfius' Management Report (see section VII. on liquidity risk of this report).

The SSM imposes as well additional requirements on top of the first Pillar. For 2025, the P2R and the P2G were respectively set at 2.02% and 1% (see section III.1. for more details).

I.3. Pillar 3 – Disclosure policy & disclosure map

I.3.1. Pillar 3

The current report contains information about risk management, risk measurement and capital adequacy in accordance with the Capital Requirement Regulation (CRR) and the Capital Requirement Directive (CRD) of the European Union.

The current report contains information on all subjects included in the directives and implementing regulations, insofar as they apply to Belfius Bank SA:

- Part eight of CRR;
- Consolidated Pillar 3 disclosure implementing regulation (EU 2021/637);
- Implementing regulation on disclosure of MREL (EU 2021/763);
- Implementing regulation on disclosure of ESG risks (EU 2022/2453);
- EU Taxonomy implementing regulations;
- EBA guideline on IFRS 9 transitional arrangements (EBA/GL/2020/12).

The Pillar 3 disclosures under the CRD /CRR framework only deal with parent companies, subsidiaries and associated companies in the financial sector, and exclude insurance companies. This means that disclosures requirements for Belfius Insurance are generally not included in this report. Belfius Insurance prepares its own Solvency Report (SFCR report), which is published on April 2, 2026.

However, in order to give a representative view of Belfius Group's risk profile, Belfius Insurance figures have been included in some sections, when relevant. In this case, the reporting scope is always clearly indicated.

The information provided in this report has not been subject to an external audit, but the quality of information is guaranteed by a strong process of validation within the Belfius Bank SA Management Board and Board of Directors.

The Risk report 2025 and its templates have been signed off by Belfius' Chief Risk Officer. The report was also presented to the Risk Committee and Audit Committee (in joint session) on March 19, 2026 and to the Board of Directors on March 26, 2026.

All aspects for which disclosure is required under part eight of CRR but that are not applicable to Belfius are listed in Appendix X.1.

No exceptions have been applied for the publication of information considered proprietary or confidential.

The Risk report is presented in euros (EUR), which is Belfius' accounting currency, rounded to the nearest million (unless otherwise stated). Due to rounding, numbers presented throughout this document may not add up precisely to the totals we provide, and percentages may not precisely reflect the absolute figures.

The Risk report is released on an annual basis. The next report's update is scheduled for April 2027. However, quantitative information will be released on a quarterly basis in accordance with article 433 and article 433a of the CRR through the Pillar 3 Data Hub of the EBA.

This Risk report is available in the investors section of the Belfius website (www.belfius.be), under "Results and Reports".

I.3.2. Pillar 3 disclosure map

If information is already available in the Management report of Belfius or Belfius Insurance and if Belfius believes it is equivalent in nature and scope to the disclosure requirements, the Risk report 2025 clearly refers to it, without repeating this information. For this purpose, a Disclosure map is established.

Mapping with Pillar III disclosure

Article CRR III	Disclosure requirement	Reference to the chapter in present document		Risk report annex	Reference to external documents: Management report (MR) / Financial statements (FS)
435	Risk Management objectives and policies	II.	Risk management governance	●	Governance memorandum
436	Scope of application	II.	Regulatory framework and Pillar III disclosure	●	Annual report
437	Own funds	III.	Equity and capital adequacy	●	Annual report
437A	Own funds and eligible liabilities	III.	Equity and capital adequacy	●	Annual report
438	Own funds requirements and risk-weighted exposures	III.	Equity and capital adequacy	●	Annual report
439	Exposure to counterparty credit risk	IV.6.	Counterparty credit risk	●	
440	Countercyclical capital buffers	III.	Equity and capital adequacy	●	Annual report
441	Indicators of global systemic importance	Not applicable for Belfius			
442	Exposures to credit risk and dilution risk	IV.	Credit risk	●	Annual report
443	Encumbered and unencumbered assets	VII.7.	Encumbered assets	●	Annual report
444	Use of the Standardised Approach in TREA calculation	X.3.	Credit risk approaches	●	Annual report
445	Exposures to market risk under the standardised approach	VI.2.	Fundamentals of market risk in 2025	●	Annual report
445A	CVA risk	IV.6.	Counterparty credit risk	●	
446	Operational risk management	VIII.	Non-financial risk	●	Annual report
447	Key metrics		2025 – Key figures	●	Annual report
448	Exposures to interest rate risk on positions not held in the trading book	V.	ALM risk	●	Annual report
449	Exposure to securitisation positions	IV.7. VII.6.	Securitisation risk Securitisation activity as originator	●	
449A	Environmental, social and governance risks (ESG risks)	IX. II. III.3.	Strategic risk Risk management governance Capital adequacy	●	Sustainability report (MR)
449B	Aggregate exposure to shadow banking entities	Not applicable for Belfius			
450	Remuneration policy			●	Governance memorandum
451	Leverage ratio	III.	Equity and capital adequacy	●	Annual report
451A	Liquidity requirements	VII.	Liquidity and Funding risk	●	Annual report
451B	Crypto-asset exposures and related activities	Not applicable for Belfius			
452	Use of the IRB Approach to credit risk	IV.3.1. X.3. X.4.	IFRS 9 impairment methodology at Belfius Credit risk approaches Risk methodology	●	Annual report
453	Use of credit risk mitigation techniques	X.3.	Credit risk approaches	●	Annual report
454	Use of the Advanced Measurement Approaches to operational risk	Not applicable for Belfius			
455	Use of Internal Market Risk Models	VI.	Market Risk	●	

I.3.3. Pillar 3 - Risk report annexes with all tables

The annexes of the Risk Report, previously published in a separate excel file will be available on a centralised digital platform developed by the European Banking Authority (EBA), the Pillar 3 Data Hub (P3DH).

The P3DH initiative aims to move away from institution-specific web publication and establish the EBA as the central access point for prudential disclosures. You will find this reference table here beneath.

Risk report annex reference table: quantitative templates

OVERVIEW OF RISK MANAGEMENT, KEY PRUDENTIAL METRICS AND RWA	
OV1	Overview of total risk exposure amounts
KM 1	Key metrics template
INS1	Insurance participations
INS2	Financial conglomerates information on own funds and capital adequacy ratio
CMS1	Comparison of modelled and standardised risk weighted exposure amounts at risk level
CMS2	"Comparison of modelled and standardised risk weighted exposure amounts for credit risk at asset class level"
DISCLOSURE OF THE SCOPE OF APPLICATION	
LI1	Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories
LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements
LI3	Outline of the differences in the scopes of consolidation (entity by entity)
PV1	Prudent valuation adjustments (PVA)
OWN FUNDS	
CC1	Composition of regulatory own funds
CC2	reconciliation of regulatory own funds to balance sheet in the audited financial statements
CCA	Main features of regulatory own funds instruments and eligible liabilities instruments
COUNTERCYCLICAL CAPITAL BUFFERS	
CCYB1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer
CCYB2	Amount of institution-specific countercyclical capital buffer
LEVERAGE RATIO	
LR1	Summary reconciliation of accounting assets and leverage ratio exposures
LR2	Leverage ratio common disclosure
LR3	Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)
MREL	
KM2	Key metrics for MREL
TLAC1	MREL
TLAC3	resolution entity
LIQUIDITY REQUIREMENTS	
LIQ1	Quantitative information of LCR
LIQ2	Net Stable Funding Ratio
CREDIT RISK QUALITY	
CR1	Performing and non-performing exposures and related provisions
CR1A	Maturity of exposures
CR2	Changes in the stock of non-performing loans and advances
CR2A	Changes in the stock of non-performing loans and advances and related net accumulated recoveries
CQ1	Credit quality of forborne exposures
CQ2	Quality of forbearance
CQ3	Credit quality of performing and non-performing exposures by past due days
CQ4	Quality of non-performing exposures by geography
CQ5	Credit quality of loans and advances by industry
CQ6	Collateral valuation – loans and advances
CQ7	Collateral obtained by taking possession and execution processes
CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown
CREDIT RISK MITIGATION TECHNIQUES	
CR3	CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques
CREDIT RISK SA	
CR4	Standardised approach – Credit risk exposure and CRM effects
CR5	Standardised approach

CREDIT RISK IRB	
CR6	IRB approach – Credit risk exposures by exposure class and PD range
CR6A	Scope of the use of IRB and SA approaches
CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques
CR7A	IRB approach – Disclosure of the extent of the use of CRM techniques
CR8	RWEA flow statements of credit risk exposures under the IRB approach
CR9	IRB approach – Back-testing of PD per exposure class (fixed PD scale)
CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)

SPECIALISED LENDING AND EQUITY EXPOSURES	
CR10.1	Specialised lending and equity exposures under the simple risk-weighted approach
CR10.5	Equity exposures under Articles 133 (3) to (6) and 495a(3) CRR

COUNTERPARTY CREDIT RISK	
CCR1	Analysis of CCR exposure by approach
CCR3	Standardised approach – CCR exposures by regulatory exposure class and risk weights
CCR4	IRB approach – CCR exposures by exposure class and PD scale
CCR5	Composition of collateral for CCR exposures
CCR6	Credit derivatives exposures
CCR7	RWEA flow statements of CCR exposures under the IMM
CCR8	Exposures to CCPs

EXPOSURES TO SECURITISATION POSITIONS	
SEC1	Securitisation exposures in the non-trading book
SEC2	Securitisation exposures in the trading book
SEC3	institution acting as originator or as sponsor
SEC4	institution acting as investor
SEC5	Exposures in default and specific credit risk adjustments

MARKET RISK	
MR1	Market risk under the standardised approach
MR2-A	Market risk under the internal Model Approach (IMA)
MR2-B	RWA flow statements of market risk exposures under the IMA
MR3	IMA values for trading portfolios
MR4	Comparison of VaR estimates with gains/losses

CREDIT VALUATION ADJUSTMENT	
AU CVA1	Credit valuation adjustment under the Reduced Basic Approach
CVA2	Credit valuation adjustment risk under the Full Basic Approach
CVA3	Credit valuation adjustment risk under the Standardised Approach
CVA4	RWEA flow statements of credit valuation adjustment risk under the Standardised Approach (SA)

OPERATIONAL RISK	
OR1	Operational risk losses
OR2	Business Indicator, components and subcomponents
OR3	Operational risk own funds requirements and risk exposure amounts

INTEREST RATE RISK OF NON-TRADING BOOK ACTIVITIES	
IRRBB1	Interest rate risks of non-trading book activities

REMUNERATION POLICY	
REM1	Remuneration awarded for the financial year
REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)
REM3	Deferred remuneration
REM4	Remuneration of 1 million EUR or more per year
REM5	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

ENCUMBERED AND UNENCUMBERED ASSETS	
AE1	Encumbered and unencumbered assets
AE2	Collateral received and own debt securities issued
AE3	Sources of encumbrance

ESG RISKS	
TEMPLATE 1	Credit quality of exposures by sector, emissions and residual maturity
TEMPLATE 2	Loans collateralised by immovable property - Energy efficiency of the collateral
TEMPLATE 3	Alignment metrics
TEMPLATE 4	Exposures to top 20 carbon-intensive firms
TEMPLATE 5	Exposures subject to physical risk
TEMPLATE 6	Summary of GAR KPIs
TEMPLATE 7	Assets for the calculation of GAR
TEMPLATE 8	GAR
TEMPLATE 10	Other climate change mitigating actions that are not covered in the EU Taxonomy
TEMPLATE 9.1	Template 9.1 - Mitigating actions: Assets for the calculation of BTAR
TEMPLATE 9.2	Template 9.2 - BTAR %
TEMPLATE 9.3	Template 9.3 - Summary table - BTAR %

EXPOSURES TO CRYPTO ASSETS	
CAE1	Exposures to crypto-assets

Risk report annex reference table: qualitative templates

Qualitative information has also been included in this Annex relating directly to the quantitative elements presented in order to facilitate their interpretation.

Disclosure reference	Title
OVC	OVC - ICAAP information
OVA	OVA - Institution risk management approach
OVB	OVB - Disclosure on governance arrangements
LIA	LIA - Explanations of differences between accounting and regulatory exposure amounts
LIB	LIB - Other qualitative information on the scope of application
LIQA	LIQA - Liquidity risk management
LIQ B	LIQB on qualitative information on LCR, which complements template LIQ1
CRA	CRA - General qualitative information about credit risk
CRB	CRB - Additional disclosure related to the credit quality of assets
CRC	CRC – Qualitative disclosure requirements related to CRM techniques
CRD	CRD – Qualitative disclosure requirements related to standardised model
CRE	CRE – Qualitative disclosure requirements related to IRB approach
CCRA	CCRA – Qualitative disclosure related to CCR
MRA	MRA: Qualitative disclosure requirements related to market risk
SECA	EU-SECA - Qualitative disclosure requirements related to securitisation exposures
CVAA	CVAA - Qualitative disclosure requirments to credit valuation adjustment risk
CVAB	CVAB - Qualitative disclosure requirements related to CVA risk for institutions using the Standardised Approach
ORA	ORA - Qualitative information on operational risk
IRRBBA	IRRBBA- Qualitative information on interest rate risks of non-trading book activities
REMA	REMA - Remuneration policy
AE4	AE4 - Accompanying narrative information
TABLE 1	Table 1 - Qualitative information on Environmental risk
TABLE 2	Table 2 - Qualitative information on Social risk
TABLE 3	Table 3 - Qualitative information on Governance risk



II. Risk management governance

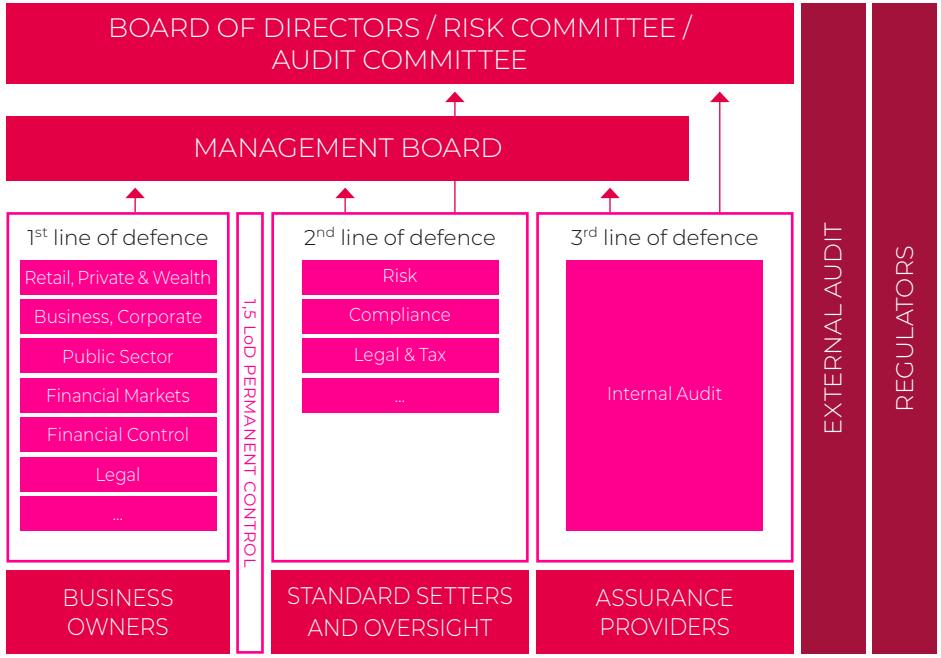
II.1. Risk governance model

II.1.1. Three Lines of Defence model

The Belfius risk management framework is built on the Three Lines of Defence (3 LoD) model, supported by a set of robust and effective internal controls:

- **First Line of Defence**
  The business lines constitute the first line of defence. They are responsible for identifying, assessing, managing, and mitigating risks within the framework defined by the second line. They are accountable for implementing, operating, and maintaining effective controls to ensure appropriate risk management.
- **1.5 Line of Defence – Permanent Control Functions**
  Permanent Control functions within the business lines play an essential role in strengthening the control environment. Classified as the 1.5th line of defence, they focus on attestation and oversight rather than operational execution. Dedicated Permanent Control units are in place for each major business area—Retail, Private, Wealth, Corporate and Public & Social—as well as in Risk Management—including Compliance—, HR, and Technology.
- **Second Line of Defence**
  The second line of defence is ensured by transversal control functions, primarily Risk Management and Compliance. Independent from the business lines, they design and maintain the risk management framework, including the risk appetite, policies, and procedures. They also oversee, monitor, challenge, and support the first line in managing risks effectively.
- **Third Line of Defence**
  The third line of defence is carried out by the Internal Audit function. It provides independent assurance to the Board of Directors and the Management Board regarding the effectiveness of the organisation's governance, risk management, and internal control systems. It reports any deficiencies identified and formulates recommendations for improvement.

Although external parties are not formally considered to be among an organization's 3 lines of defense, groups such as external auditors and regulators play an important role regarding the organization's overall governance and control structure.

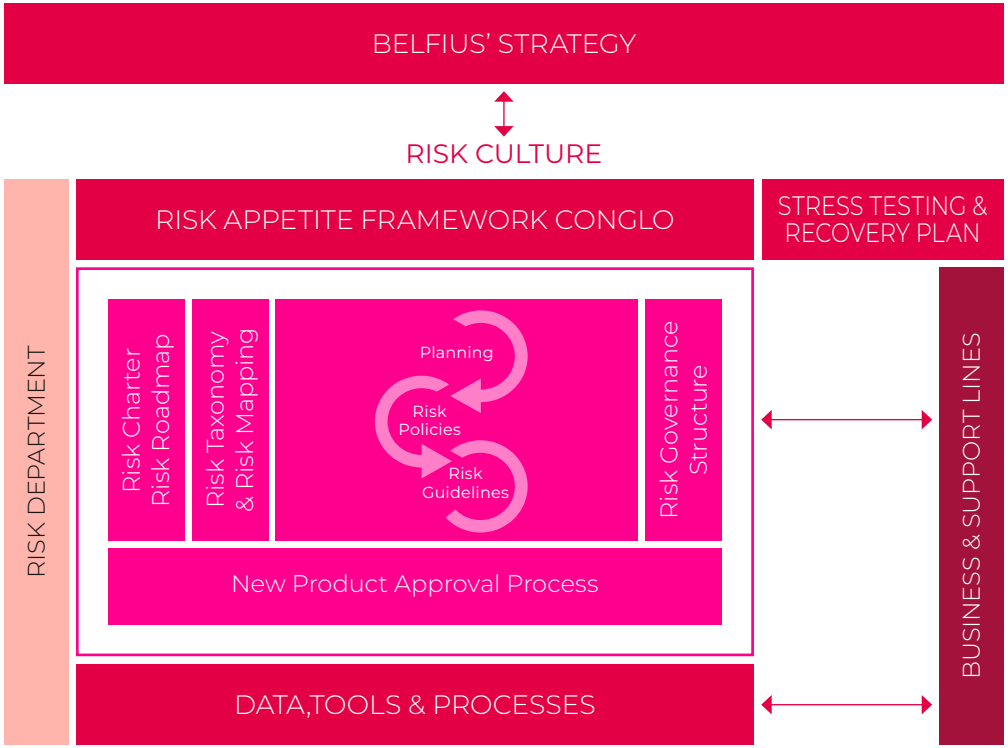


II.1.2. Risk management framework

The risk management framework aims to ensure sound, prudent, and effective risk management and corporate governance across the organisation. It provides a consistent and integrated structure that covers all elements required for robust risk identification, assessment, control, and oversight.

Risk management is deeply embedded in Belfius' corporate governance, and the principles of risk appetite are defined and endorsed at the highest governance level. This ensures that strategic decisions, business activities, and risk-taking behaviours align with the institution's overall risk tolerance.

For detailed information on the broader governance arrangements at Belfius Bank and Belfius Insurance, please refer to the respective Annual Reports (see the chapters on Corporate Governance).



II.1.2.1. The Risk Appetite Framework (RAF)

The Risk Appetite Framework (RAF) articulates, at the highest consolidated level, the types and extent of risk that Belfius is willing—or unwilling—to accept as an independent group, aligned with its strategic objectives and financial goals. This framework is applied across the entire organization, ensuring that all subsidiary limits and risk guidelines remain consistent with the overarching RAF. The RAF combines qualitative statements and quantitative metrics covering both financial and non-financial risks. The quantitative metrics are structured into two distinct levels of key risk indicators (KRIs):

- Level 1 KRIs include the high level KRIs covering the most material risks;
- Level 2 KRIs include the complementary KRIs or more granular KRIs in some cases "cascading" from L1 indicators and/or applying more specifically to a risk type, activity, asset or entity.

Level 1 KRIs are validated by the Board of Directors, while Level 2 KRIs are validated by the Management Board. Both governing bodies receive quarterly reports on alerts or breaches of RAF limits and are responsible for reviewing and implementing action plans to restore compliance with the defined risk appetite whenever an alert or a breach occurs in any risk dimension.

The RAF is consistent with the Belfius Group strategy and financial targets. The RAF must be seen as an evolutive process in which:

- risk coverage and risk level are revised on a yearly basis;
- defined KRIs are systematically reviewed in relation to business strategies, with an annual assessment to ensure that RAF limits are adhered to—both under normal conditions and in stress scenarios—during the development of the Financial Plan.

The compliance with the risk appetite framework is monitored and reported quarterly to the Management Board and to the Board of Directors.

Next to the RAF, Belfius defines operational limits, derived from the risk appetite limits. They are designed to manage day-to-day operations and ensure that the activities of the group remain within the defined risk appetite.

The RAF is implemented across all material subsidiaries to reinforce a consistent group-wide approach. Each subsidiary's RAF enables them to identify, monitor and address their specific financial and non-financial vulnerabilities and risks while maintaining coherence with the overall group strategy.

II.1.2.2. The Risk Charter

Belfius Bank has established its core risk principles and guidelines for all stakeholders and departments through a dedicated Risk Charter, providing clear direction and standards for effective risk management across the organization, with particular emphasis on Belfius' management function.

II.1.2.3. The Risk Roadmap

Through its Risk Roadmap, Belfius Bank defines and communicates the overarching objectives, key actions, and strategic priorities of the Risk management department to both its team members and main stakeholders, typically covering a one year time horizon.

II.1.2.4. The Risk Taxonomy and Risk Mapping

The Risk Taxonomy provides a unified and standardized classification of risk categories, ensuring that the same risk types and definitions are consistently applied throughout the group. This integrated approach enables clear understanding and comparability of risks across all businesses and entities.

The Risk Mapping establishes well-defined roles and responsibilities for each risk type and related tasks within the bank, promoting accountability and effective risk management.

Both the Risk Taxonomy and Risk Mapping are regularly updated to incorporate new developments and emerging risk factors, ensuring they remain relevant and comprehensive.

II.1.2.5. The Risk Governance Structure

The Risk Governance Structure establishes a solid network of Risk Committees that ensures effective communication, transparent reporting lines, and consistent decision-making. It clearly defines responsibilities and authorities across both dedicated Risk Management Committees and mixed Risk and Business Committees. This structure ensures that risk-related decisions, oversight, and escalation are positioned at the appropriate management levels, supporting coherent, efficient, and well-aligned governance across the organisation.

II.1.2.6. Risk Policies & Guidelines

The Risk Policies and Guidelines form a comprehensive set of documents that translate the organisation's overarching risk management governance and culture into concrete, actionable expectations. They define the strategies, roles and responsibilities, concepts, and objectives related to each activity. In addition, they provide clear and practical instructions to stakeholders to ensure consistent application in day-to-day business operations.

The Risk management framework has been enriched in 2025 with a Prudential Transition Plan. In line with the EBA final guidelines on ESG risk management, the plan is a regulatory document providing an overview of the strategic actions and risk management tools Belfius deploys to ensure robustness towards ESG risks. The Prudential Transition Plan is not disclosed publicly but is assessed by the supervisor as part of the SREP. It applies group-wide, with a focus on Belfius Bank and Belfius Asset Management and with the exception of insurance activities (which will be addressed in a separate plan). The plan will be updated at least annually and is validated by the Board of Directors.

II.1.2.7. New Product Approval Process (NPAP)

The development of a new or modified product, activity, process, or system follows a structured sequence of steps that must be completed before implementation. The policy defines this end-to-end process and clearly assigns accountability to all stakeholders involved. It establishes the governance framework and sets out the detailed procedures for the New Product Approval Process, ensuring that all relevant risks are identified, assessed, and adequately mitigated prior to launch.

We also refer to the section VIII.2.1. of this report.

II.1.2.8. Stress Testing & Recovery Plan

Stress tests are conducted to assess the group's sensitivity to significant, unexpected economic or market shocks, as well as other events impacting Belfius financial position. These tests evaluate potential impacts in terms of losses, increases in risk exposure assets, liquidity requirements, and equity capital needs.

In accordance with the Bank Recovery and Resolution Directive (BRRD) and the Belgian Banking Law, Belfius Bank is required to prepare and annually update a comprehensive recovery plan. As an integral component of the crisis management framework, this plan details how the bank would respond to financial stress in order to avoid resolution. Its primary objective is to equip the bank with effective recovery measures to restore financial strength under a range of stress scenarios. The recovery plan is fully embedded within Belfius' overall risk management framework.

For further information about the Stress Testing and Recovery Plan, we refer to the sections III.5. and III.6. of the report.

II.1.2.9. The Risk Culture

The Risk Culture, as the organisational backbone of the bank, is a critical enabler of the group's strategy, supporting sustainable growth and long-term resilience. It encompasses the shared corporate values, norms, competencies, and behaviours that drive risk awareness and responsible decision-making across all levels of the organisation.

The Belfius Risk Culture is fully aligned with Belfius' corporate values and culture, and is based on 9 pillars:

- Pillar 1: Tone from the top
- Pillar 2: Governance & Accountability
- Pillar 3: Risk Appetite & Strategy
- Pillar 4: Communication & Transparency
- Pillar 5: Incentives & Remuneration
- Pillar 6: Trainings & Competencies
- Pillar 7: Challenge & Escalation
- Pillar 8: Business Process Integration
- Pillar 9: Learning from Incidents

These 9 pillars are mapped to the ECB's 4 Risk Culture Dimensions (Tone from Top & Leadership, Accountability for Risks, Incentives, Communication/Challenge/Diversity).

Belfius emphasizes the importance of maintaining, across the entire Group, a collective ability to identify, understand, and act on current and emerging risks. Every employee has a role and a responsibility in their daily activities to support this objective. Risk culture is embedded at all levels of the organisation, starting with a strong tone from the top. It is reinforced through multiple complementary processes such as dedicated trainings, messages from the CRO in the Quarterly Risk Report, awareness campaigns and communications, the role of CORMs[1] as risk-culture ambassadors, information and tools available on the intranet, permanent controls in the first line of defence, and the integration of key risk-related indicators into staff management contracts (including compliance metrics, regulatory ratios, credit and market risk indicators, and audit recommendations). Together, these elements ensure a solid and consistent risk culture throughout the Group.

II.1.2.10 Data, Tools & Processes

Regarding Data, Tools and Processes, Belfius continues to work on different initiatives in order to further improve the quality of data and increase efficiency of risk processes. Amongst those,

- the RDARR (Risk Data Aggregation and Risk Reporting) program to apply the 'enforced' Data Governance Framework to all Critical Data Concepts within Belfius Group;
- the constant improvements of the credit risk processes through various projects (ao. analytical modelling and portfolio monitoring);
- the improvements of the Finance & Risk data foundations to simplify, harmonize and further digitize the processes;
- the new Governance Risk Compliance platform designed to enhance the risk management and strengthen the monitoring of control requirements.

Regarding ESG-specific data, Belfius is involved in several initiatives to collect data directly from its counterparties or indirectly through external data providers. One of these initiatives is the collection of ESG information through KUBE, an ESG questionnaire initiated by Febelfin, co-created with Isabel and three other banks in Belgium.

II.1.3. Risk governance structure

An effective risk governance structure is considered as a central cornerstone to sound risk management. A robust risk committee set-up incorporates effective communication and reporting lines and a clear delineation of responsibilities and competences. The risk governance structure at conglomerate and at bank levels are described hereunder.

II.1.3.1. Conglomerate level

Belfius' risk governance framework is designed to ensure consistent oversight and effective risk management across the entire group, including subsidiaries. This is achieved through a multi-layered committee structure that operates at several organizational levels:

- **Board of Directors Level (Strategic Level):**
  The joint Risk Committee / Risk & Underwriting Committee (RC/RUC) serves as an advisory body within the Board of Directors. Established in accordance with Articles 27 and 29 of the Belgian Banking Law, this committee provides strategic guidance and oversight on risk matters for the entire group.

(1) CORM : Compliance, audit, Operational Risk Manager

- **Management Board (Strategic/Operational Level):**
  - The Joint Management Committee brings together the management boards of the group's entities, ensuring alignment on strategic risk issues. Any potential conflicts are addressed at the Intra-Group Committee level.
  - The Conglomerate Monitoring Committee provides a comprehensive overview of all subsidiaries, including the assessment of each subsidiary's risk management framework.
  - The joint Non-Financial Risk Committee (NFRC) focuses on all non-financial risk topics across the group.

- **General Risk (Tactical/Operational Level):**
  Several joint committees, known as 'Belfius Together' committees, operate at this level, involving Belfius Bank, Belfius Insurance and Belfius Asset Management:
  - The Conglo Risk Executive Committee (Conglo Risk ExCom), which includes the Chief Risk Officers of Belfius Bank, Belfius Insurance and Belfius Asset Management.
  - The Capital Group Committee (CGC), a joint Belfius Bank and Belfius Insurance committee that anticipates, prepares, analyzes, and monitors all capital-related matters at the conglomerate level, ensuring compliance with regulatory, legal, and economic requirements.
  - The Investment Conviction Committee (ICC), a joint committee involving Belfius Bank, Belfius Insurance, Belfius Asset Management and Candriam.
  - The Belfius Insurance Assets & Liabilities Committee (BI ALCo), with participation of Belfius Bank.

- **Specific Risk Level (Tactical/Operational Level):**
  For specialized risk domains, 'Belfius Together' sub-committees have been established to ensure consistent governance and oversight. These include:
  - Information Security Steering Committee
  - Anti-Fraud Steering Committee
  - Privacy Steering Committee
  - Third Party Risk Management Committee
  - (Physical) Security Steering Committee
  - ESG Steering Committee

The main tactical/operational sub-committees are described in the annex X.6. of this report.

This comprehensive committee structure ensures that risk governance at Belfius is robust, integrated, and aligned across all entities and risk types, supporting effective risk management and regulatory compliance throughout the group.

The three material entities—Belfius Bank, Belfius Insurance and Belfius Asset Management—maintain harmonized risk policies, guidelines and approaches. By utilizing similar and, where appropriate, common tools, they ensure consistency and coherence across the group, supporting integrated management of risks and internal controls:

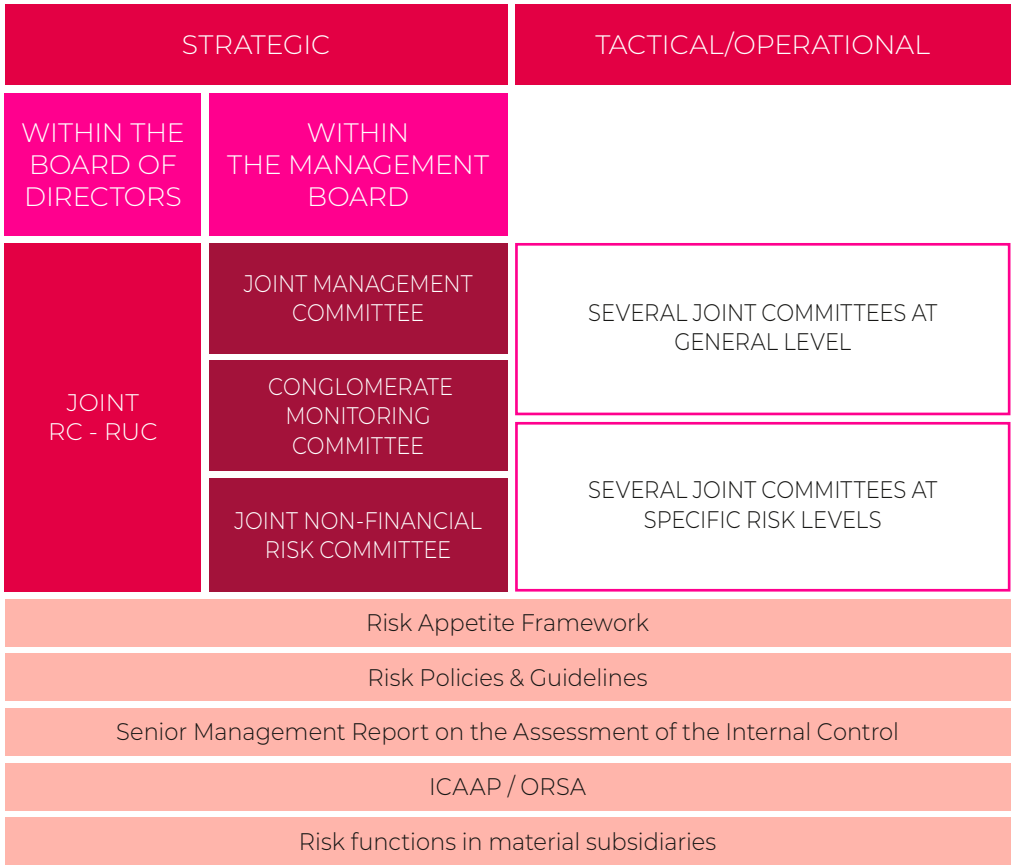
- Subsidiaries Risk Appetite Frameworks;
- Risk Management & Controls executed through the "Senior Management Report on the Assessment of the Internal Control";
- ICAAP (Internal Capital Adequacy Assessment Process) for Belfius Bank and for Belfius Asset Management, Recovery Plan (Belfius Bank) and ORSA (Own Risk and Solvency Assessment) for Belfius Insurance.

The Conglomerate dimension provides an oversight of all material subsidiaries, on other dimensions as well:

- Further alignment of major Risk policies in a conglomerate approach,
- The existence of a risk function in material subsidiaries,
- Anti-Money Laundering-risk assessment on conglomerate level.

More information regarding the risk governance of Belfius Insurance can be found in the Annual Report of Belfius Insurance, chapter Risk management.

Regarding the governance structure of the ESG risks: ESG-related themes have been integrated into the governance layers of Belfius Group. Accordingly, the terms of references of the main boards and committees have been adapted to explicitly integrate ESG responsibilities. At executive management level, Belfius' Joint Management Committee is responsible for the implementation of ESG regulations, the ESG strategy and voluntary ESG commitments. Below executive management level, various expert teams and exchange platforms have been set up as well and the ESG Steering Committee ensures a well-governed and coordinated strategy to manage risks related to ESG. The responsibilities of the governance bodies with respect to ESG are detailed in section I.4. of the Sustainability Report. The more general structure of ESG risk management at Belfius is captured in the ESG Risk Management Framework and the Prudential Transition Plan.



II.1.3.2. Bank level

Risk committee operating within the Board of Directors: Risk Committee (RC)

As the joint RC/RUC's at the conglomerate level, the Risk Committee (RC) at Bank level is an advisory committee operating within the Board of Directors, established in accordance with Article 27 and Article 29 of the Belgian Banking law. For a more extensive description of the Risk Committee, we refer to the Belfius Management report, chapter Corporate governance.

Risk committees on strategic level operating within the Management Board

The Non-Financial Risks Committee (NFRC) has been set up within the Management Board of Belfius Bank. The Non-Financial Risks Committee ensures a well-governed and coordinated non-financial risk framework for an effective Non-Financial risk management.

In addition to these risk committees, three functional areas also report to the Management Board:

- the Credit Risk Committee (CRC) centralizes all credit risk related topics (origination, monitoring, impairment) into one committee in presence of a selection of Management Board members (CRO, Head of Private Wealth Retail (PWR) and Head of Wholesale and Public Banking (WPB));
- the Financial Markets Committee (FMC) has as primary function the effective risk management oversight and steering of the Financial Markets activities. It includes members of the Management Board (CRO, CFO and Head of WPB);
- the Assets & Liabilities Committee (ALCo) has received mandate for realising the effective Assets and Liabilities Management within the regulatory framework. It includes members of the Management Board (CRO, CFO, Head of Private Wealth Retail and Head of Wholesale and Public Banking).

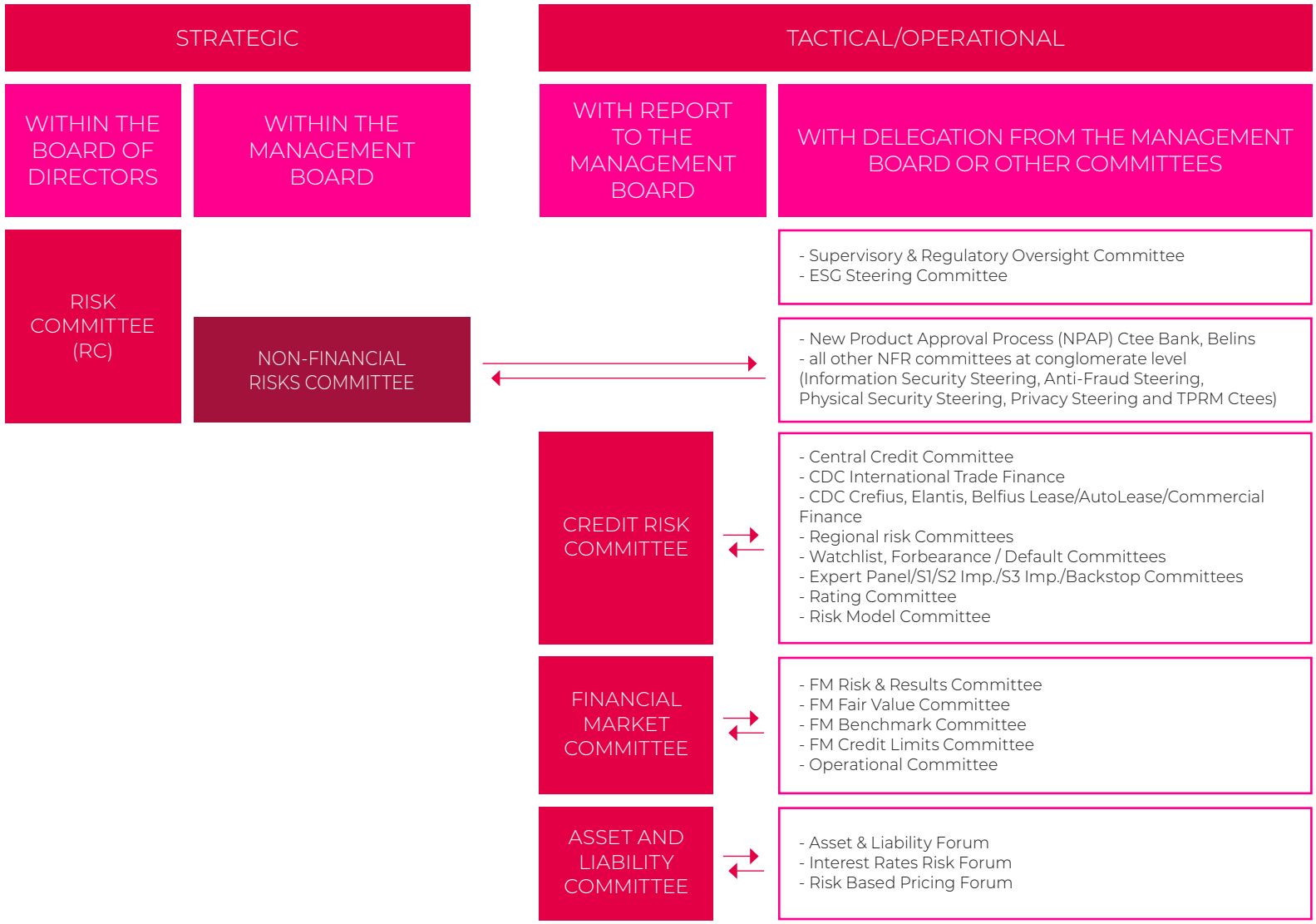
Risk committees on tactical/operational level

The Management Board delegates specific decisions to the tactical and operational levels, as detailed in the relevant committee charters. For issues beyond this delegated authority, the tactical or operational teams provide information or recommendations to the Management Board, which retains final decision-making responsibility.

At the tactical and operational level, committees typically include participation from both the Risk department and business divisions. Committees led by the Risk department primarily address risk appetite and methodology, while joint Risk/Business committees focus on guidelines, transactions and counterparty risk management. In many of these committees, the Risk department holds veto power and retains the authority to escalate matters to higher governance levels when necessary.

A new transversal committee has been created in 2025: the Supervisory & Regulatory Oversight Committee (SROC) ensures Belfius meets ECB requirements, while also reviewing significant regulatory changes and their implications for the Bank. It advises the Management Board on compliancy projects and fosters a proactive regulatory compliance culture.

The main tactical/operational sub-committees are described in the annex X.6. of this report.



Further details on the risk management organisation and policies are provided in the Risk report annex (tables OVA and OVB). Further details on the scope of application are provided in table EU LIB.

II.1.4. Risk reporting to the Board of Directors

Risk reporting is a core responsibility of the Risk Department at Belfius, and is held to high standards of quality and reliability. The process balances the need for timely information with the accuracy and completeness of available data.

- Recurrent Reports: Regular reports are built on robust data collection and quality assurance processes, leveraging both automated systems and input from end-users across transaction chains.
- Ad Hoc Requests/reporting: For non-standard requests, tailored solutions are developed with response times adapted to support effective management decision-making. Outside the regular reporting cycle, the Board is promptly informed of any alerts or breaches of risk appetite limits, threshold values in the recovery plan, or other significant changes in the risk situation.
- Internal Controls: Comprehensive internal controls ensure that reports are complete, reliable and consistent both horizontally and vertically across the organization. The aim is to provide management with a clear understanding of the overall risk profile and material risks, enabling informed decision-making based on accurate risk information and expert opinions.
- Intragroup Transactions: Intragroup transactions—transfers of financial assets or liabilities between entities within the Belfius Group—are closely monitored. Oversight is based on approved thresholds for capital, liquidity, concentration, leverage, MREL, encumbrance, and duration gap, validated by the Capital Group Committee (CGC) and reported quarterly to regulators (FICOD reporting). A dedicated policy and governance framework is in place to identify and report transactions that could be considered "prudential arbitrage." Notably, no significant transactions of this nature have been recorded in recent years. All intragroup transactions are conducted at market prices, with consolidation adjustments made to eliminate any realized gains or losses within the group's scope. The most significant transactions typically involve contributions in kind of direct property, sales of bonds and covered bonds, and sales of shares and participations to centralize management.

The table below lists the recurrent reports submitted to the Board of Directors :

Reporting to the BoD

Frequency	Reporting	
QUARTERLY	Quarterly Risk Report (QRR)	The QRR is a key report from Risk Management to the Board of Directors, providing an executive summary of the overall risk situation and its evolution over the past quarter. It includes detailed information per risk type.
	RAF Report	The RAF report is the quarterly reporting on the compliance of the group's risk profile with its risk appetite. In case of deviation from risk appetite or alerts, action plans are presented to return within risk appetite or away from the alert zone.
	Financial Markets - Credit & Market risks (Decision on Legacy disposals)	The report provides updates on financial markets risks, with a focus on the evolution of the Legacy portfolio.
	Quarterly ALM & IRRBB - Reporting: 1 LOD & 2 LOD	Report on liquidity, interest rates positions and risks, detailing on how any shortcomings are addressed.
TRIANNUAL	Feedback from Non-Financial Risk Committee	Regular report addressing non-financial risk matters, including outsourcing risk, information security and fraud.
HALF-YEARLY	Compliance Activity Report	The Compliance Activity Report summarizes major compliance developments and activities over the past six months, highlighting key compliance risks and planned remediation actions.
YEARLY	Senior Management Report on the Assessment of the Internal Control	The yearly report on the effectiveness of the internal controls evaluates the effectiveness of internal controls, including principal risk areas. It documents the quality of internal control and risk management, identifying weaknesses and areas for improvement.
	ICAAP-ILAAP	The ICAAP and ILAAP documents must be reviewed annually by the Board of Directors. ICAAP (Internal Capital Adequacy Assessment Process) details risk and capital self-assessment; ILAAP (Internal Liquidity Adequacy Assessment Process) assesses liquidity.
	Recovery Plan	The Recovery Plan is updated annually in line with the Bank Recovery and Resolution Directive (BRRD) and Belgian Banking Law. The document outlines how Belfius can respond to financial stress to avoid resolution.
	AML year report	Annual report by the AML Compliance Officer on governance, organization, projects, activities, and risks related to anti-money laundering.

YEARLY	Yearly evaluation of the Compliance Function	Board of Directors' evaluation, based on internal audit input, of whether the Compliance function meets regulatory expectations (FSMA/NBB circular).
	Annual Model Report of the Validation (Model Management Framework)	The report provides an overview of the bank's models, their quality, regulatory compliance, developments and future planning.
	RAF (Risk Appetite Framework) policy	The RAF is a policy that defines the level and types of risk the group is willing to accept in pursuit of its strategic objectives. It contains both qualitative statements and quantitative metrics. It is a vital governance process that balances risk-taking with opportunities, using available data to make informed decisions for the future, enhancing strategic alignment, and maintaining stakeholder confidence.
	Credit Limit Framework	The Credit Risk Limit Framework is part of Belfius' Risk Appetite Framework and sets maximum exposure limits based on credit ratings to prevent risk concentrations, guiding credit risk management across Belfius Bank, Insurance and subsidiaries.
	SREP	The ECB's annual Supervisory Review and Evaluation Process (SREP) assesses Belfius' business model, governance, capital and liquidity. The associated SREP Action Plan addresses identified weaknesses with specific measures and deadlines.
	Risk Report	The Risk Report identifies, analyzes, and communicates on the Belfius risk profile, summarizing risk exposure and mitigation strategies to support informed management decisions.
	Supervisory Expectations for Mortgages compliance report	The report examines the Bank's compliance with NBB expectations for specific mortgages risk pockets such as First-time-buyers and Buy-to-let segments. The document proposes action plans to address excesses and monitor high-risk mortgage areas.
	Financial Plan Risk Review – Stress Test and Recommendations	Stress Tests of the financial plan assess the sustainability of the Bank's financial plan through severe scenario stress-testing and provides recommendations to improve resilience.
BIANNUAL	EBA Regulatory Stress Test	The Stress Test imposed by the EBA requires to apply a set of hypotheses to evaluate the Bank's resilience and benchmark performance against industry peers.

II.2. Risk department organisation

II.2.1. General mission

The mission of the Risk Department is to ensure the effective implementation of a comprehensive risk management framework, built on several key pillars.

- First, robust governance provides a strong foundation through clearly defined roles, responsibilities, reporting lines, and escalation mechanisms that support consistent and reliable risk oversight;
- Second, a holistic Risk Appetite Framework, supported by both financial and non-financial Key Risk Indicators (KRIs) and internal controls, enables timely identification, management, and reporting of risks across the organisation;
- Third, comprehensive policies and processes ensure that all risk types are appropriately addressed through well-established procedures aligned with the Group's strategic and regulatory expectations;
- Finally, advanced methodologies, combining both quantitative and qualitative approaches, allow for accurate and proactive risk assessment and monitoring.

The Risk Department is responsible for developing and maintaining risk policies and guidelines, as well as establishing a governance structure with clearly assigned responsibilities through dedicated committees. Its overarching objective is to align the Group's strategy with the robust risk management framework defined by the Board of Directors.

By fostering a proactive approach to identifying both financial and non-financial risks, the department helps cultivate a strong and consistent risk culture throughout the organisation—one that emphasises clear leadership from the top and effective communication at all levels.

Ultimately, risk management acts as the guardian of the bank's overall equilibrium, ensuring that solvency, liquidity, and profitability are safeguarded in every strategic and operational decision.

II.2.2. Risk organisation at conglomerate level

In line with Art 194 of the Belgian Banking Law, Belfius is managing risks based on a group-wide, consolidated and integrated risk management framework. It assumes a risk-based approach to further strengthen the conglomerate dimension.

The overall objective is to have a risk management coordination at conglomerate level, ensuring consistency while respecting the entities' specificities, responsibilities and legal/regulatory obligations. The main pillars of this risk management are an appropriate risk governance structure, a robust and aligned risk framework, risk monitoring and decision-making process.

The Risk department has further enhanced the conglomerate dimension, in line with the group's bank-insurance strategy. The Risk Management organisation takes an increasingly systematic conglomerate vision while ensuring quality, efficiency and expertise in both entities at all times.

For example:
With regards to the organisation of non-financial risks:

- Mutual risk functions are in place ensuring coordination and alignment between both banking and insurance sides, including specialized functions such as Data Privacy Officer and Chief Information Security Officer;
- An NFR-related committee structure involving appropriate level of management from both banking and insurance sides has been set up;
- A yearly internal control report is written, including a risk profile overview of Belfius Insurance and Belfius Asset Management;
- A risk management framework has been implemented at conglomerate level, including the adoption of NFR-related policies and the development of risk appetite frameworks with both NFR-related qualitative statements and quantitative indicators for all material subsidiaries.

With regards to the organisation of financial markets risks:

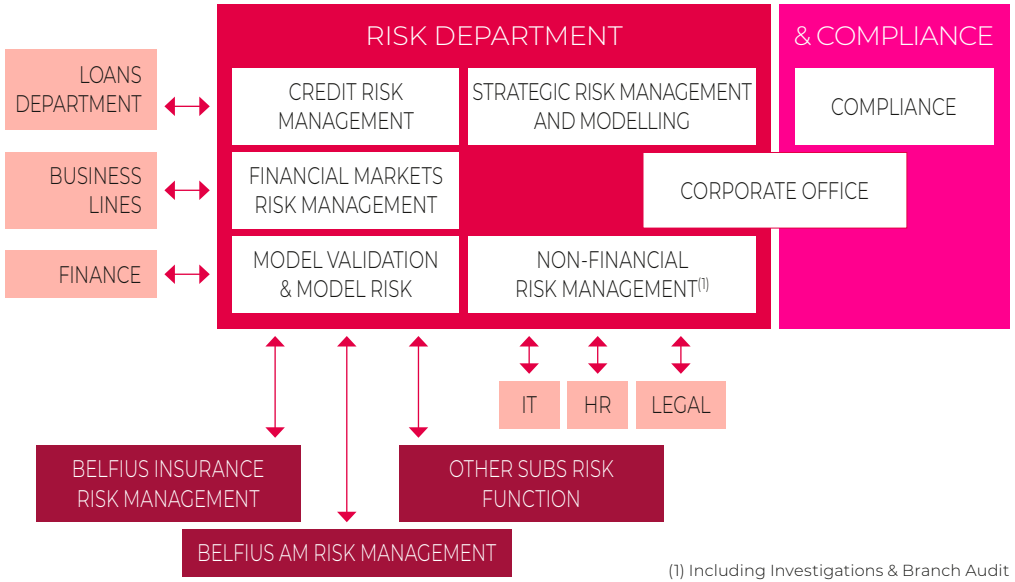
- Regarding the subsidiary Belfius Ireland, all risk management functions are centralized in the FM Risk Management team in Brussels.
- Regarding Belfius Insurance, all aspects of risk management that belong to the competence of Financial Market Risk Management are also centralized within the Belfius Bank's team. This mainly entails bond pricings and the credit risk analyses of the counterparties that belong to the scope of Financial Market Risk Management (mainly financial counterparties, international corporates and sovereigns) in which Belfius Insurance invests
- For Belfius Asset Management, FM Risk Management provides the credit risk analyses of the financial counterparties with whom Belfius Asset Management engages.

II.2.3. Risk organisation at Belfius Bank level

The risk organization is structured with careful consideration of several key factors:

- Belfius' prominent role in the Belgian financial sector and its service to Belgian society and the economy;
- The scale and complexity of Belfius' operations;
- Alignment with Belfius strategic objectives;
- Collaboration between methodological and operational risk management teams;
- Adherence to evolving regulatory requirements;
- Ongoing challenges related to liquidity, solvency, and profitability;
- Continuous promotion of a strong risk culture throughout the organization.

The Risk and Compliance department is composed of 7 teams whose main missions are explained hereunder.



(1) Including Investigations & Branch Audit

II.2.3.1. Credit Risk Management

The mission of Credit Risk Management is to provide a sustainable management, within a “second line of defense” approach, for the Retail, Private, Wealth, Business, Corporate and Public and Social sector portfolios of Belfius Bank, and to ensure that the cost of risk is controlled, considering developments in the external environment, as well as of the defined Bank’s strategy.

Its role of establishing the Risk Appetite Framework, through a series of quantitative and qualitative elements expressing the credit risk levels (Key Risk indicators) that are acceptable for Belfius, defining credit risk policies, guidelines and delegation rules.

Credit Risk Management challenges the portfolio through strategic analysis, monitoring and reporting. In this way, Credit Risk Management makes an essential contribution to the long-term profitability and capital of the Bank.

Belfius’ Counterparty Limit Framework, which is part of its global Risk Appetite Framework (RAF), is a pillar to limit risk concentrations: it serves as a reference point to determine the risk levels for which the Management Board and the Board of Directors are qualified and as a result also impacts the decision limits of all (other) credit committees.

Belfius’ credit decision process relies on a serie of principles :

- Credit committees are organized into a pyramidal structure with decisions on higher credit amounts, credit proposals with lower rating quality or transactions near the boundaries of the Risk Appetite to be decided on higher decision levels;
- Credit committees have in general equal membership of Risk or Loan department and Business representatives and are always chaired by a Risk or Loan department member;
- Credit (and risk) committees are to a significant extent regionalized, strengthening the principle of decision-by-proximity;
- Decision takers, acting in committees or individually, are to be certified;
- Belfius relies increasingly on an advanced and automated decision-making process with behavioural or financial indicators - determined by Risk - as cornerstones.

Once Belfius has credit commitments on a client, the risk evolution is monitored through periodic reviews, a continuous portfolio monitoring and targeted analysis of risk pockets, in order to take risk reducing measures in case of credit deterioration. To this end, Belfius has set up an early warning system based on behavioural and/or financial indicators.

Counterparties showing signs of weakness are closely monitored by the Watchlist Committees organised at regional levels, whose main task is to detect emerging risks as quickly as possible and to monitor them subsequently. In this context, Belfius strictly applies the directives of the EBA regarding forbearance measures, i.e. all concessions towards debtors facing or about to face difficulties in meeting their financial commitments. A counterparty that fails to meet its obligations towards the Bank or has become unlikely-to-pay receives a default status. The formal decision is the competence of Belfius’ Default Committee, composed exclusively by members of the Risk department. The Impairment Committees (more information about the Impairments Committees in annex X.6. of this report, Additional information on risk governance structure) decide on the adequate impairment rationale for exposures in respectively stage 1 (performing) and stage 2 (performing but significant credit deterioration since inception), and the valid impairment level for stage 3 files (default status) based upon existing guarantees and expected recoveries.

We refer to the annex X.6. of this report for more information on the governance of credit committees.

II.2.3.2. Financial Market Risk Management

The focus of FM Risk Management is to develop and to maintain an efficient and robust risk management framework for treasury, portfolio management and financial markets activities, in strict compliance with the risk appetite and the business strategy of Belfius Bank.

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

- An efficient organisation fostering an accurate identification, analysis and reporting of the different risks Belfius Bank is bearing, as well as the continuous 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 and 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;
- back-testing;
- stress tests;

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

FM Risk Management is also the team in charge of managing the credit risks associated with the Legacy portfolios.

We refer to the annex X.6. of this report for more information on the governance of FM Risk Management committees.

II.2.3.3. Strategic Risk Management and Modelling

The Strategic Risk Management and Modelling team is responsible for the strategic dimensions of risk management. It develops advanced quantitative methodologies to measure risks, promotes methodological consistency across the Group, and ensures a coherent and uniform approach to risk assessment.

Across its various teams, the department carries out several key activities, including:

- acting as the second line of defence for risks related to Capital, Asset and Liability Management (ALM), liquidity, and funding;
- identifying and measuring risks—particularly under adverse scenarios—which underpin the ICAAP and ILAAP processes;
- developing and maintaining the Group's recovery and resolution plans;
- measuring and reporting the Risk Exposure Amount (REA);
- performing modelling activities, including the design and maintenance of credit risk models, economic capital models covering all risk types, and projection models used for economic and climate scenario analysis.

ALM and Liquidity risks are managed on a consolidated level, which includes the bank, its subsidiaries and branches as well as the vehicles for securitization. Asset and Liability Management (ALM), a division situated within the scope of the Chief Financial Officer (CFO), is the first line manager for the capital, ALM, liquidity and funding requirements of Belfius Bank. This team is responsible for identification, analysis and reporting on the current and future rate and liquidity positions and all related risks, and coordinates funding plans and actions.

The second line of controls is performed by the ALM and Liquidity Risk team (part of the Strategic Risk Management and Modelling team), falling under the Chief Risk Officer's (CRO) responsibility, consisting in establishing the risk and control frameworks overseeing the first line of defence, ensuring thereby that risk management and control processes are properly designed, and effectively operating. The third line of defence, the internal audit, guarantees the independent assurance on the adequacy and the effectiveness of the governance, risk management and controls performed around Capital, ALM, liquidity and funding risk management.

II.2.3.4. Model Validation and Model Risk

The role of the department is to ensure that model risk is properly managed within the bank, meaning that the models used by Belfius are adequate and reliable throughout their lifecycle, that they are used appropriately, that their risks are understood and managed, and that they meet regulatory requirements.

The Model Risk function defines and implements governance around the models, specifying the roles and responsibilities of the first and second lines of defense, as well as of senior management.

The Model Validation function provides independent oversight of the quality of the models (development, implementation, use) and ensures that stakeholders are well-informed about the strengths, weaknesses, and risks of the models.

II.2.3.5. Non-Financial Risk

The Non-Financial Risks (NFR) department acts as the second line of defence for the main non-financial risks and acts as a corporate crisis BCP (Business Continuity Plan) manager within Belfius. The NFR department acts on behalf of Bank and Insurance entities.

The division includes a Transversal NFR team, the specific functions of Anti-Fraud Officer, the DPO (Data Privacy Officer) as well as the CISO (Chief Information Security Officer). The Investigations & Branch Audit department is also part of the Non-Financial Risk team. This team conducts investigations into suspicions of internal fraud and provides, through on-site reviews, reasonable assurance regarding the management of the risks resulting from human interventions in the distribution channels. The Investigations activities cover all entities of the Belfius group, including its subsidiaries as well as the independent distribution networks whereas the Branch Audit activities do not include Belfius Insurance.

NFR department works also closely with the CORM and Permanent Control functions in the business and support lines (1st LoD and 1,5 LoD).

The reporting is – besides several specific reports – mainly covered via a dedicated chapter in the Quarterly Risk Report or via dedicated sessions to the Management Board (also called NFR Committee) and senior management.

For more detailed information on NFR risk management framework and governance, please refer to section VIII. and to the annex X.6. of this report.

II.2.3.6. Compliance

The Compliance department acts as the second line of defence for the management of the Compliance Risks, as defined in the combined circular by the NBB and the FSMA on Compliance. The department consists of a team of Compliance Business Advisors, a Compliance Risk Monitoring team, an Anti-Money Laundering team as well as the Second Line Legal & Tax Risk.

II.2.3.7. Corporate Office Risk

The Corporate Office Risk supports the CRO and his teams, and promotes an effective Risk & Compliance organisation with clear objectives and ambitions, and operating with robust governance in a reliable control environment. The activities are organized around following domains: governance, control, transversal frameworks, strategy, transformation, and culture. It is organized in 4 teams:

Reporting & Communication:
The main mission of the Reporting & Communication team involves preparing and delivering consolidated risk reporting and communication to internal and external stakeholders. This includes the Quarterly Risk Report, the yearly Risk Appetite Framework review, the quarterly RAF reports, Pillar 3 reports, half-year and annual reports, investors presentations, as well as press and rating agencies conferences.

Permanent Control & IVU:
The main objective of the Permanent Control function of the Risk division is to provide assurance to the CRO and the senior management of the department that all the activities performed by the risk departments are carried out adequately and do not involve out-of-control operational risks that could jeopardize the proper execution of these tasks. The CRO Permanent control also advises the risk departments on the additional control measures to be put in place. This function is subject to the group-wide Permanent Control rules.

The Independent Validation Unit provides independent oversight of data governance across Belfius Group. Acting as the second line of defense, the IVU team ensures that data governance frameworks, processes, and controls are designed and implemented in a manner that supports compliance with internal standards and regulatory expectations. Its role is primarily to review, challenge, and provide assurance on the effectiveness of data governance practices across the organization.

ESG and Emerging Risk Management:
This team is in charge of setting up a comprehensive ESG risk management framework and monitoring its implementation. It acts as a competence centre for ESG risk related topics: in such a capacity, it reviews and challenges sustainability-related strategic and business actions, and assists in the design of climate and social risk assessment methodologies. It also provides oversight on the roll-out of the ESG Action Plan aimed at gradually embedding ESG factors in risk policies, tools and processes (in line with regulatory and supervisory expectations).

Risk Transformation team:
This team coordinates the Risk and Finance IT transformation projects to establish robust foundations and result in a modern, data-driven risk function. Its activities include the coordination of the Risk Management roadmap, the coordination of the IT-driven risk projects (data, automation), the steering of the large IT projects for Risk and Finance, and the Risk representation in the Strategic Domain Committees.

II.3. Belfius Risk Cartography

II.3.1 Risk Identification and Cartography Assessment Process

The Risk Identification and Cartography Assessment Process (RICAP) is a key process used for the identification of the material risks embedded in Belfius business model. It follows a comprehensive approach covering banking and insurance activities. The forward-looking aspect is tackled through the collection of a prospective view from the businesses and risk expertise centers on the evolution of the business environment and on the execution of the strategy.

The following table represents the risk cartography of Belfius at 31 December 2025, which aims at screening all risks to ensure they are identified, quantified and monitored.

All risk types are classified as Financial, Non-Financial or Conglomerate risks (further segmented into financial or non-financial risk types).

Financial risks are capitalised, with the exception of Liquidity risk, for which no capital is reserved as Belfius believes that capital is not the appropriate solution to cover this risk. The Liquidity risk is actively monitored and managed through gap limits and stress tests.

Most of the Non-Financial risks are not capitalized but will generally be mitigated by adequate procedures and monitored through appropriate processes.

Business Risk, even if not covered by capital, is considered through Earnings at Risk and Stress Testing framework.

Conglomerate risks can be further broken down into financial and non-financial risks.

Credit risk, market risk and operational risks are subject to the Pillar 1 framework and are also included in the Pillar 2 framework.

			Pillar 1	Pillar 2
FINANCIAL RISKS	CREDIT RISK	Solvency Risk	●	●
		Country Risk	●	●
		Counterparty Credit Risk	●	●
		Residual/Recovery Risk		●
		Setllement Risk		●
	STRUCTURAL MARKET AND ALM RISK	Interest Rate Risk		●
		Price Risk(1)	●	●
		Currency Risk		●
		Spread Risk		●
		Liquidity Risk		●
		Funding Risk		●
	TRADING MARKET RISK	Interest Rate Risk	●	●
		Spread Risk	●	●
		Price Risk	●	●
		Currency Risk	●	●
		Liquidity Risk		●
		Other Market Risks(2)		●
	OTHER RISKS	Insurance Specific Risks (incl. Life, Non-Life and Health)		●
		Behavioural Risk (incl. Prepayment Risk)		●
		Pension Plan Risk		●
		Model Risk(3)	●	●
NON-FINANCIAL RISKS	OPERATIONAL RISK	Operational Risk	●	●
	OTHER RISKS	Business Risk		●
		Strategic Risk		●
		Execution Risk		●
		Reputation Risk		●
		External Risk		●
		Compliance Risk		●
		Legal Risk		●
CONGLOMERATE RISKS		Conglomerate Risk		●

(1) Price risk includes risk on Equity exposure and Property exposure in the Banking Book.
(2) Including volatility / correlation, carbon and commodities risks.
(3) Consisting of Additional Value Adjustments (AVA) considered for Market and Credit Risks.

The Pillar 1 and Pillar 2 approaches to the same risks might differ at four levels:

- the perimeter;
- the methodology;
- the risk parameters used;
- the level of severity.

The perimeter of Pillar 2 risks is larger than Pillar 1 as Pillar 2 aims for exhaustiveness. Other risks than those included in the Pillar 1 framework are specifically included in the Pillar 2 framework i.e. settlement risk, residual/recovery risk, interest rate risk, currency risk, spread risk, funding risk, liquidity risk, behavioural risk, insurance specific risks, pension plan risk, business risk, strategic risk, execution risk, compliance risk, reputation risk, compliance risk and legal risk.

Methodologies and risk parameters used by Belfius lead to the calculation of the economic capital. The economic capital is defined as the potential deviation of the group's economic value from its expected economic value at a determined interval of confidence and time horizon. The choice made by Belfius is to estimate its risks at a severity level of 99.94% on a 1-year horizon instead of, respectively, 99.9% and 1-year horizon for Credit and Operational risks and 99% and 10-day horizon for Market Risk as required by the Pillar 1 requirements.

As mentioned above, several risks such as business, reputation, strategic, liquidity, compliance, execution, conglomerate, and legal risks are part of the Pillar 2 but are not capitalised, either because they are considered as non-material (currency risk) or because they are managed through other appropriate processes.

II.3.2 Climate and Environmental Risks Materiality Assessment (CERMA)

Within Belfius' Risk Cartography, ESG is not considered as a risk type, but as a driver of traditional risks. Each year, Belfius assesses which types of traditional risks are most impacted by ESG risks.

This identification and assessment analysis is performed through the Climate and Environmental Risks Materiality Assessment (CERMA). Within ESG, the assessment currently focuses on environmental and especially climate-related factors. The aim of the CERMA is to understand how Climate and Environment (C&E) factors materially impact or could materially impact Belfius' business environment and subsequently its clients, financial assets, operations, funding capacity and strategy. Risk identification relies on a 3-steps approach to determine materiality:

1. Exposure analysis: identification of areas at risk in case of adverse events;
2. Hazard analysis: likelihood of occurrence and severity of adverse events;
3. Vulnerability analysis: whether and to what extent adverse events can materially impact the exposures.

For each type of traditional risk, relevant teams perform a dedicated analysis. These analyses are mostly based on qualitative assessments performed by experts, relying on literature review and internal knowledge, but also include quantitative assessments whenever possible.

A mix of quantitative and qualitative assessments is performed depending on the traditional risk type. The assessments, scenarios and time horizons considered for the analyses are described in this table :

CERMA scenarii

Risk type	Dedicated analysis	Scenarios	Time horizons
Strategic Risk	Expert-based risk cartography	NGFS 'Hot House' scenario (physical risk) NGFS 'Current Policies' scenario NGFS 'Delayed Transition' scenario (transition risk)	Short-term: 0-3 years (2025-2028) Medium-term: 4-10 years (2029-2035) Long-term: 10 + years (2036-2050)"
Operational Risk	Expert-based risk cartography		
Credit Risk (non-retail)	Exposure and expert-based analysis		
Credit Risk (retail)	Scenario-driven sensitivity analysis		
Market Risk	Scenario-driven sensitivity analysis		
Liquidity Risk	Scenario-driven sensitivity analysis		
Insurance Risk	Scenario-driven sensitivity analysis		

(1) Network for Greening the Financial System

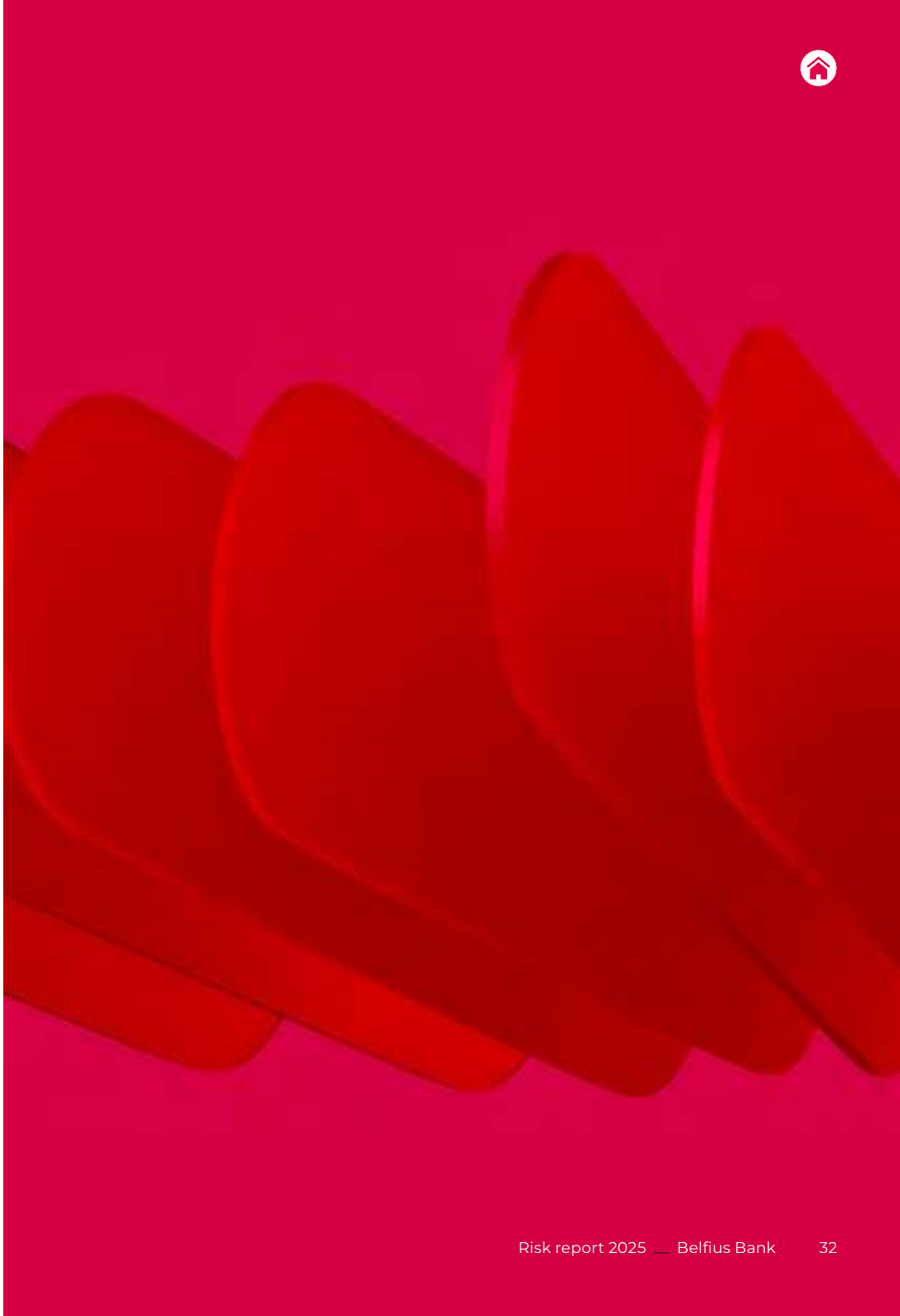
The CERMA allows to identify the most prominent climate- and environmental-related risk drivers based on their likelihood of occurrence and expected severity of impact, but also which traditional risk type is most impacted by C&E risks and which portfolios are deemed the most vulnerable to such impacts.

The risk identification phase starts with a list of 46 risk drivers. Among the transition risk drivers, new mandates and regulations (such as more stringent carbon pricing mechanisms for enterprises and energy efficiency standards for buildings), technological evolutions (rendering some technologies, processes and products obsolete in favor of ones less damaging to the climate), shifts in consumer preferences, and higher energy and raw material prices are currently deemed the most salient drivers, whereas water-related hazards (such as floods or water scarcity), temperature-related events (such as heatwaves and droughts) and storms have been labelled as the most impactful physical risks.

Transition and physical factors are expected to significantly increase over time. Probabilities (in terms of occurrence, timing and magnitude of impact), however, are largely dependent on the speed and scale of the implementation of certain policies and technologies, and the adaptation and mitigation measures undertaken in the meantime.

The results of the 2025 CERMA demonstrate that Belfius is most vulnerable to C&E risks through its loan & investment portfolio and through its strategy:

- Credit Risk is expected to be the most impacted risk dimension. Risk pockets were identified in the non-retail portfolio linked to climate sensitive sectors and portfolio specificities. While corporates seem prepared for the transition, uncertainty remains for the future. A good credit rating serves as a strong indicator of the ability to withstand shocks in the near term, yet certain sectors show poorer credit quality compared to others. Areas at-risk were also identified in the Legacy portfolio due to longer maturities and geographical specificities. Abovementioned-ESG factors could negatively impact borrowers' creditworthiness and collateral values, which could in turn increase the cost of risk. Risk pockets (i.e. counterparties with poor credit quality active in climate sensitive sectors) have been identified within the lending and legacy portfolios, but assessments performed to date show that credit risk impacts remain fully manageable, even in the long term, under the given scenarios and taking into account current and planned mitigation actions as described in the section IX.4. of this report.
- Strategic risk remains uncertain as structural changes in the business environment stemming from climate and environmental factors and Belfius' transition plan might negatively impact business strategies and financial plan. High reliance on the financing of carbon-intensive counterparties or failure to swiftly adapt to the increased market sensitivity to sustainability could decrease profitability. However, Belfius' diversified lending and investment portfolios, and other mitigation actions such as Belfius' transition strategies and plans, which are described in the section IX.4. of this report, mitigate those risks.



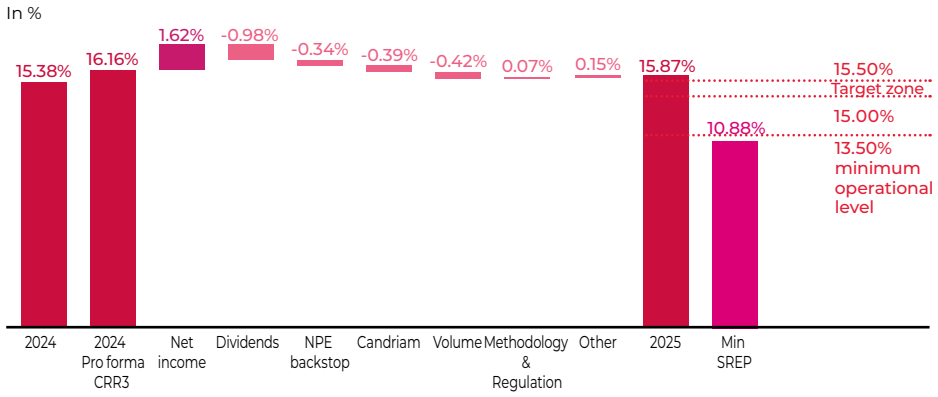
III. Equity & Capital adequacy

A solid CET1 ratio enables Belfius to continue to support the Belgian economy and to execute its commercial strategy.

- By the end of 2025, Belfius' CET1 ratio stood at 15.87%, reflecting a consistently strong and solid level.
- The solid capital position significantly exceeds Belfius' minimum SREP requirement of 10.88% at year-end and its minimum operational target of 13.5%, placing it comfortably within the target range of 15%-15.5%.
- In accordance with the National Bank of Belgium's requirements, Belfius Bank successfully met the new MREL targets, both total (23.68% of Total Risk Exposure Amount TREA and 7.07% of Leverage Ratio Exposure) and subordinated (13.50% of Total Risk Exposure Amount TREA and 7.07% of Leverage Ratio Exposure), which have been in effect since November 18, 2025.

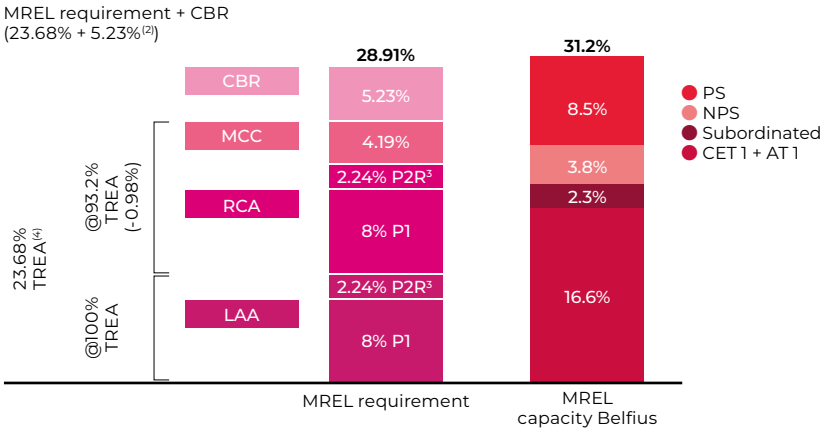
CET 1: solid at 15.87%

This solid capital base compares comfortably with Belfius' minimum SREP level and internally defined minimum operational zone.



SRB MREL requirements

SRB methodology and formal requirement compared to Belfius' compliance in % of TREA



III.1. Prudential supervision

III.1.1. Minimum Requirement

Belfius Bank reports on its solvency position on a consolidated level and on a statutory level in line with the revised Capital Requirements Regulation and Directive, commonly referred to as CRR 3/CRD 6 (Basel IV):

- the minimum capital requirements ("Pillar 1 requirements") as defined by Article 92 of Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 (CRR 3);
- the capital requirements that are imposed by the SREP decision (Supervisory Review and Evaluation Process) pursuant to Article 16(2)(a) of Regulation (EU) No 1024/2013 and which go beyond the Pillar 1 requirements ("Pillar 2 requirements");
- the combined buffer requirement as defined in Article 128(6) of Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU (CRD 6).

Following the annual "Supervisory Review and Evaluation Process" finalized at the end of 2024, followed by a confirmed review of our Pillar 2 Requirement (P2R) add-on for non-performing exposures (NPE) in December 2025 and taking into account the sectoral systemic risk buffer for Belgian residential real estate exposures (notified by the NBB in May 2022), Belfius has to comply with a minimum CET 1 capital ratio for 2025 of 10.88% (before Pillar 2 Guidance):

- a Pillar 1 minimum of 4.50%;
- a Pillar 2 Requirement (P2R) of 1.15% (after split of 2.02% P2R);
- a Capital Conservation Buffer (CCB) of 2.50%;
- a buffer for (Other) domestic Systemically Important Institutions (O-SII buffer) of 1.50% (imposed by the National Bank of Belgium);
- a Countercyclical Capital Buffer (CCyB) of 1.02%.
- a sectoral systemic risk buffer of 0.21%

Note that the Pillar 2 Requirement (P2R) was initially set in December 2024 at 2.24% and subsequently reviewed to 2.02% (to compare with 2.16% in 2024) to be held in the form of 56.25% CET 1 capital for the "general" P2R of 2.00% and includes a prudential add-on for non-performing exposures of 2 bps to be held in the form of CET 1 capital. The decrease of the P2R add-on for NPE is fully covered by a substantial additional deduction for NPE insufficient loss coverage in CET 1 capital.

Also note that the countercyclical buffer was set at 1.02% (to compare with 1.03% in 2024). Further details on countercyclical buffer are provided in the Risk report annex (tables EU CCYB1 and EU CCyB2).

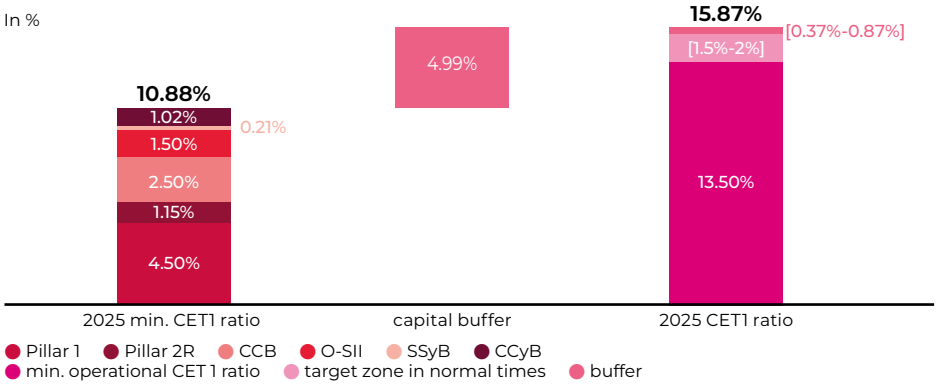
Note that in line with the resilience of Belfius in the EBA stress test, the Pillar 2 Guidance (P2G) is set at 1.00% on the CET 1 ratio, remaining stable compared to 2024. As a result, Belfius has to comply with a minimum CET 1 ratio of 11.88% for 2025 (to compare with 11.93% in 2024).

The consolidated CET 1 capital ratio of Belfius at the end of December 2025 stood at 15.87%, well above the 2025 applicable CET 1 capital ratio requirement of 10.88%.

Further to these regulatory requirements, Belfius stated in its Risk Appetite Framework that, in normal market circumstances and under stable regulations, it would strive to respect a minimum operational CET 1 ratio of 13.5%, on solo and consolidated level, and a target range of [15.00%-15.50%].

Note that the prudential treatments regarding loss absorbency (Minimum Requirement Eligible Liabilities – MREL) are disclosed in section III.4.1.3. hereunder.

Belfius' minimum CET 1 requirements vs. Belfius' 2025 CET 1 ratio capital position and target



III.1.2 Applied methodology

The transitional measures following the amendments of CRR article 473a in 2020 for the first time adoption impact and all subsequent impacts of IFRS 9 on the expected credit loss model as from 31 December 2020 onwards ended on 31 December 2024.

The regulator authorized Belfius to apply article 49 of the CRR and to monitor and report solvency within the prudential scope, where Belfius Insurance is accounted for using the equity method (i.e. not fully consolidated), and to include all capital instruments of Belfius Insurance, subscribed by Belfius Bank, in the total regulatory exposure amount by applying a weighting of 250% (the so-called "Danish Compromise"). Compared to CRR 2/CRD 5 the weighting decreased from 370% at the end of 2024.

In addition to the CRR 3/CRD 6 regulations, Belfius is considered as a financial conglomerate with significant banking and insurance activities and is required to comply with the Financial Conglomerate Directive (FICOD 2002/87/EC). For this purpose, specific reporting requirements with financial statements, regulatory capital, risk concentration, intragroup transactions and leverage ratio are sent to the regulator. These calculations and reports are made on the consolidated position of the Bank and insurance group.

At the end of December 2025, Belfius complied with all requirements requested from a financial conglomerate point of view.

III.2. Regulatory own funds at a consolidated level

As indicated above, for regulatory reporting purposes, Belfius Insurance group is not consolidated but accounted for using the equity method. As a result, the core shareholders' equity and consolidated net income reported in the consolidated financial statements are equal to those reported in the regulatory reporting used for the regulatory core own funds.

Note that the implementation of CRR 3/CRD 6 (Basel IV) from 1 January 2025 has no impact on the regulatory own funds.

At the end of 2025, the starting point for the regulatory core own funds amounted to EUR 12,383 million and was equal to the core shareholders' equity in the consolidated financial statements. The increase of EUR 187 million compared with the end of 2024 stems mainly from the result of 2025 of EUR 1,160 million versus EUR 1,127 million as well as the increased reserves and retained earnings (EUR 154 million) following the integration of last year's result (EUR 1,127 million) after the dividend payment (EUR 445 million) over 2024, the payment of an extraordinary dividend as requested by the government (EUR 250 million) and an interim dividend over 2025 (EUR 250 million), the realized result on equity instruments, mainly at Belfius Insurance, amounting to EUR 4 million (compared to EUR 33 million end 2024), the payment of dividends on the additional Tier 1 instrument amounting to EUR -24 million and scope changes for EUR -8 million end of December 2025.

At the end of 2025, CET 1 capital amounted to EUR 11,449 million, compared with EUR 11,560 million at the end of 2024. The decrease in CET 1 capital of EUR 111 million mainly resulted from an increase of the prudential deductions for EUR 502 million as a result of the non-performing exposures (NPE) (previously in P2R) and the acquisition of Candriam, a decrease of "gains and losses not recognized in the statement of income" for EUR 13 million, partially offset by the increase in regulatory core own funds by EUR 187 million.

The deduction for foreseeable dividends, as required under article 26(2) of CRR 3, amounts to EUR 208.1 million. This corresponds to the sum of the proposed ordinary dividend of EUR 454.6 million based on the pay-out ratio of 40% on the result of 2025, and the correction for the Additional Tier 1 cost (accounting wise to be treated as dividend) for EUR 3.5 million, minus the interim dividend over 2025 of EUR 250 million, paid in 4Q 2025.

Note that the transitional measure IFRS 9 on impairments ended in 2024.

The “gains and losses not recognized in the statement of income” amount to EUR 188 million. The decrease of EUR 13 million is stemming from net decrease of EUR 278 million in fair value revaluations on assets, mainly at Belfius Insurance, partially offset by the increase of EUR 221 million in the (re)insurance finance component at Belfius Insurance and the increase of EUR 44 million in the remeasurement of defined benefit pension plans.

The prudential deductions amounted to EUR -914 million (compared to EUR -412 million in 2024), the increase mainly relates to:

- an increase in the deduction of software and other intangible assets of EUR 84 million following increased activated software eligible for prudential amortization and the acquisition of Candriam;
- the increase of insufficient loss coverage for non-performing exposures of EUR 244 million due to the inclusion of the Pillar II add-on NPE capital buffer from 1Q 2025 (amounting to EUR 204 million) and the increase of the deductions Pillar I (EUR 33 million) and Pillar II (EUR 7 million) for the selection of exposures in scope of the NPE regulation;
- an increase in goodwill of EUR 162 million due to the acquisition of Candriam;
- an increase of deduction for changes in the value of own credit standing of EUR 1 million;
- an increase of the deduction of Defined Contribution net pension plan assets of EUR 21 million due to the evolution of the plan assets and the discount rate; partially offset by
- a decrease of the deduction for additional value adjustments for regulatory prudent valuation of 12 million due to decreased model risk;
- note that the deduction for irrevocable payment commitments (IPC) with regard to single resolution funds and the shortfall of provisions over expected losses for IRB portfolios remained stable.

The significant and non-significant investments in own funds instruments of financial entities and the stock of not recognized deferred tax assets remain below the thresholds for deduction of the regulatory own funds and are included in the credit risk exposure amount.

Tier 1 capital amounted to EUR 11,945 million, compared with EUR 12,056 million at the end of 2024, the decrease of EUR 111 million is related to the decrease in CET 1 capital. The Tier 1 capital includes an additional Tier 1 instrument of EUR 500 million (nominal value) issued in November 2024.

Tier 2 capital decreased to EUR 1,692 million compared with EUR 1,923 million at the end of 2024. The decrease of EUR 231 million is related to the decrease of EUR 166 million of the regulatory value of Tier 2 capital instruments, mainly due to the derecognition (EUR -169 million) of Tier 2 instruments under UK law (bail-in clause). The other Tier 2 elements decreased with EUR 65 million reflecting a EUR 34 million reduction in general credit risk adjustments for Standardized Approach portfolios due to model changes under CRR 3/CRD 6, as well as a EUR 32 million decrease in the excess of provisions over expected losses for Internal Rating Based portfolios, which has shifted into a shortfall.

We refer to the disclosure in the financial statements regarding subordinated debts for a brief description of the additional Tier 1 and Tier 2 instruments and to the detailed characteristics of these instruments in the Pillar 3 – Risk Report (table EU CCA of the annex). At the end of 2025, total regulatory own funds amounted to EUR 13,637 million, compared with EUR 13,980 million at the end of 2024.

Further information on prudential metrics at conglomerate level are available in Risk Report annex (Tables EU INS1 and EU INS2).

III.3. Capital requirements by type of risk

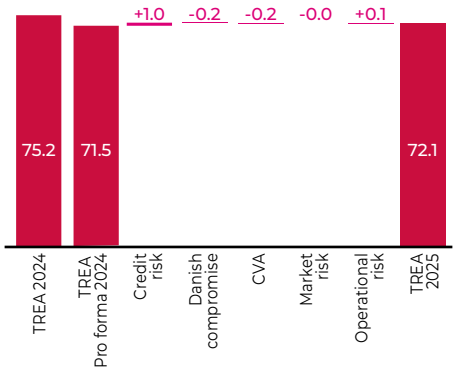
Total Risk Exposure Amount (TREA) includes risk-weighted exposures for credit risk including Counterparty Credit Risk (CCR), CVA risk, market risk and operational risk. Each of the underlying risks is detailed in this report (sections IV., VI. & VIII.). The risk exposure amount also stems from the Danish Compromise, whereby the capital instruments issued by Belfius Insurance and held by Belfius Bank are included in the TREA via a weighting of 250%.

The implementation of CRR 3 has decreased TREA on January 1st 2025 with a total of EUR 3.6 billion to EUR 71,533 million.

CRR 3 had a positive effect on the risk exposure amount for credit risk (EUR -2.8 billion) as well as on the risk exposure amount for the Danish Compromise (thanks to the updated risk weight at 250%) (EUR -2.8 billion) but has increased the risk exposure amount on CVA (with the application of the basic approach) and the risk exposure amount on operational risk (with the implementation of the revised standardized approach).

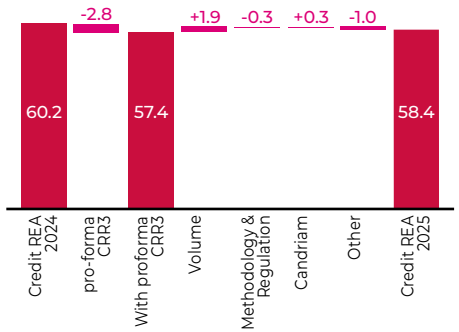
TREA evolution by type of risk

In EUR billion

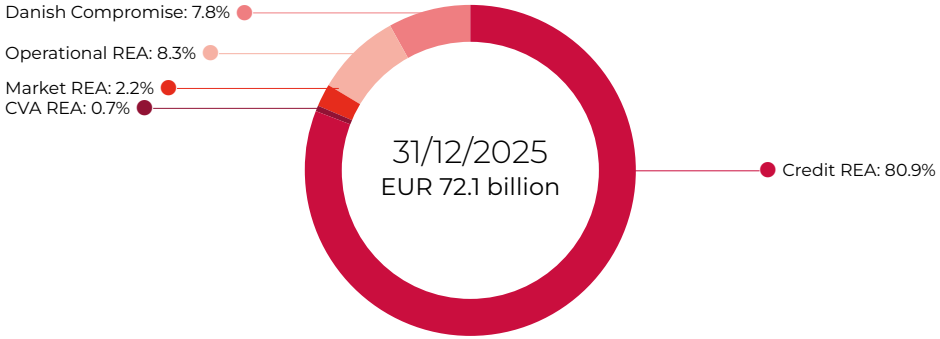


Credit REA evolution

In EUR billion



TREA by risk type



At the end of December 2025, Belfius TREA amounted to EUR 72.148 billion, an increase by EUR +615 million compared to EUR 71.533 billion at the end of 2024 (proforma CRR 3).

The risk exposure amount for credit risk including Counterparty Credit Risk increased by EUR +970 million to EUR 58.398 billion. The evolution is mostly explained by

- the commercial activities, mostly in mortgages and corporates loans (EUR +1.9 billion);
- methodology & regulatory changes, mainly driven by the finalization of the model landscape, the implementation of new retail models and the anticipation on the up-coming evolution in non-retail models (EUR -0.3 billion);
- the acquisition of a participation in Candriam (EUR +0.3 billion);
- other effects (EUR -1.0 billion) mostly stemming from Group Center activities including some derisking and positive evolution of the UK real rates.

The risk exposure amount for the Danish Compromise decreased by EUR -238 million to EUR 5.629 billion. The evolution is explained by

- the increase in the Belfius Insurance equity value (EUR +0.2 billion);
- a reduction in Belfius Insurance subordinated loans' portion (EUR -0.4 billion) due to an upcoming call and the T1 loan no longer being part of the Danish Compromise.

The risk exposure amount for CVA decreased by EUR -178 million thanks to decreasing exposures stemming ao. from higher interest rates.

The risk exposure amount for market risk decreased by EUR -20 million .

The risk exposure amount for operational risk increased with EUR +80 million in line with increased profit..

The output floor sets a minimum capital requirement at 72.5% of the standardized approach for Pillar 1 risks when fully loaded. It means that the capital requirements calculated using internal models must not fall below this threshold. During the initial years of the phasing-in period, the floor will not be binding as it starts at a lower percentage and gradually increases to 72.5%.

Further details on the risk exposure amount are provided in the Risk report annex (tables EU CMS1, EU CMS2).

III.4. Capital adequacy

III.4.1. Belfius Bank

III.4.1.1. Solvency ratios

At the end of 2025, the CET 1 capital ratio amounted to 15.87%, a decrease of 29 bps compared to the proforma CRR 3/CRD 6 (Basel IV) on 2024. Note that the published and reported CET 1 capital ratio of December 2024 under the CRR 2/CRD 5 regulation amounted to 15.38%[1]. The transition to Basel IV resulted in an increase of 78 bps.

The decrease in CET 1 capital ratio is the result of the decrease in prudential capital (-15 bps) and higher risk exposures (-14 bps).

At the end of 2025, the Tier 1 capital ratio amounted to 16.56%, a decrease of 30 bps compared to the proforma CRR 3/CRD 6 on 2024.

The total capital ratio amounted to 18.90%, a decrease of 64 bps compared to the proforma CRR 3/CRD 6 on 2024.

Applying the "Danish Compromise" compared with the deduction method for capital instruments of Belfius Insurance (equity deducted from CET 1 capital and subordinated debt instruments deducted from Tier 2 capital) would have the following impacts: a decrease of 64 bps of the CET 1 capital ratio and a decrease of 101 bps of the Total Capital ratio.

III.4.1.2. Leverage ratios for Belfius Bank at a consolidated level

The leverage requirement is, as from June 2021, a binding CRR requirement. The CRR integrated the leverage ratio in the Pillar I requirement and set the level of minimum requirement at 3%. A surcharge has also been fixed by the EBA for G-SII (Global Systemically Important Institutions) with a mandate to analyze whether some O-SII (Other Systemically Important Institutions like Belfius) should be given the same or similar additional buffer requirement.

The leverage ratio is defined as the Tier 1 capital (the numerator) divided by the exposure measure (the denominator), computed as balance sheet assets after certain restatements on derivatives, securities financing transactions, off-balance-sheet items and prudential adjustments (for items already deducted from the numerator).

In order to be consistent with the calculation of the regulatory Tier 1 capital (numerator), the calculation of the leverage exposure (denominator) is based on the prudential consolidation perimeter, where Belfius Insurance is accounted for using the equity method.

Note that the application of transitional measures for IFRS 9 provisions from December 2020 had an impact on the numerator and the denominator ended at 31 December 2024.

The risk of excessive leverage is managed through the Financial Plan process. The leverage ratio as defined in the CRR 3 is further integrated in the Risk Appetite Framework with internal limits and targets validated by the Board of Directors. The risk of excessive leverage is included in the Belfius reporting and control processes and is monitored regularly. Any important deviation and/or prudential changes in the leverage ratio is reported to the appropriate committees for management actions. Belfius stayed well below the prudential threshold indicators of 8% on Securities Financing Transactions (SFT) leverage exposure and derivatives leverage exposure.

At the end of 2025, the Belfius leverage ratio stood at 6.25%, a decrease by 21 bps compared with the end of 2024 and well above the minimum Pillar 1 requirement of 3%. Note that the implementation of CRR 3/CRD 6 from 1 January 2025 had no impact on the numerator and a limited impact on the denominator (see hereunder).

The decrease is the result of negative effects (-6 bps) from the lower level of Tier 1 capital and the negative effect (-15 bps) from the increased total leverage exposure measure due to:

- a significant increase in other assets following the increase in customer mortgage and term loans to corporates and an increase of investments in government and corporate bonds;
- an increase of the SFT add-on stemming mainly from increased off-balance commitments on reverse repo transactions;
- a decrease for the off-balance leverage exposure mainly stemming from a shift in conversion factor (CCF) from 50% to 40% linked to regulatory changes in CRR 3/CRD 6, the accounting exposures remaining stable;
- a decrease stemming from the higher adjustments in the Tier 1 capital (see above);
- a slight decrease of the leverage exposure value for derivatives.

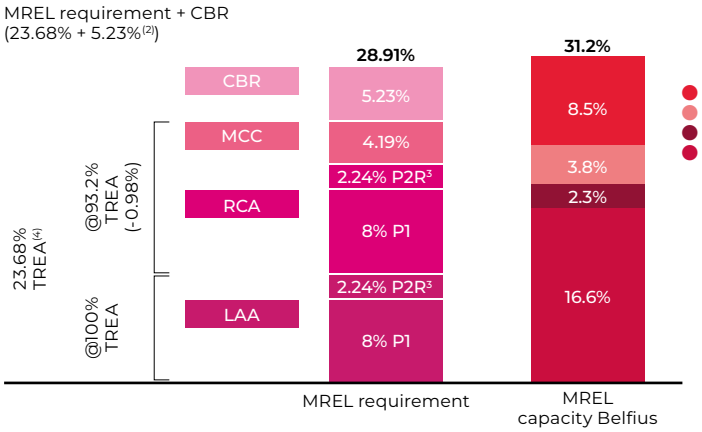
Further details on leverage ratio are provided in the Risk report annex (tables EU LR1, EU LR2, EU LR3 and EU LRA).

(1) 2024 CET1 ratio slightly adjusted (from 15.39% to 15.38%) following a late correction in Corep figures

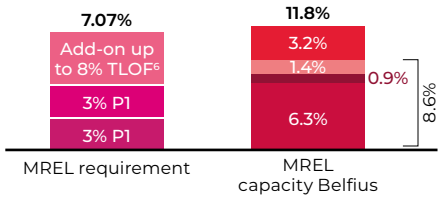
SRB MREL requirements[1]

SRB methodology and formal requirement compared to Belfius' compliance

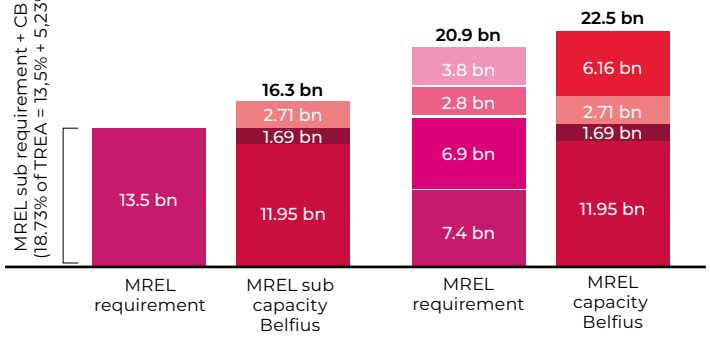
in % of TREA



in % of LRE[5]



in EUR bn



(1) All ratios include CBR;
(2) When using 2025 CBR;
(3) P2R after SREP 2025;
(4) Total Risk Exposure Amount;
(5) Leverage Ratio Exposure measure;
(6) Total Liabilities and Own Funds: based on regulatory scope with prudential netting of derivatives exposure.

LAA = Loss Absorbtion Amount
RCA= Recapitalisation Amount
MCC = Market Confidence Charges
CBR = Combined Buffer Requirement
P2R = Pillar 2 Requirement

III.4.1.3. Minimum requirement for own funds and eligible liabilities

On 18 November 2025, the NBB notified Belfius that going forward it has to execute the SRB MREL instruction regarding the minimum requirement own funds and eligible liabilities at the consolidated level of Belfius Bank under BRRD2. For Belfius Bank, the MREL requirement on a consolidated basis is set at 23.68% of Total Risk Exposure Amount (TREA) and 7.07% of Leverage Ratio Exposure (LRE). Belfius Bank must meet both targets no later than 18 November 2025.

The SRB MREL instruction also defines a subordination requirement: Belfius Bank must meet at least 13.50% of TREA and 7.07% of LRE by means of subordinated MREL. Own funds used to meet the combined buffer requirement (CBR) set out in Directive 2013/36/EU (at 5.23% of TREA for Belfius currently) are not eligible to meet the requirements expressed in TREA. Belfius Bank must comply with this subordination requirement from 18 November 2025 onwards.

Belfius met its new MREL requirements at the end of 2025. Expressed in TREA terms, Belfius realised MREL of EUR 22.5 billion amounted to 31.2%, compared with the binding target of 28.91% (including the CBR).

In the same way, Belfius MREL subordination of EUR 16.3 billion amounted to 22.7% of TREA, compared with a binding target of 18.73% (including the CBR). Expressed in LRE, Belfius MREL subordination of 8.6% exceeded the 7.07% MREL requirement.

Further details on leverage ratio are provided in the Risk report annex (tables EU LR1, EU LR2, EU LR3 and EU LRA).

III.4.2. Belfius Insurance

For more information regarding the solvency position of Belfius Insurance, we refer to the chapters Risk Management of the Annual Report 2025 of Belfius Insurance, Risk Management and Belfius' Management report (see dedicated section on insurance risks).

III.4.3. Internal capital adequacy

III.4.3.1. Definition of 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 senior unsecured debt rating at a horizon of one year (A rating for 2026).

The economic capital quantification process is organized in three phases:

- identifying the risks (definition and cartography, reviewed on an annual basis, in collaboration with the various business lines);
- measuring the risks (mainly on the basis of statistical methods and/or scenarios);
- aggregating the risks based on an inter-risk correlation matrix.

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

The economic capital is central in the context of Belfius' risk appetite and is also complementary to the Stress Test framework for Internal Capital Adequacy Assessment Process (ICAAP) purposes. It is also involved in pricing as well as in the assessment of Belfius' profitability.

III.4.3.2. Economic capital adequacy

The Management Board is responsible for managing the capital level and allocation process and has authority in all matters relating to economic capital informed by the output of various economic capital models and monitoring of ratios, limits and triggers (regulatory and economic levels).

Belfius' economic capital was EUR 7,161 million at the end of December 2025 (against EUR 7,211 million at the end of 2024).

Credit risk represented approximately 50% of the economic capital requirement and was the main contributor; market risk (inter alia including interest rate risk, foreign-exchange rate risk, spread risk and equity risk) was 29%, underwriting risk 10%, operational risk 6% and other risks (prepayment, funding,...) 5%.

By business line, the economic capital was allocated as follows: Retail, Private & Wealth represented 39% of Belfius' economic capital, whereas Wholesale and Public represented 34% of the capital; the balance was made up of 27% allocated to the Group Center (mainly for Belfius' general balance sheet management in terms of interest and funding risks, including the bonds investment portfolios and for the portfolios of derivatives and run-off credit guarantees).

Further information on ICAAP is available in the Risk Report annex (Table EU OVC).

III.5. Stress Tests

Belfius conducts annual stress tests as part of the ICAAP to assess its ability to withstand adverse scenarios and identify vulnerabilities in its solvency, profitability, and liquidity position. Each year, these stress test scenarios are reviewed and updated to ensure they remain relevant and reflect current and potential threats. On top of this regular annual review, the Risk Management team conducts quarterly analyses of key changes in macroeconomic and interest rate assumptions outlined in the financial plan to monitor potential deviations from the base case and proximity to stress test scenarios.

The financial plan stress scenarios for 2026-2030 are built around the main macroeconomic uncertainties surrounding Belfius as well as its idiosyncratic risks. These scenarios examine the viability of the financial plan under severe and long-lasting economic recession characterized by trade fragmentation. Two adverse scenarios have been analyzed:

- The scenario "Trade war escalating into a Euro crisis, accompanied by yield curve inversion". The scenario assumes a persistent systemic crisis characterized by a deep recession and a slow recovery under a low rates environment but also emphasized some idiosyncratic risks for Belfius impacted by the Belgian state and the public sector degradation;
- The scenario "Elevated interest rates combined with intensified competition for liquidity": Geopolitical tensions and persistent inflation triggered by energy price shock remain a

source of concern for credit risk and particularly for energy-driven sector and commercial and real estate exposures which could suffer from a new interest rates hike. The scenario also allows to test the bank's resilience in terms of liquidity under a fierce competitive environment fueled by high interest rates.

These scenarios include comprehensive second-round effects and the solvency-liquidity feedback loop in this changing environment. The stress testing emphasizes solvency and liquidity resilience with key metrics remaining above regulatory limits through the activation of some recovery measures that do not affect business continuity.

This year financial plan stress tests are also characterized by specific scenarios challenging the profitability and resilience of the strategy 2030. While strategic execution was considered as a risk in the identification process, its assessment does not show important sunk costs or potential deterioration of the current profitability level; it rather suggests a slower path to 2030 profitability targets. Competition threats from main Belgian banks but also from neobanks and international banks unveil more sensitivity. The flexibility and capacity to react and adapt the value proposition to competition and market changes will remain key in the coming years.

On top of the financial plan stress tests, several reverse stress tests have been conducted on solvency and net interest income with tail risk events. Overall, the reverse stress test analyses show that the identified events leading to the reverse stress situation have a very low plausibility, hence demonstrating Belfius resilience on solvency, value, and liquidity. They also highlight some attention points: the concentration on the public segment and on the legacy portfolios, the importance of keeping our market share on deposits, the reliance on credit claims in case of extreme liquidity needs, and the need of pro-active identification of sources of fraud.

Belfius confirms the adequacy of its solvency level in line with its new strategy 2030 while remaining capable of absorbing severe economic and idiosyncratic shocks. The income diversification strategy pursued by Belfius group, which includes both banking and insurance activities but also ambitious growth on the private segment, reduces the stress associated with extreme fluctuations and reduces the dependency on activity income.

Belfius has successfully taken part to the European-wide EBA stress test as SSM bank. Despite this very unfavourable scenario, Belfius concludes the test with a better result than 2 years ago, with a fully-loaded CET 1 ratio depletion of -389 basis points in current stress test (versus -412 basis points in 2023 stress test). This result demonstrates once again Belfius' solid resilience towards highly adverse scenarios, supported by its consistent long-term diversification strategy and by the continuous strengthening of its financial and risk management.

Belfius also performs dedicated stand-alone climate stress tests[1] on both its corporate credit portfolio and its mortgage credit portfolio with specifically developed tools and models. The results of those analyses are taken into account when assessing capital and liquidity adequacy (ICAAP & ILAAP). The assessments performed to date show that credit risk impacts stemming from climate and environmental (C&E) risk drivers remain fully manageable, under the given scenarios. C&E risks do not pose a significant threat to Belfius' profitability, solvency or liquidity for the time being, especially taking into account current and planned mitigation actions.

III.6. Recovery plan

Belfius has updated its Recovery Plan and submitted it to the ECB. This plan further improves the governance and activation procedure with a reviewed set of recovery thresholds aligned to risk appetite thresholds. The recovery plan continues to demonstrate the ability of Belfius to restore the bank's long-term viability in the event of a significant deterioration of the macroeconomic environment. The recovery plan includes a comprehensive set of measures to effectively address both solvency and liquidity needs with across various scenarios.

III.7. Resolution

Belfius cooperates with the Single Resolution Board (SRB) to prepare resolution plans, in particular by providing them with all information conform the requirements. Workshops with the SRB and their communications (working priority letters) confirmed that Belfius made regular progress these last years on all resolvability capabilities. Belfius remains fully committed to further develop its resolvability capabilities in terms of quality and completeness in accordance with the SRB expectations.

(1) stress tests were primarily based in the NGFS (Network for Greening the Financial System) adapted to ensure consistency with Belfius financial plan base case

IV. Credit Risk

In 2025, the pressure on the global and Belgian economy resulting from several years of crises (pandemic, energy/inflation, geopolitical instability), was additionally fueled by the uncertainty linked to the trade tensions and tariff disputes. This environment weakened companies' financial health, leading to more bankruptcies and company restructurings, not only in small businesses but also in larger firms exposed to high energy costs and shifts in international trade.

The residential real estate market showed a strong rebound, driven by robust sales of existing homes and higher mortgage production. However, purchasing power and housing affordability remain concerns. Commercial real estate and construction-related sectors continued to struggle, and a generalized recovery of these sectors did not materialize yet, although some subsectors show signs of improvement.

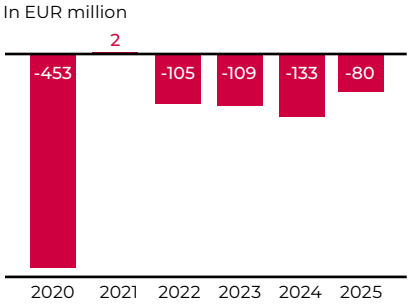
The public sector requires intensified vigilance. Efforts to meet EU budget rules and restore budget equilibrium will be spread over longer period, while higher defense spending and interest rates make reducing debt more difficult. Strong interdependencies between public institutions and related sectors increase the need for close monitoring.

Despite rising pressures—such as a higher asset quality ratio (2.0%) and growing watchlist volumes—the Belfius credit portfolio remained robust. The cost of risk stayed aligned with expectations at EUR –80m, as historically high stage 3 impairments were offset by solid preventive provisioning in stages 1 and 2 and one-off effects such as model reviews and derisking in the Legacy portfolio. Belfius continues to enforce strict credit lending standards. Enhanced portfolio monitoring allows early detection and close follow-up of clients or sectors showing early warning signs of deterioration.

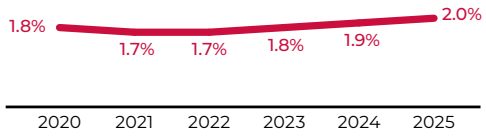
Definition

Credit risk is defined as, on the one hand, the possibility that a bank's borrower or counterparty will fail to meet its obligations (in the form of non-payment or non-performance) in accordance with the agreed terms, also called the payment default risk, and on the other hand, the possibility that the bank will not be able to recover its outstanding debt by means of the collateral that is linked to the debt, i.e. the risk of non-recovery.

Cost of Risk



Asset Quality ratio (AQR)



IV.1. Evolution of the portfolios in 2025

In 2025, the Belgian economy recorded moderate but slowing growth, supported mainly by household consumption as investment and public spending weakened. Inflation eased yet remained above target, and employment gains were limited. Despite earlier resilience, signs of economic fatigue became visible. Bankruptcies rose to their highest level since 2013, particularly in construction, transport/logistics, and services. Geopolitical tensions and regulatory complexity continued to weigh on sentiment and delay investment.

The residential real estate market strengthened, with rising transactions and prices despite elevated interest rates. Belfius' mortgage production increased significantly, with stable credit quality of new loans. First Time Buyers (FTB) benefited from reduced registration duties and longer maturities. Affordability issues persisted due to limited housing supply, high interest rates and sustained price levels. These factors continue to shape borrowers' repayment capacity and long-term portfolio risk.

Belfius' Corporate and Business loan portfolio expanded while maintaining solid risk fundamentals. Nonetheless, watchlist entries and defaults increased, notably in the construction and manufacturing sectors. Companies operated under high labour and energy costs, regulatory burdens and subdued demand. Investment remained conservative, focusing on operational efficiency and financial resilience. Broader economic uncertainty prompted firms to postpone expansion projects. Sectoral performance diverged, with chemicals and construction under heavy pressure and pharmaceuticals remaining comparatively strong.

Commercial real estate showed mixed results: office markets remained weak due to structural oversupply and valuation gaps. Logistics assets continued to perform strongly, supported by high occupancy rates. Residential demand held firm, particularly for existing homes, while new construction remained constrained by high costs.

Overall sentiment in real estate remained cautious throughout 2025, confirming the need to continue the stricter credit strategy for new projects.

The Belfius Public & Social portfolio maintained an exceptionally low risk profile. However, Belgian public entities faced persistent structural challenges, including high deficits, ageing related costs and climate transition needs. Federal deficits are expected to stay above the European norm for several years. Municipalities managed relatively well but faced pressures from pension obligations and rising investment needs. Significant funding requirements in public utilities and budgetary scrutiny in the healthcare sector on the one hand and financial interdependencies between the different public sector actors on the other, are prompting Belfius to continue increased credit monitoring.

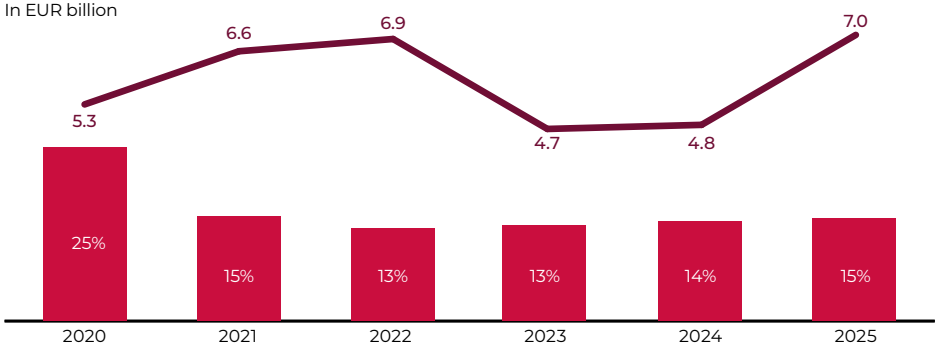
IV.2. Evolution of the portfolio by segment

IV.2.1. Mortgages and Consumer loans

In 2025 Belgium saw a strong recovery of the residential real estate market. Despite the higher interest rates, both the number of transactions as well as the house prices have increased significantly compared to the previous year, with a 3.7% inflation in house prices (based upon StatBel figures) and a 12.2% growth in the number of mortgage loans (based upon NBB figures). This confirms that demand remains high compared to a lagging supply and hints towards a habituation of the consumer to the new interest rate reality.

Mortgage loan production

In EUR billion



Scope: Belfius Bank (excluding Elantis and internal refinancings)

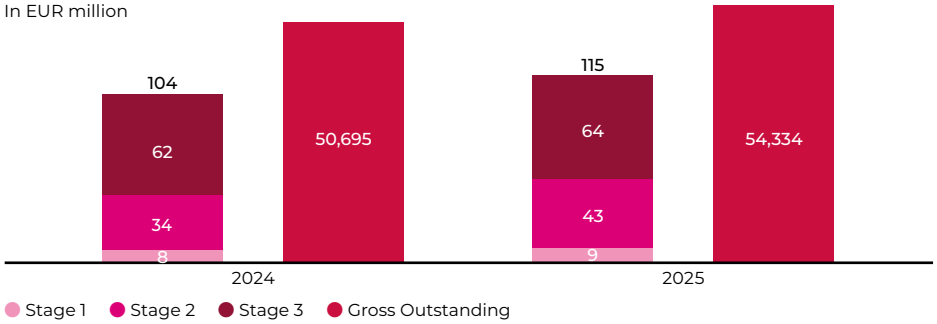
The positive market dynamics is also reflected in Belfius' mortgage production, with a 26% rise in the number of new mortgages loans in 2025 compared to 2024, and a 24% increase in the total loan amount during the same period. The mortgage portfolio grew by approximately 7.5% in 2025, to a FEAD of EUR 48.3 billion. The consumer loans portfolio was also on the rise, growing by 2.7% in the last year and reaching EUR 6 billion FEAD. The Asset Quality Ratio (AQR) for mortgages increased to 0.39% in December 2025 from 0.33% at the end of 2024 due to an inflow of default (D1) files. For consumer loans, a riskier but much smaller portfolio, the Asset Quality Ratio increased slightly from 2.60% in Q4 2024 to 2.72% in Q4 2025. Compared to last year, the average Probability of Default (PD) for mortgages decreased from 0.55% to 0.26% (without Margin of Conservatism (MoC)). This includes, among other factors, the introduction of the new PD model for Retail clients. Conversely, the average PD for consumer loans increased from 0.74% to 0.88%.

Looking closer at the production of new mortgages, we notice a 4pp increase in loans to (young) First Time Buyers (FTB's) compared to 2024, peaking in the middle of the year. This is most likely the result of reduced registration duties in both Flanders (from 3% to 2%) and Wallonia (from 12.5% to 3%) which entered into force on January 1, 2025 and targeted buyers of primary and sole residences. More FTB's in turn translated to longer repayment periods, with 55% of loan amounts having maturities of more than 20 years. The 30-year mortgage loan introduced in the second part of 2024 is popular and stabilized at 4% of the production in 2025. We notice a decrease in both Debt Service to Income and Loan-to-Income, especially midyear when the FTB production was high, indicating a more cautious lending behavior from this segment. Throughout 2025, there was a gradual improvement in the Net Available Income (NAI) profile, with almost half of new mortgages going to clients with NAIs above EUR 3,000. The mortgage portfolio's energy efficiency also improved: 45% of new loans met the ≤200 kWh/m^2/year threshold, a 3 pp increase from 2024.

Belfius remains compliant with National Bank of Belgium expectations related to high Loan-to-Value ratio (LTV) and high maturities at originations. 85% of loan amounts had an LTV's of 90% or lower while 88% also had maturities of over 20 years, similar to 2024. Typical for the Belgian mortgage market, only 1% of new loans have a truly variable rate, while 91% have a fixed rate. The remaining 7% are variable-rate loans capped at the original interest rate but allowing for potential rate decreases every 3 to 5 years. These terms protect the borrowers from rate increases while also permitting renegotiations should the interest rate drop.

Despite positive developments and overall resilience of the Belgian housing market, the mortgage and consumer portfolios continue to be closely monitored. With both longer and shorter interest rates expected to remain at higher levels, demand and prices of homes are unlikely to decrease, as observed in 2025. The lack of sufficient supply and the lower number of newly built homes will continue to put pressure on home prices, decreasing the real purchasing power of consumers and potentially impacting the repayment capacity and risk profile of clients, as well as the portfolio at large.

Mortgages and Consumer loans Stock Impairments per stage and gross outstanding (FEAD)



(1) Full Exposure at Default. Definition of the FEAD in section X.2.
(2) The ratio between impaired loans and advances to customers & credit institutions taking into account the default status of the final counterparty and the gross outstanding loans and advances to customers & credit institutions.

Environmental Social and Governance considerations in credit risk – mortgage loans

Belfius is committed to manage the risks of its mortgage portfolio stemming from climate change, both physical risks and transition risks. In order to assess these risks, Belfius collects data on the energy performance and the location of the buildings held as collateral of its mortgage loans. As of 31/12/2025, Belfius has achieved a real data coverage (based on EPC certificates) of close to 50% of its portfolio for energy performance data. This data allows Belfius to identify its mortgage exposures at material risk.

For transition risk, Belfius considers a combination of energy performance criteria and loan-to-value criteria. Mortgage exposures with a high Loan-To-Value ratio (LTV > 80%) showing poor energy efficiency (>400 kWh/m2) are deemed to be the most climate sensitive assets. Based on this criteria, only a very limited proportion of Belfius' mortgage loan portfolio is currently considered as risky. For physical risk, as flood risk has been identified as the most relevant climate-related physical risk in Belgium, Belfius monitors the exposures located in flood prone zones. These exposures currently represent 2,50% of the mortgage loan portfolio. This figure represents the gross risk before any mitigation action. The residual risk is expected to be much lower given that a vast majority of Belgian households (around 90%) is insured against floods through their home insurance, which is required from the clients at Belfius Bank.

Belfius also performs asset-level vulnerability assessments on the mortgage portfolio, in which both transition risk (energy efficiency) and physical risk (flood) are taken into account.

Belfius wants to lower the carbon footprint of its mortgage portfolio to improve its climate risk resilience. The actions Belfius takes to achieve this, are described in the Belfius' Sustainability Statement.

Further details on the exposure to ESG risks are provided in the annex of the Risk report (templates 1 to 5).

IV.2.2. Corporate and Business loans

The Corporate and Business loan portfolio amounted to EUR 70.8 billion at the end of 2025 (compared to EUR 65.3 billion at year-end 2024). Despite a challenging economic context, the portfolio has maintained its fundamentally sound risk profile.

Economic activity in Belgium remained at a moderate level throughout 2025. After a modest expansion at the beginning of the year, growth momentum gradually softened. Domestic demand was supported by private consumption, albeit at a decelerating pace. Public spending stagnated and is expected to contract, while company investment activity remained constrained due to a lack of predictability and the resulting difficulty in engaging in long-term planning. Overall, economic growth for 2025 was limited and remained below historical average.

The operating environment for Belgian enterprises continued to be characterized by high uncertainty. Business sentiment remained cautious throughout the year, reflecting geopolitical tensions, concerns regarding potential trade disruptions, and a persistently complex regulatory framework, notably in relation to environmental and sustainability requirements. Although pressures from inflation and interest rates gradually eased, structural cost disadvantages, including relatively high labour and energy costs, continued to weigh on competitiveness, particularly in energy-intensive and export-oriented sectors such as the chemical industry (especially base chemicals).

Corporate investment decisions remained conservative in 2025. Investment activity was primarily directed towards the maintenance of existing operations, compliance with regulatory requirements, and efficiency improvements. Although wage cost inflation is easing, Belgian companies' competitiveness remains under pressure. As a consequence, digitalization, automation, and process optimization remained priority areas, aimed at cost containment and productivity enhancement. Conversely, expansionary investment projects and capacity growth were frequently deferred.

Looking at specific sectors, the situation is particularly challenging in the chemical industry, especially in basic chemistry where the added value is limited. This sector is particularly suffering from global competition. Chinese producers are seeking new markets as a response to their own overcapacity. European companies are finding it increasingly difficult to remain competitive, given the high energy and labour costs. Production occupancy is historically low, and several closures of European production facilities were announced. The pharmaceuticals industry remains strongly supported by strong product pipelines, but cutbacks in healthcare spending and geopolitical tensions could affect the sector in the longer term.

Both food and non-food retail trade remain under pressure. In the food sector, competition is fierce from relatively new hard discounters who are aggressively trying to gain market share. Margins are also under pressure because price-conscious consumers are turning to private labels more than before. In the fast-moving consumer goods sector, competition from international online channels, particularly a number of Chinese platforms, remains high.

The situation of the real estate sector remains difficult, as the combination of rising long-term interest rates, rising costs of building materials, increasing financing costs, slacking demand, and restrictive energy regulation have triggered a real estate market downturn. This resulted in pressure on profitability (as increased construction costs and material prices cannot always be passed on to the client) and on liquidity (coming from imbalances in volume and timing between offer and demand), impacting all real estate companies throughout the real estate value chain. This situation persisted in 2025, and the market improvement did not take place as expected, although the signals are different from subsegment to subsegment.

The construction sector is experiencing historically low activity, particularly in new residential developments, although renovation projects provided some relief. Some segments show tentative signs of stabilization as investment conditions have slightly improved. Nevertheless, the market conditions remain difficult: prices stay high due to increased material costs, environmental regulations, and a persistent shortage of land for new projects.

Within the commercial real estate market, developments remained heterogeneous. The office market remains the most vulnerable subsegment, with transaction volumes remaining low and with a pronounced preference of investors for prime locations that score excellently in terms of ESG. On the other hand, demand for logistic buildings remains strong, driven by the success of online shopping and strong occupancy rates of about 95%. The residential market activity is also resilient due to sustained demand (housing is a prime need) helped by tax (registration rights) reduction and by salary indexation improving family buying power. Overall, the level of bankruptcies in the segment of the construction and construction-related sector increased to levels beyond the historical average.

Bankruptcy figures, in general, increased significantly above pre-pandemic levels, indicating the delayed and progressive impact of successive shocks on corporate solvency.

In 2025, 11,681 enterprises were declared bankrupt in Belgium (source Statbel). This is an increase of 5.5% compared to 2024 (11,067 bankruptcies) and the highest result observed since 2013 (11,740). The increase of job losses due to bankruptcy, is less pronounced. In total, 29,842 jobs were lost in 2025 as a result of bankruptcies, compared to 29,245 jobs in 2024 (+2.0%). Although bankruptcy figures increased in mostly every activity-sector, 3 sectors were particularly hit: construction (with essentially small construction companies that have collapsed), professional and technical activities, and transportation and storage.

A relatively high incidence of bankruptcies was observed among companies established five to ten years ago, suggesting limited financial buffers.

In the light of all this, Belfius continued its sectoral monitoring approach, that evolves dynamically in alignment with economic and geopolitical evolutions and drives credit acceptance and provisioning policies.

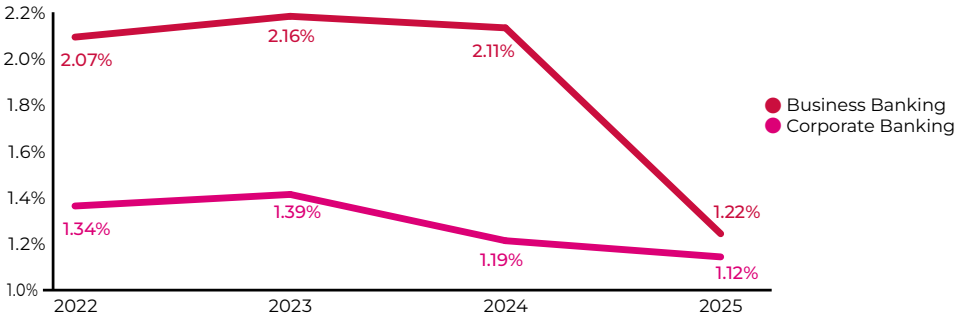
The global economic and geopolitical situation is reflected in the Belfius portfolio. The inflow of defaults in the segment Corporate and Business is increasing, compared to 2024, and the number of company restructurings and bankruptcies remains considerable. This inflow leads to an increase of the asset quality ratio on the Corporate and Business portfolio. AQR levels for corporate loans increased from 3.3% at the end of 2024 to 3.62% at the end of 2025 and for Business loans from 4.17% to 4.26%. While the watchlist stock of Business loans remained stable over 2025, Corporate watchlist files increased with 5.2%.

In particular, credit exposures in the commercial real estate and manufacturing industry require a close and consistent monitoring, During the first semester, an analysis was performed with respect to the geopolitical tensions and risks associated with a resurgent trade war on the Corporate and Business portfolio. This exercise enabled the identification of economic sectors and counterparties that could be particularly vulnerable to import tariffs and/or shifts in international trade. The conclusions of this analysis were integrated into a broader portfolio monitoring approach. In the second half of the year, a targeted screening of the chemical sector was performed, and as a result some individual files have been placed under closer follow-up in order to ensure timely monitoring of any further changes in their risk profile.

From a broader perspective, the annual analysis of the sectoral risk profile of the Belfius portfolio and the in-depth analysis of the commercial real estate portfolio were performed; these studies confirmed the general resilience of the Belfius portfolio and the adequacy of the anticipative provisioning approach.

After the implementation of the new rating models, the average PD for the Corporate and Business portfolio at the end of December 2025 amounted to 1.16%.

Average PD of the portfolios Business and Corporate Banking*

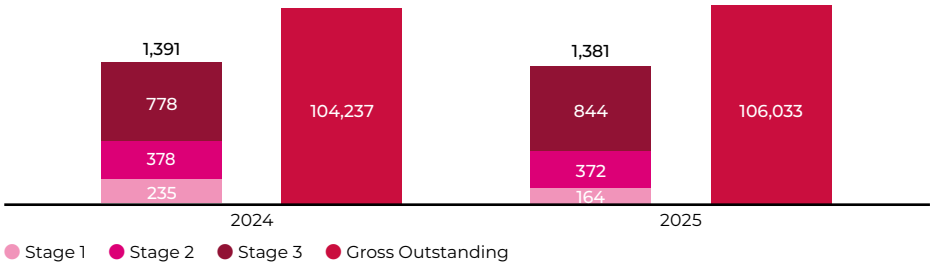


Scope : unrated exposures and exposures in default not included
Methodological note: The PD levels reported for 2024 and 2025 are not fully comparable with earlier periods, as their evolution is impacted by methodological changes:

- New Retail and Non-Retail PD models were progressively deployed as part of the EBA Credit Model Repair Program. These models are fully calibrated to a revised definition of default, which lowered PD levels. The timing of this impact differs by segment: in Corporate Banking, the main effect occurred in 2024 following the deployment of the new Corporate and Mid-Corporate models, while in Business Banking the impact was phased, with an initial effect in 2024 for Mid-Corporates and a further effect in 2025 related to the roll-out of the new Small Enterprise model.
- Belfius changed its reporting approach by moving from PDs including a Margin of Conservatism (MoC) to PDs excluding the MoC. This change was implemented from Q4 2024 for non-retail portfolios and from Q2 2025 for retail portfolios, mechanically lowering reported PD levels at those dates.
- Finally, PD levels in 2025 were also affected by the implementation of a new business segmentation, which influenced the allocation of some exposures across segments.

Business, Corporate and Public loans Stock Impairments per stage and gross outstanding (FEAD)

In EUR million



Environmental Social and Governance considerations in credit risk – Corporate and Business loans

Belfius is committed to manage the ESG risks of its Corporate and Business portfolio. Belfius assesses ESG risks by collecting data about its clients. The main source is actual counterparty-level information, gathered through Belfius' own ESG Questionnaire, with nearly 500 completed as of 31/12/2025. This questionnaire will soon be replaced by the ESG Kube[1] questionnaire. When direct information is not available, Belfius uses verified third-party data providers, and only relies on proxy data where actual data is missing.

Belfius has identified risk pockets in the non-retail portfolio linked to climate sensitive sectors and portfolio' specificities. The evolution of this portfolio is monitored regularly. Belfius also monitors the share of exposures toward companies highly contributing to climate change (NACE sector activities A-H & L[2]) within its portfolio and limits its exposures to fossil fuel activities within its lending portfolios. The proportion of climate-sensitive exposures (NACE sector activities A-H & L) towards Corporate and Business counterparties is globally unchanged compared to previous years and stays below 60%.

Belfius also performs counterparty-level transition risk vulnerability assessments on the Business and Corporate portfolios. The in-house ESG score aims at analyzing the ESG profile of corporate companies (including their vulnerability to transition risks). Belfius also assesses the reputational risk of its counterparties, based on adverse media screening, through flags calculated by the ESG controversies engine.

Belfius wants to lower the carbon footprint of its Business and Corporate portfolio to improve its climate risk resilience. The actions Belfius takes to achieve this, are described in the Belfius' Sustainability Statement.

Further details on the exposure to ESG risks are provided in the annex of the Risk report (templates 1 to 5).

(1) KUBE is a platform developed by Febelfin to help companies with their sustainability reporting
(2) Sectors are often classified as high-impact in terms of energy and environmental footprint

IV.2.3. Public and Social Banking

Exposure on Belfius' Public & Social (P&S) portfolio amounted to EUR 35.2 billion at the end of the fourth quarter of 2025, contributing to the robustness and diversification of Belfius' global loan portfolio. Overall, the P&S portfolio has maintained its historically low risk profile with an average PD of 0.13% and an average Asset Quality Ratio of 0.04%.

The Belgian public sector has successfully navigated some major crises over the past few years, including the Covid-19 pandemic, inflation and the energy crisis. For the foreseeable future, it will face a combination of internal and external challenges: bringing debt and deficit levels under control, dealing with geopolitical uncertainty caused by a fundamental shift in the international political and economic order, mitigating the impact of climate change, ensuring energy security and countering the adverse effects of an ageing population. Geopolitical and geoeconomic shifts in particular are prompting increased involvement of public authorities in the free market as economic activity turns more and more into a national security issue. As a longtime preferred partner to the Belgian public sector, Belfius has supported entities at the federal, regional and local level in weathering some of the adverse effects of these challenges and is helping them in making Belgian society more resilient and futureproof.

The Belgian federal state continues its balancing act between budgetary responsibility (involving the reduction of the federal debt and deficit) on the one hand and effectuating investments in defence, the energy transition and healthcare on the other. In 2025, the deficit of the federal state increased to -5.1%, compared to -4.4% in 2024. In order to counter this evolution, the current government has announced budgetary measures for the period 2026 to 2029 involving a combination of spending cuts (e.g. a cap on wage indexations, hiring freezes, reduced growth of the healthcare budget) and targeted tax hikes. In spite of this, the National Bank of Belgium still projects the deficit to hover around -5% during the years up to and including 2028. Consequently, the federal debt will continue to grow, reaching an estimated 113.8% of GDP in that same year.

Projections by the Federal Planning Bureau from July 2025 show that the aggregated deficits of the regions and communities will remain stable until 2026 and are expected to decrease between 2027 and 2030, although the precise budgetary trajectory differs considerably for individual regions and communities. While some are on track to accomplish their budgetary targets set for 2030, others are facing challenges in balancing budgetary reforms with the required investments in healthcare and the energy transition. Political gridlock in the Brussels-Capital Region continued during 2025. In February 2026, a new Brussels-Capital Region government was formed. The policy statement indicates to create a new dynamic for the Region with attention to a budget under control.

The finances of the Belgian municipalities have fared relatively well in 2025, although regional differences persist. Belfius' annual study of municipalities' financial situation highlights the knock-on effects of savings measures at the federal level, including the restriction of the duration of employment benefits, potentially resulting in a shift towards social benefits provided by municipal social security services (OCMW/CPAS), as well as fiscal reforms leading to a gradual lowering of the municipal share of additional tax on personal income. Finally, rising pension costs for retired statutory staff continue to be an attention point for municipalities, although regional support can help cushion the financial impact. Mergers between smaller municipalities are actively encouraged by regional governments in order to create synergy effects, but may be facing resistance at local level.

Furthermore, municipalities play a central role in futureproofing Belgian society through their activities as shareholders in the public utilities and local hospitals. This includes strengthening and expanding electricity networks in preparation for the energy transition, upgrading water and sewage networks in order to comply with EU water directives, and investing in the renovation or construction of hospital buildings.

Belfius has been keeping its finger on the pulse of the Belgian hospital sector for more than 30 years through its annual MAHA analyses. In 2024 and 2025, hospitals have once again seen a strong rise in one-day admissions, reflecting a longer-term effort to curb cost increases. In 2024, general hospitals on average presented negative operating profits, a trend that is expected to be similar in 2025, although there are large differences between individual institutions. While staffing cost increases have been largely manageable, recruitment shortages and high degrees of absenteeism constitute an ongoing challenge for the Belgian healthcare sector. Overall, Belgian hospitals invested around EUR 1,7 billion in new infrastructure, digitalisation and cyber security efforts as well as energy efficiency. The majority of these investments are concentrated on a few large projects.

In order to keep the rising healthcare budget under control, the current government has announced structural cost savings of EUR 907 million. As part of these measures, hospitals are advised to reassess the effectiveness of treatments based on medical necessity (evidence-based approach), to specialise more into treatments at which they excel and to focus even more on moving patients to one-day admission. Although a thorough reform of the hospital landscape is at an early stage, the focus will be on raising the importance of performance metrics in determining hospital budgets and assessing, for instance, the role of university hospitals and their financing mechanisms. The likely consequence of this is that hospitals will need to fulfil their investment requirements with shrinking budgets. Moreover, loco-regional hospital networks are being strengthened with a focus on task specialisation.

The Belgian public utilities are dealing with strong investment requirements over the upcoming years. The total investment needs for the years 2025 until 2032 have been estimated at EUR 40,7 billion for the entire sector. Water companies are upgrading and expanding their water and sewage networks in order to comply with the EU Water Framework Directive. At the same time, grid operators are investing heavily in their networks to keep up with and prepare for the energy transition, which involves a shift in energy generation and usage from fossil fuels to renewables and electricity. An outstanding question is how these considerable future costs will be shared (publicly, privately or through a hybrid scheme) and what their impact will be on other public sector entities' budgets (mainly those of municipalities and regions) and the taxpayer. While there is evidence in some regions that public authorities are offering considerable support to help bear these investments, the question remains whether public authorities in regions with more challenging budgetary positions will be able to offer the same kind of support. Belfius remains committed to the public utilities in their efforts to make Belgium a greener society.

The highly interconnected nature of many Belgian public sector actors (regions & communities, municipalities, hospitals, public utilities, ...) presents a potential point of concern given that interdependencies between these actors (e.g. through guarantees provided by a higher public authority for a lower one) make them vulnerable in case of financial strain on one of these actors.

Belfius continues to support the Belgian public sector in its future investment needs while closely monitoring the budgets of and interdependencies between (sub)sectors and individual actors.

IV.2.4. International exposures

2025 was marked by the return of President Trump in the White House and his volatile and aggressive trade policy, reflected by the adoption of high and ever changing import tariffs. Although this could still weigh on global economic growth in the long run, financial markets have performed relatively well over the year 2025. On the geopolitical front, tensions in the Middle East escalated further, with the conflict in Gaza and a short-lived war between Israel and Iran. This abated somewhat in the second half of the year with a cease fire in Gaza but increased again at year-end following the unrest in Iran and the threats of intervention by US military forces. The war in Ukraine also drags on and tensions between the US administration and Europe over Greenland have put additional pressure on already restrained relationships between the two allies. The FED has cut interest rates for the first time since 2024, while the ECB and Bank of England continued easing their monetary policies, but long-term interest rates moved sideways and remain volatile given the uncertain and turbulent international environment. Long-term UK real rates continued their increase in the first half of 2025 and stabilized in the second half of the year, which had a reducing effect on the Exposure At Default (EAD) of the UK inflation linked bonds in the international portfolios over the full year 2025. Other market evolutions had rather limited effects on these portfolios.

The ALM Liquidity portfolio, consisting of LCR eligible bonds, has increased by EUR 2.3 billion to EUR 11.6 billion in 2025 (EAD FYE 2024, EUR 9.3 billion). The majority of the new investments were done in covered and sovereign bonds with a good geographical diversification. The average rating of the portfolio increased from A to A+, with 100% of positions being investment grade. The total portfolio is well diversified with the biggest concentration on the Belgian sovereign, and to a lesser extent on the Italian and French sovereigns. The run-off portfolios, consisting of the Yield bond portfolio, the Credit derivatives portfolio and other legacy derivatives portfolio have decreased further by EUR 1.8 billion in 2025 to EUR 5.6 billion. The decrease is both driven by the increase of the long-term UK real rate, the natural amortization of a number of significant positions and the derisking of several UK Utility and UK Hospital positions out of the Yield portfolio. As a result, the exposure to UK utilities (water, gas and hospitals) within the run-off portfolios decreased to EUR 3.0 billion at the end of December 2025. The most important reduction within this asset class was the sale of the unguaranteed Thames Water position. The remaining exposure on Thames Water is fully guaranteed by a high quality credit insurer. This reduction also resulted in an increase of the average rating of the Yield portfolio from BBB+ to A-, while the average rating of the credit derivatives and other legacy derivatives portfolio remained stable at respectively A- and BBB+. Despite some pressure on the credit quality of these portfolios, 96.5% of the positions remain investment grade, an improvement that was also driven by targeted derisking of non-investment grade positions. The main concentrations within these portfolios are UK inflation linked utilities, mainly water and gas, and UK Healthcare bonds, although the latter has been significantly reduced over the past year. About 75% of these positions benefit from a lifetime guarantee from an investment-grade-rated credit insurer.

For the UK water sector, a new regulatory period of 5 years and associated tariff framework entered into force in April 2025. This period will be characterized by significant investment needs for the sector to improve operating performance, attracting sufficient new equity to improve resilience and at the same time maintaining client affordability. Final determinations (FD's) have been published end December 2024 and can be considered manageable for the sector, although they put additional stress on certain companies already under operational and financial strain due to financial incentives linked to operational performance.

Some companies have appealed for a referral of their FD's to the Competition and Markets Authority, for which a decision is now expected by the end of the first quarter of 2026. The biggest player in the sector is currently undergoing a restructuring to avoid temporarily special administration. The sector is also undergoing important changes at the regulator level, as the three current regulators (Ofwat, the Environment Agency and the Drinking Water Inspectorate) will merge into one single integrated regulator overseeing all aspects of the UK water sector, which should improve coordination and give the regulator stronger and unified enforcement tools, while providing consistency for the water companies. The final determinations for UK gas sector have been published in December 2025 and give visibility over the next 5 years starting April 2026. The final determinations are perceived by the sector as supportive on required investment levels while focusing on decarbonization but the main challenge will be to maintain sufficient investor confidence in a changing energy mix environment.

In 2025, the pressure on the UK Healthcare sector continued. Difficult relationships among parties involved in healthcare projects, due to non-compliance with project agreements, led to significant credit deterioration for some counterparties. Despite these challenges, we managed to reduce our exposure to this sector with two successful derisking transactions in the last quarter of 2025.

We continue to closely monitor the situation and future developments within these pressured sectors. There are currently 2 counterparties classified in stage 3 covered by a EUR 18 million provision, down from EUR 57 million in H1 following the full sale of the unguaranteed Thames Water position. Provisions for stage 2 assets within the legacy portfolios amount to EUR 64 million. The EUR 11 million decrease compared to H1 2025 is driven by the derisking of 2 UK Hospital positions.

Despite the permanent trading derogation from the NBB allowing to keep the remaining credit derivatives in trading, we continued to actively seek to unwind or derisk these positions. This was a key focus in 2025 and will continue in 2026. Only two positions remain within our trading derogation.

IV.3. Cost of risk

IV.3.1. IFRS 9 impairment methodology at Belfius

Belfius Bank and its subsidiaries recognize loss allowances for Expected Credit Loss (ECL) on financial instruments at amortized cost or at fair value through Other Comprehensive Income (OCI); ECL are measured through a loss allowance that depends on the financial instrument's status:

- for performing exposures (i.e. instruments that have not incurred a significant increase in credit risk since origination), referred to as stage 1, a 12-month ECL is calculated;
- for underperforming exposures (i.e. instruments that have incurred a significant increase in credit risk since origination), referred to as stage 2, Lifetime ECL are calculated;
- non-performing exposures (i.e. exposures that become credit-impaired), are classified in stage 3 and the ECL reflect the remaining exposure after a best-estimate of future recoveries. For credit-impaired, not denounced files with a higher expected loss estimate, this estimate is based upon a probability-weighted approach of recovery on a going concern and a discontinuity scenario.

ECL are probability-weighted estimates of credit losses. This is expressed as the present value of cash shortfalls, i.e. the difference between the cash flows that are due to the entity in accordance with the contract and the cash flows that the entity expects to receive. ECL calculations use probability of default (PD) and loss given default (LGD) parameters. Point-in-time PDs are used that inter alia incorporate forward-looking macroeconomic information through the use of four different macroeconomic scenarios. These scenarios are built upon internal information delivered by the Belfius Research department, who uses external and internal information to generate a forecast "neutral" scenario of relevant economic variables along with a representative range of other possible forecast scenarios. The external information includes economic data and forecasts published by governmental bodies and monetary authorities.

Belfius assigns probabilities to the four forecast scenarios (neutral, optimistic, pessimistic and stress) and makes the link between macroeconomic variables and credit risk and credit losses through identified and documented relationships between key drivers of credit risk and credit losses for each portfolio of financial instruments on the one hand and statistical analysis of historical data on the other hand.

Given that ECL estimations are complex and to a certain extent judgmental, the aforementioned mechanical approach is completed by management judgment through "management call" layers as authorized by the IFRS 9 accounting references. These layers can be positive or negative and aim to include any elements entering in the ECL calculation which have not been taken into account by the mechanical computation on an individual level or a (sub)portfolio level and come on top of the mechanical overlays.

Since the first-time adoption of IFRS 9, Belfius has applied ECL overlays for certain risk pockets (as for commercial real estate, for high LTV mortgage loans). In such cases, one or more IFRS 9 parameters are stressed when computing the ECL. For mortgages, a stressed LGD value is applied, while for other vulnerable exposures, an add-on is applied on the mechanically computed expected credit loss. The add-ons correspond to an increased expected credit loss, equivalent to a 1 to 2 notch rating downgrade(s). This approach feeds the formal impairment process and results into shifts of individual files or risk pockets from stage 1 to 2. The approach results into ECL levels deemed more adequate to cover the related (increased) credit risk.

These management call layers are reassessed by the Stage 1&2 Impairment Committee on a quarterly basis.

In 2025, the trajectory towards the integration of the new Internal Rating-Based Approach (IRBA) PD models into the IFRS 9 calculations, was implemented for non-retail and retail models. Together with this introduction, several methodological developments and regulatory model-recommendations were integrated into the ECL calculations. These are related i.e. to ECL adjustments to account for portfolio concentrations and for sectoral correlations in the portfolios and to the adjustment, following ECB obligations, of the non-retail LGD model. Additionally, the LGD for retail exposures was recalibrated. These adjustments resulted overall in a net reversal of expected credit losses.

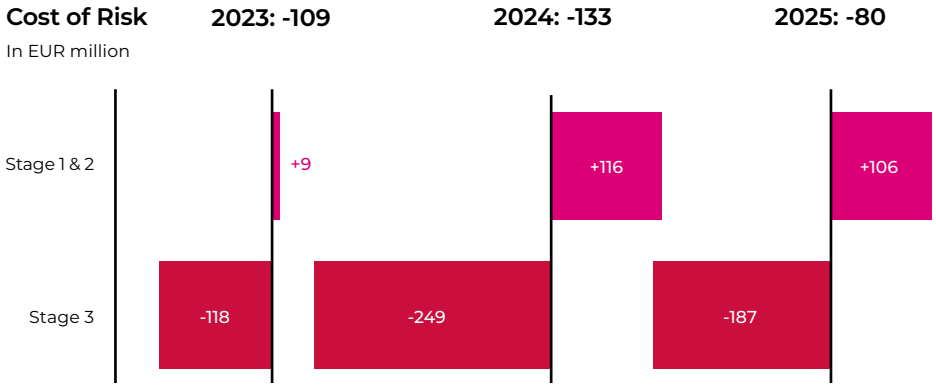
IV.3.2. Cost of risk in 2025

The 2025 cost of risk amounts to EUR -80.3 million and is composed of EUR -122.9 million allowances for the commercial activities of the bank, EUR +35 million reversals for the bank bond portfolio ("Group Center") and EUR +7.6 million reversals for Belfius Insurance.

The stage 3 component of the cost of risk amounts to EUR -186.6 million, and is essentially driven by provisions in the commercial loan book. The 2025 provisions are related to the economy-wide observation of rising default and bankruptcy levels in the small- and medium-sized Business segment and to some individual files in the corporate portfolio, especially companies vulnerable to rising energy costs and potential international trade shifts such as the chemical industry.

The specific provisions for defaulted assets are to a significant extent offset by EUR +106.3 million reversals in the stage 1 and 2 components. These are the result of several effects, i.e. the impact of the methodological changes of the new credit models into the IFRS calculations, sales of bonds in the bond portfolio at the Group Center/Legacy portfolio and the reversal of certain anticipative provisions, i.e. driven by the migration of credit of files from stage 2 to stage 3. Furthermore, additional positive impacts (capital gains) resulting from the sale of bonds contributed to the stage 2 component of the cost of risk.

With Belfius' anticipative provisioning methodology, the credit losses on defaulted assets have typically been anticipated by stage 2 expected credit losses, constituted during the past years.



IV.3.3. Macroeconomic factors used in 2025 ECL calculations

The macroeconomic projections used for ECL calculations have been updated in line with the Belfius' Research department expectations:

- the macroeconomic factor calculation is based on a 2025-2027 dataset, providing a forward-looking view;

- the system of four probability weighted forward-looking scenarios each with their own macroeconomic parameters to build optimistic, neutral, pessimistic and stress cases is maintained. Yet, the scenarios have been adapted to the updated macroeconomic environment.

The macroeconomic data, used at year-end, reflect the significant uncertainty that is remaining about the possible impacts of the US protectionist policy (trade tariffs) and the EU, Chinese counter measures. Furthermore, geopolitical risks could further continue to pose challenges (uncertainty about outcome of the war in Ukraine, Middle East, ...) and additionally weigh on the economic perspectives.

At national level, the economic pressure and instability resulting from the succession of crises continues to hit SME's and corporates, leading to a further increase of bankruptcies in Belgium towards the highest levels since 2013. A further deterioration of the inflow of defaulted exposures cannot be not excluded, mainly on the SME side.

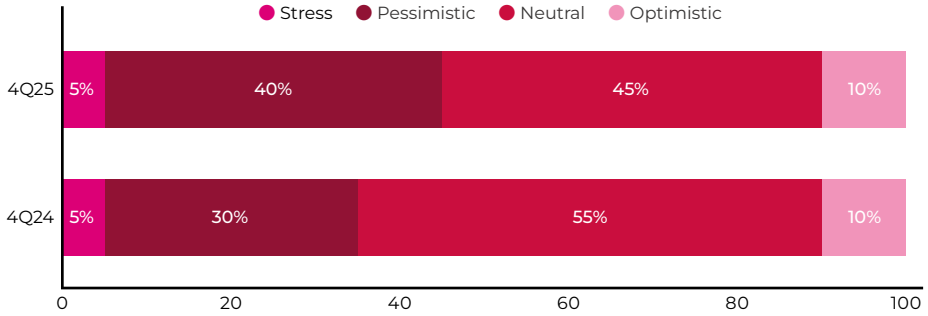
Macro economic Scenarios IFRS 9

	As of end 2024			As of end 2025		
	2024	2025	2026	2025	2026	2027
GDP (% Y-O-Y) [1]						
Belgium	1.0	0.9	1.1	1.1	1.1	1.1
Eurozone	0.8	0.7	1.0	1.4	1.2	1.2
United States	2.7	2.7	3.0	1.9	1.9	1.9
CPI (% Y-O-Y) [1]						
Belgium	4.3	2.6	2.0	2.9	1.5	2.0
UNEMPLOYMENT (%) [1] [2]						
Belgium	7.2	7.1	6.8	7.2	7.1	7.0
Eurozone	7.5	7.0	6.8	7.3	7.3	6.7
GDP BE (% YoY) [1] **Scenarios**						
Optimistic	1.6	1.5	1.7	1.7	1.7	1.7
Neutral	1.0	0.9	1.1	1.1	1.1	1.1
Pessimistic	-0.1	-0.2	0.0	0.0	0.0	0.0
Stress	-0.7	-0.8	-0.6	-0.6	-0.6	-0.6

(1) Figures might differ from those presented in the section dedicated to the macro-economic environment as IFRS 9 expected credit losses are performed during the quarter.
(2) Unemployment figures include the exceptional temporary unemployment

The neutral case is completed with an optimistic, a pessimistic and a stress scenario. The table above illustrates the Belgian GDP Growth assumptions under the four scenarios.

Scenario weights (in %)



In 1H 2025, a shift in the weights of the forward-looking scenarios was applied in order to express the economic and geopolitical uncertainty, i.e. both in 1Q and 2Q a 5% shift from the neutral to the pessimistic scenario was performed. No modifications have been applied in the second semester of 2025.

IV.3.4. Sensitivity of the impairment stock stage 1 & 2 to changes in scenario weights

The following table provides an overview of the stage 1 & 2 impairments sensitivity to the weight of macroeconomic scenarios. Under the current methodology, the most relevant macroeconomic factors are GDP and unemployment. Note that the sensitivity is not linear and cannot be simply extrapolated.

	What if 85% optimistic[1]	Weighted average scenario 4Q24	What if 85% pessimistic[1]	What if 85% stress[1]
Impairment stock stage 1&2 (In millions of EUR)	559	665	797	964
% change vs weighted average scenario	-16%	0%	20%	45%
		Optimistic 10% Neutral 45% Pessimistic 40% Stress 5%		

(1) 5% on each of the 3 other scenarios.

IV.3.5. Evolution of the overlay approach

As explained in section IV.3.1. IFRS 9 impairment methodology at Belfius, Belfius applies —on top of the mechanical, in-model ECL calculations—add-on layers in order to include any elements into the ECL calculation which have not been taken into account by the mechanical computation. The purpose of these overlays is to cover for risk characteristics and trends in specific pockets in the portfolios. Since the first-time adoption of IFRS 9, Belfius has applied ECL overlays for certain risk pockets.

The real estate sector is under a close monitoring regime since several years, as regulatory requirements (of which energy regulation), climate change, economic and demographic trends and social evolutions have reshaped the real estate market. Additionally, the commercial real estate market is facing the challenges that have resulted from the events of the recent years (Covid-pandemic, energy and inflation pressure, geopolitical tensions). Certain commercial real estate subsectors are showing signs of recovery (residential and logistics), but others (offices and certain retail-related real estate) continue to suffer from imbalanced offer and demand situation, with especially the segment of developers remaining under financial stress. As the expected generalized pick-up of the commercial real estate activities did not materialize yet, the overlay to cover this risk pocket remains in place.

Since 2023, an overlay for ESG risks is applied on both mortgage, Business and Corporate exposures. The housing stock energy efficiency—performance and objectives—could negatively affect the value of the residential mortgages in the mortgage portfolio; to capture this potential impact, an ECL layer was developed for higher LTV mortgages with properties in collateral, with a low energy efficiency (KWH/m^2/year of 400 or more). In 2024, this overlay has been reassessed and selection criteria have been adjusted to take into account the capacity of the borrowers to renovate, by taking into account saving levels. Furthermore, the flood risk was added as a scope criterium, based on the physical risk assessment that was performed.

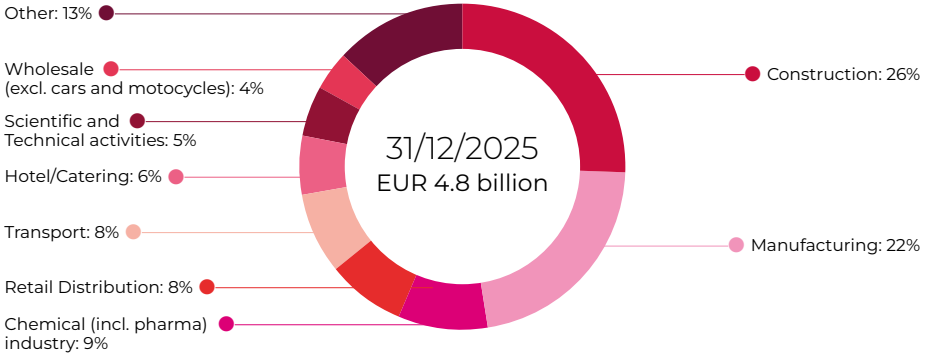
In the Corporate and Business portfolio, counterparts face a far-reaching transition in order to comply with (new) environmental regulations, prevent social issues affecting brand reputation or deal with governance failures that could lead to legal and/or financial consequences. To manage these risks and ensure long-term viability, investments have to be made. Based on the Belfius 2025 CERMA (Climate and Environmental Risk Materiality Assessment) exercise, an ECL overlay is applied on the sectors that proved to be most vulnerable within the Belfius portfolio. The Corporate and Business scope is defined on a sector-basis, referring to the conclusions of the ESG Materiality Assessment and taking into account the counterparties ESG scores and risk profiles. Relevant sectors in this perspective are related to factors as fossil fuel, water, etc. The scope is completed with exposures on companies with low ESG scores regardless the industry they are active in.

Since the start of 2025, the world faces threats and potential impacts of the US protectionist policy of the Trump administration, i.e. tariffs and US measures (e.g. imposed export controls). In general, it can be concluded that the effects of increased US protectionism on the Belgian economy were limited up till now, but considerable uncertainty and risks with respect to the further execution and to the sustainable character of the present measures remain. Based on a top-down and a bottom-up analysis, Belfius has identified the sectors and counterparts that could show significant sensitivity to the US policy. The most vulnerable counterparties can be found in the following sectors: agriculture, chemical industry, manufacturing, pharma, technology, transport of goods. The selected exposures constitute the basis of a provisioning layer for geopolitical risks. A significant part of these exposures were already captured by the sensitive sector analyses performed in 2024 and were anticipatively integrated in the layer for vulnerable sector exposures.

This sectoral in-depth analyses of the Corporate and Business portfolio, conducted in 2024 from the perspective of risk concentrations and vulnerable sectors, was updated in 2025, and 5 sectors are classified as most significant risk: construction, chemical industry, manufacturing of transport material, and basic metal industry and shipping as new risk sectors. This analysis formed the basis for the update of the expected credit loss layer for risk-sensitive sectors.

Belfius' exposure towards vulnerable sectors or sensitive geopolitical risks is limited to 2.3% of the total portfolio and can be split as follows:

Business and Corporate Loans: exposure to vulnerable sectors or sensitive to geopolitical risks



IV.3.6. Stage 3 provisions for files in default

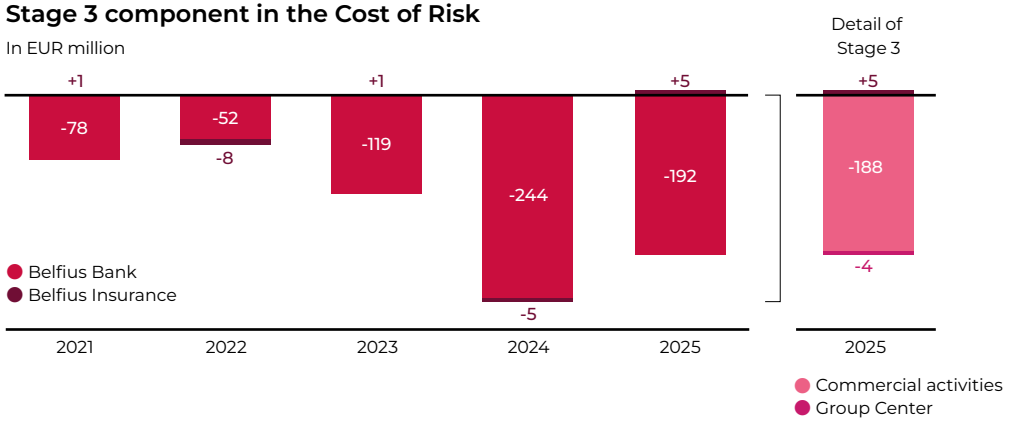
The stage 3 provisions, represent a cost of risk of EUR -186.6 million. This cost of risk is historically high for the Belfius portfolio in 2025.

The 2025 stage 3 provisions are essentially linked to the commercial bank loan book and reflecting the general pressure that the economic environment is facing, illustrated by a high level of bankruptcies and uncertainty due to geopolitical events.

Small- and medium-sized businesses are contributing significantly to the specific provisions, with files entering into default, mainly in the sectors construction, professional & technical activities and transportation & storage. But also on corporate loans provisions for credit losses had to be registered, and this in a variety of industries. The commercial real estate sector and the construction industry are still facing challenges as a market turn-around is further postponed, with especially the segment of developers remaining under financial stress. Larger companies, especially the ones vulnerable to energy costs and potential international trade shifts such as companies active in the chemical industry, have shown significant financial vulnerability.

The effect of the stage 3 provisions was mitigated by reversals of stage 1&2 provisions, reflecting the force of anticipative provisioning, but also the effect of methodological developments as a result of the integration of IRBA credit models into IFRS 9 expected credit loss calculation.

Stage 3 component in the Cost of Risk



IV.4. Risk management process concerning Forbearance, Watchlist, Default and Impairments

IV.4.1. Forbearance

Forbearance measures boil down to the granting of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments. These concessions may take the form of modifications to the loan contract or some refinancing.

They apply to all loans and debt securities that are on-balance sheet and also to some off-balance sheet commitments. They do not apply to debt securities held for trading exposures.

Specific criteria are established for each business segment. These provide a practical interpretation of the concepts of “financial difficulties” and “concession”. When granting a concession, the bank is always led by a number of mainly business-related and economic factors. The fact that concessions are made is one of the Watchlist indicators at Belfius and lead to a transfer of the exposures from stage 1 to stage 2 under IFRS 9.

At the end of 2025, an amount of EUR 2.017 billion of loans at Belfius complied with the forbearance definition, of which EUR 33 million related to Belfius Insurance, compared to respectively EUR 1.597 billion and EUR 50 million at the end of 2024. The most significant volumes are Corporate (EUR 922 million), Business customers (EUR 463 million) and the Legacy portfolio (EUR 346 million).

Main contributors to the net increase of the forbearance volume are the Legacy portfolio (with an new allocation of EUR 346 million) and the corporate portfolio (EUR +183 million) which are partially offset by out-of-forbearance exposures in the insurance, Retail and Business portfolios (EUR -109 million). The increase on Corporate exposure with forbearance measures is mainly concentrated in the real estate portfolio, construction and manufacturing.

More details on forborne exposures are provided in the note 9.2.7. Forbearance in the Notes on risk exposure in the financial statements (Annual Report).

IV.4.2. Watchlist

The Watchlist Guideline defines internal and external (early warning) indicators to identify a significant increase of credit risk that may lead to an intensive follow-up and/or management of credit files. This allows the bank to closely monitor increasing credit risks and to take adequate credit mitigation measures in order to reduce credit risks.

This is also reflected in the provisioning policy by applying a stage 2 for the majority of these exposures. On a quarterly basis, dedicated Risk Committees identify the files requiring a higher level of monitoring.

IV.4.3. Default

A transversal default definition is applied within the entire Belfius Group for all market segments in line with the EBA Guideline.

As of mid-March 2020, Belfius implemented the EBA updated definition of default. Main impacts of this new regulation are the materiality threshold for obligations past due that are now composed of both an absolute and a relative threshold, and the introduction of a probation period of 3 months before reclassification to a non-defaulted status.

A default status is assigned to the debtors who satisfy either one or both of the following criteria:

- the debtor has material exposures which are more than 90 days past due;
- the debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless the existence of any past due amount or the number of days past due.

Belfius Default guideline provides in-depth description of indicators used to categorize an exposure in default. The Default Committee within the Risk department is competent to define the default status.

Indicators of credit quality
(In EUR millions)

		12/31/23	12/31/24	31/12/2025*
MORTGAGES	TOTAL FEAD	43.034	44.825	48.314
	Of which default	120	142	184
	Of which exposures with forbearance	346	240	239
CONSUMER LOANS	TOTAL FEAD	5.716	5.870	6.020
	Of which default	75	73	74
	Of which exposures with forbearance	2	2	1
BUSINESS LOANS	TOTAL FEAD	22.664	22.904	24.018
	Of which default	680	766	818
	Of which exposures with forbearance	474	528	463
CORPORATE	TOTAL FEAD	42.607	45.748	46.814
	Of which default	744	894	1.105
	Of which exposures with forbearance	686	739	922
PUBLIC & SOCIAL	TOTAL FEAD	36.060	35.585	35.202
	Of which default	1	1	10
	Of which exposures with forbearance	30	38	13

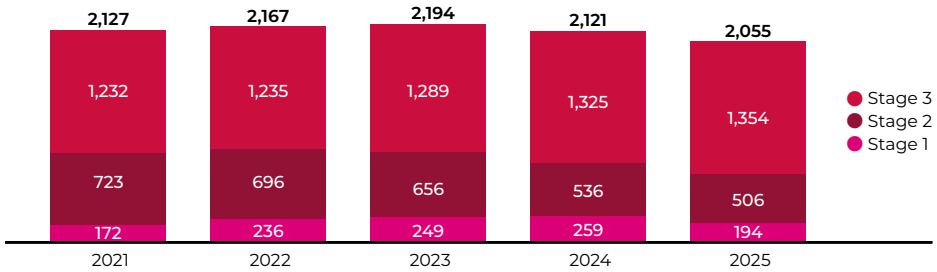
* In 2025, the segmentation was slightly reviewed to better align with customers' needs and behaviors and Belfius' distribution model.
This updated segmentation concerns Mortgages, Consumer and Business loans, while keeping Corporate, Public and Social customers unchanged.

IV.4.4. Impairments

At the end of 2025, the total impairment stock (stage 1, 2 and 3) amounted to EUR 2.055 billion compared to EUR 2.121 billion at the end of 2024, representing a EUR 66 million decrease. Underlying reversals were performed in stage 1 and 2, the anticipative provisioning against expected credit losses for files entering in stage 3.

Further details on credit risk process and guidelines are provided in the Risk report annex (table EU CRA).

Stock impairments by stage
In EUR million



Scope consolidated

IV.4.5. Asset quality ratio

At the end of 2025, the amount of impaired loans amounted to EUR 2.745 billion, a +8.6% increase compared to year-end 2024. During the same period, the gross outstanding loans to customers & credit institutions increased by +3.3% and amounted to EUR 129.622 billion. As a consequence, the asset quality ratio evolved to 2.0% at the end of 2025 (1.9% at the end of 2024). The coverage ratio on impaired loans evolved to 47.8%, compared to 49.4% at the end of 2024 following the inflow of some new defaults with strong collateral and/or sufficient recovery perspectives, with a lower provisioning level associated.

Asset Quality [1]

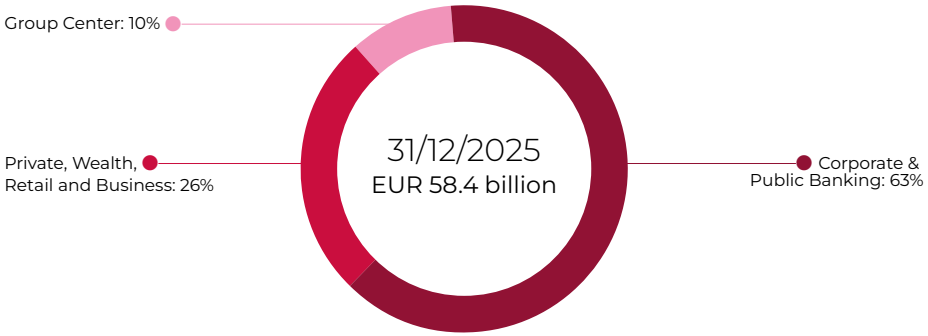
(in EUR millions, except where indicated)	2024	2025
Gross outstanding loans and advances to customers & credit institutions (measured at amortised cost and fair value through OCI)	125,413	129,622
Impaired loans and advances to customers & credit institutions (measured at amortised cost and fair value through OCI)	2,528	2,745
of which final counterparty is not in default	*120*	*125*
Stage 1 impairments on loans and advances to customers & credit institutions	203	142
Stage 2 impairments on loans and advances to customers & credit institutions	359	371
Stage 3 impairments on loans and advances to customers & credit institutions	1,249	1,313
Asset quality ratio [2]	1.9%	2.0%
Coverage ratio [3]	49.4%	47.8%

(1) Belfius Insurance included.
(2) The ratio between impaired loans and advances to customers & credit institutions taking into account default status of final counterparty and the gross outstanding loans and advances to customers & credit institutions.
(3) The ratio between the Stage 3 impairments and impaired loans and advances to customers & credit institutions.

Further details on credit risk quality are provided in the Risk report annex (tables EU CRB, EU CR1, EU CR2, EU CQ1 to CQ8).

IV.5. Credit REA by segment

Credit REA by segment



The risk exposure amounts for credit risk (EUR 58.4 billion on 31/12/25) excluding Danish Compromise are stemming for 63% from Wholesale and Public sector exposures; 26% from Retail, Private, Wealth and Business exposures and 10% from Group Center.

IV.6. Counterparty Credit Risk

IV.6.1. Definition

Counterparty Credit risk is defined as the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows and applies to derivatives and Securities Financing Transactions (SFT). An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default. Exposure may be reduced via netting of transactions and the application of collateral posting/receipt under legal agreements (ISDA/EMA/CSA[1] for derivatives and GMRA/GMSLA[2] for SFT).

Counterparty Credit Risk exposure for derivatives is measured via the standardised method for Counterparty Credit Risk (SA-CCR). No change in method has been made in 2025 nor for derivatives nor for Securities Financing Transactions (SFT).

The overall Counterparty Credit Risk exposure has decreased by EUR -0,6 billion over the year 2025 compared to 2024 due to a decrease of derivatives and Securities Financing Transactions with other counterparties, partly compensated by an increased volume of transactions with Central Clearing Counterparties (CCP). We continue to clear as much transactions as possible through the use of CCP, reducing our individual counterparty risks.

IV.6.2. Management of the risk

Counterparty Credit Risk on derivatives exists in all Over-The-Counter (OTC) transactions such as interest rate swaps, foreign exchange swaps, inflation or commodity swaps, credit default swaps and Securities Financing Transactions.

Counterparty Credit Risk is measured and monitored according to the general principles described in Belfius credit risk measurement guideline.

To reduce the counterparty risk, Belfius' OTC derivatives are in most cases concluded within the framework of a master netting agreement (ISDA or EMA), taking into account

(1) ISDA: International Swaps and Derivatives Association; EMA: European Master Agreement ; CSA : Credit Support Annex
(2) GMRA: Global Master Repurchase Agreement; GMSLA: Global Master Securities Lending Agreement

the general rules and procedures set out in the Belfius credit risk measurement guideline. Collateral exchanges for derivative contracts are regulated by the terms and rules stipulated in a Credit Support Annex (CSA).

The exposure at default for Securities Financing Transactions is based on the cash or securities given, reduced by the collateral received (cash or securities) and taking into account regulatory haircuts as defined by the CRR. Belfius applies netting when eligible agreements (GMRA or GMSLA) are in place.

All OTC transactions are monitored within the credit limits set for each individual counterparty as well as on group level. Sub-limits may be put in place per type of product or activity. Credit Limits are decided by competent committees (FM Credit Limit Committee and CDC) and breaches to these limits are monitored on a daily basis and reported to the respective committees.

In order to avoid direct OTC counterparty risk more and more transactions are done via Central Clearing Counterparties (CCP). CCP mitigate this by centralizing risk, requiring collateral (initial/variation margin), and employing default funds to mutualize losses.
Both for derivatives and Securities Financing Transactions, strict guidelines are in place to avoid wrong-way risk in order to avoid that received collateral has a direct link to the counterparty or any of its affiliates.

An adjustment, called Credit Value Adjustment (CVA) reflecting the market value of the Counterparty Credit Risk, is calculated on all non-collateralised derivatives (concluded with a limited number of counterparties, such as local authorities, project SPVs, some corporates or monoline insurers), as well as on collateralised derivatives (although limited in credit risk amount due to the daily exchange of collateral). This adjustment is updated, monthly, based on the evolution of the value of the derivatives and the credit quality of the counterparty. Note also that, along the credit value adjustment, other types of adjustments are applied on derivatives (funding value adjustment, debit value adjustment).

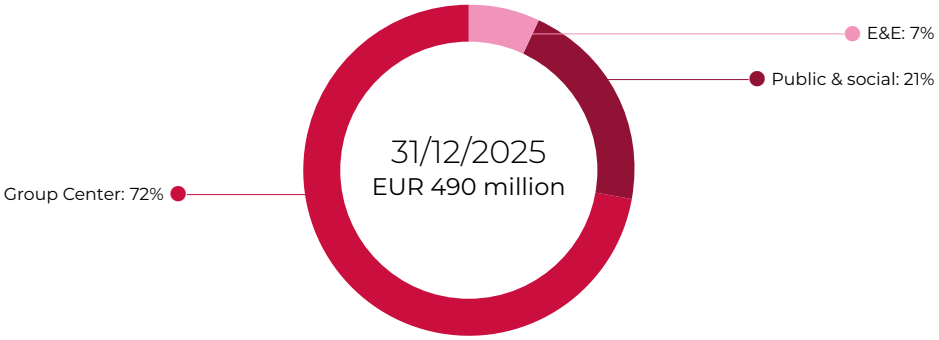
The stock of CVA at end 2025 for Financial Markets, amounted to EUR 24.9 million, which represented a decrease compared to the EUR 38.6 million as of year-end 2024. The decrease is primarily driven by a steepening of the EUR rates in combination with credit spread tightening.

The capital charge for CVA risk is calculated according to the standardised approach. The CVA REA amounted to EUR 490 million and increased relatively to 2024 (EUR 300 million) due to the general decrease of interest rates.

Exposures to Counterparty Credit Risk, including exposures to central counterparties are detailed in the Risk Report annex (tables EU CCR1, EU CCR3 to EU CCR8 and EU CCRA).

Further details on Credit Valuation Adjustments are provided in the annex of the Risk report (tables EU CVA1 to EU CVA4, EU CVAA and EU CVAB).

CVA REA by segment



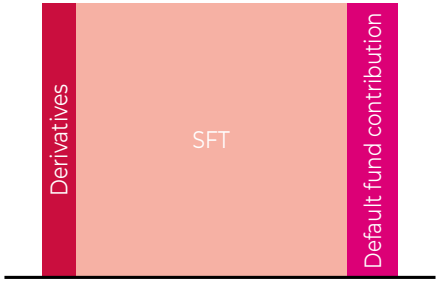
IV.6.3. Counterparty Credit Risk mitigation

The impact of credit risk mitigation techniques is illustrated in the Risk report annex (table EU CCR5). Collateral may be posted/received in the form of cash and/or securities in the form of variation margin or net independent collateral amount.

The exposure after netting and collateralisation at year-end 2025 on Central Clearing Counterparties and other counterparties was EUR 2.917 billion for derivatives and Default fund contribution and EUR 1.830 billion for Securities Financing Transactions (SFT).

Exposure after netting and collateralisation

CCPs (EUR 2.1 bn)



Other counterparties (EUR 2.7 bn)



Concentration limits are an essential part of the Risk Appetite Framework of Belfius and are monitored on a continuous basis. This also includes concentrations that might arise following credit risk mitigation techniques. In particular, in order for collateral to be effective in times of need, Belfius monitors:

- the concentration of the received collateral;
- the liquidity of the received bonds;
- the impact on collateralization of a possible rating downgrade of one of the contractual parties (either Belfius or the counterparty).

In the event of a one-notch downgrade of Belfius, the impact on the collateral to be posted will be limited as this downgrade will only affect a small portion of the collateral agreements in place.

IV.6.4. Credit derivatives exposures

Exposures to credit derivatives transactions in the trading portfolio, are detailed in the Risk report annex (Table EU CCR6).

The portfolio contains:

- Single-name Credit Default Swaps (CDS): portfolio of open derivatives where protection is sold to banking counterparts. These sold derivatives are collateralized;
- Index CDS: used as mitigants of the CVA risk and are ultimately cleared through a CCP.

IV.7. Securitisation risk

Depending on the role played by Belfius Bank regarding securitisation transactions, the objectives can vary from bringing differentiation in the long-term funding mix, reduction of the economic capital requirement or improvement of the risk-return ratio.

Belfius Bank currently has retained asset-backed securities which can for instance be used as collateral for secured funding agreements.

IV.7.1. Objectives and roles of Belfius Bank

As originator: Belfius Bank carries out securitisation transactions related to various asset classes: mainly residential mortgage loans, public finance loans and loans to SMEs. These transactions are in general carried out with a view to manage adequately the liquidity and funding profile.

The securitisation activity as originator is described in the section VII.4 of this report.

As servicer: in transactions where Belfius Bank is the originator, Belfius Bank in general continues to service the assets being securitised.

As arranger of securitisation transactions for customers: Belfius Bank acts as arranger or advisor on securitisation transactions for customers. In general, Belfius Bank receives fees for structuring or advising on transactions.

Another role: depending on the specific details of a transaction, Belfius Bank may undertake various roles in securitisation transactions ranging from account bank to hedging provider or liquidity facility provider. Belfius Bank may also act as calculation agent, paying agent or corporate services provider.

Belfius Bank does not act as a sponsor for ABCP (Asset-Backed Commercial Paper), third party assets or multi-seller programmes, and it does not provide liquidity facilities to such programmes.

IV.7.2. Securitisation activity as investor

Belfius' investment framework for the ALM Liquidity (LCR) portfolio allows for the investment in well rated, Simple, Transparent and Standardised (STS) and LCR eligible securitisations. No investments in re-securitisations are allowed. These investments are purely done from a diversification perspective within the liquidity objective of this portfolio. Capital requirements on these investments are calculated based on the STS framework, meaning with an external rating-based approach. No new acquisitions have been done during 2025 within the liquidity portfolio.

Exceptionally securitisations can be purchased as an alternative funding source for corporate clients. These can be non-STS and non-LCR eligible. No acquisitions have been made in this context during 2025.

Belfius uses the external rating-based approach (SEC-ERBA) for its securitisations as investor (only STS positions possible) as mentioned in the Risk report annex (where the STS category and distinction by underlying asset type is mentioned). Moody's, Fitch and S&P are used for the SEC-ERBA approach applied on the investments made. If an external rating is unavailable SEC-SA is used.

All investments within the ALM liquidity portfolio are booked at amortised cost. Re-securitisations are considered to be non-basic in terms of IFRS9 and would be booked at fair value through P&L but these are not allowed to be invested in.

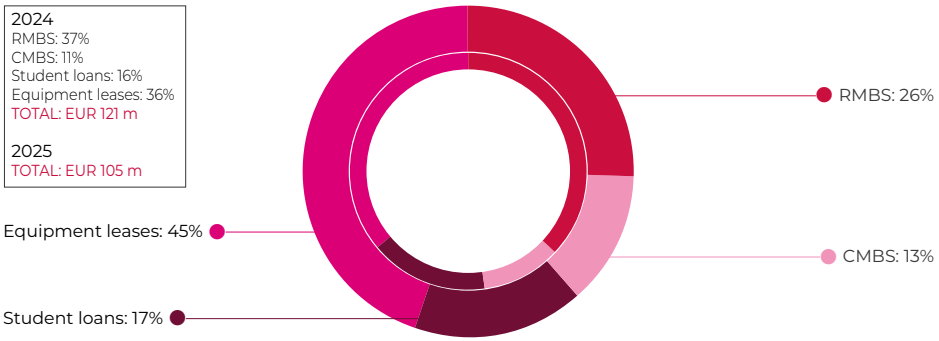
At the end of 2025, the Belfius Bank's investment portfolio amounted to EUR 105 million, compared to EUR 121 million at the end of 2024.

The decrease results from sales (EUR -6 million) and amortisation (EUR -10 million) of the legacy and liquidity portfolios.

The securitisation portfolio is only composed of senior granular ABS transactions and EUR 5 million of this exposure are STS securitisations.

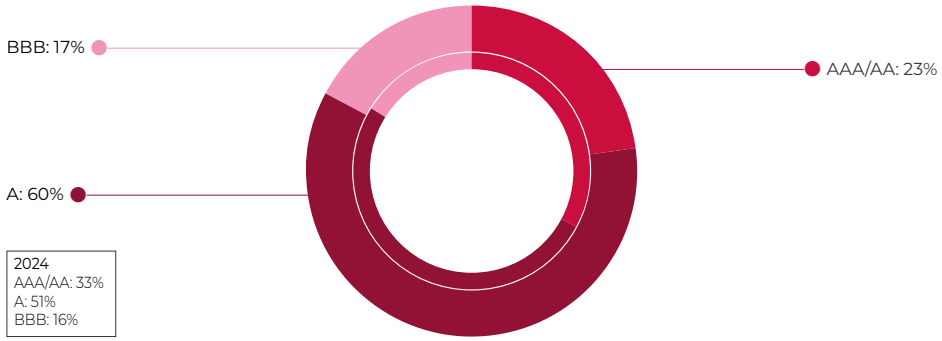
Further details on underlying assets and capital requirements are provided in the Risk report annex (Tables EU SEC1 to EU SEC5 and EU SECA).

Securitisation activity as investor – by underlying (Outside 2025 – Inside 2024)



RMBS : Residential Mortgage-Backed Securities
CMNS : Commercial Mortgage-Backed Securities

Securitisation activity as investor – by rating (Outside 2025 – Inside 2024)



IV.8. Settlement risk

IV.8.1. Definition

Settlement risk is the risk that, in a financial transaction, Belfius delivers securities or cash but not receive the corresponding asset or payment in return.

As a form of Counterparty Credit Risk, settlement risk is particularly relevant in foreign-exchange (FX) transactions and in securities transactions that cannot be settled on a net basis. If not properly managed, it can lead to significant financial losses or operational disruption.

IV.8.2. Management of the risk

Given the potential impact of settlement risk, Belfius applies several mitigation techniques. Key measures include the use of Continuous Linked Settlement for foreign-exchange transactions, automated netting to reduce gross settlement obligations, and the use of the Delivery Versus Payment principle for securities transactions. The involvement of trusted third parties that stand between buyers and sellers to guarantee settlement is also an important safeguard.

Settlement risk is further reduced through robust risk management practices, including the establishment of settlement limits, continuous monitoring of exposures and counter-party credit quality, and contingency planning.

IV.8.3. Capitalisation

Settlement risk capital is not currently calculated through a statistical model. Instead, it is determined by assuming the occurrence of a single settlement failure—an event considered highly unlikely and one that has never affected Belfius to date. As a result, the capital requirement is set as a fixed amount established a priori based on expert judgement.



V. ALM Risk

The Eurozone's slow growth and aligned inflation expectations allowed ECB to reduce its benchmark rate four times in 2025, landing at 2% in June 2025. The end of the ECB easing cycle was anticipated by the market, as the threat of a trade war and its recessionary effects gradually faded during the year. A sharp steepening of the yield curve this year confirmed the effectiveness of the ALM risk strategy, which aimed to hedge against rising long-term rates while protecting the Net Interest Income from falling short-term rates. Key measures included avoiding hedging long-term bonds with short/medium-term instruments, and continuing the rollout of long-term payer swaps—an essential component of the management of the bank's Interest Rate Risk in the Banking Book (IRRBB) strategy for the next five years.

Definition

The structural & ALM risk exposure at Belfius results from the imbalance between its assets and liabilities in terms of volumes, durations and interest rate sensitivity. In respect to the interest rate risk, Belfius Bank pursues a prudent risk management of its interest rate positions in the banking book within a well-defined internal and regulatory limit framework, with a clear focus on generating stable earnings and preserving the economic value of the balance sheet.

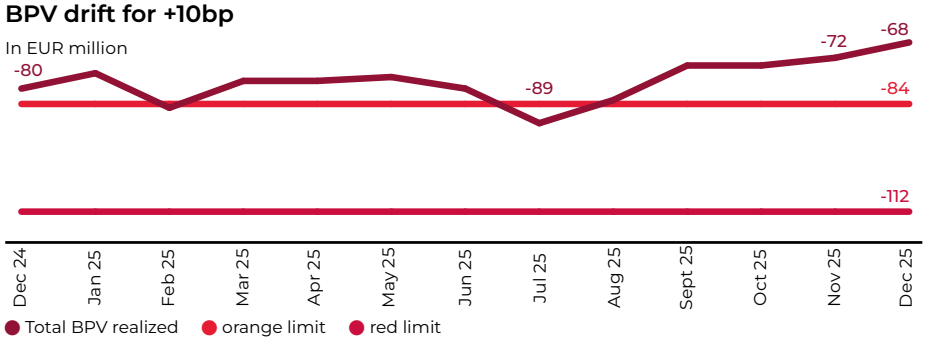
Economic Value Approach

The long-term sensitivity of the ALM perimeter was EUR -68 million per 10 bps as of 31 December 2025 (compared to EUR -80 million per 10 bps as of 31 December 2024), excluding interest positions of Belfius Insurance and of the pension funds of Belfius Bank.

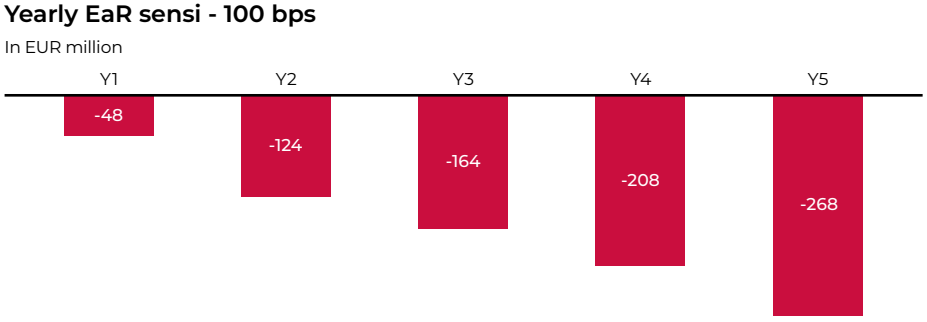
Earnings Approach

As of 31 Decembre 2025, a 100 bps increase of interest rates has an estimated negative impact on net interest income (before tax) of EUR -34 million of the next book year and an estimated cumulative effect of EUR +52 million over a three years period, whereas a 100 bps decrease would lead to an estimated impact of EUR -48 million of the next book year and an estimated cumulative effect of EUR -336 million over a three years period.

BPV drift for +10bp



Yearly EaR sensi - 100 bps



V.1. Interest rates evolution in 2025

The Eurozone's weak growth and stable inflation expectations enabled the ECB to cut its benchmark rate four times, reaching 2% in June 2025. Concerns about the recessionary impact of a trade war gradually dissipated over the year, allowing the market to anticipate the end of the monetary easing cycle.

Throughout the year, European long-term government bond yields experienced significant steepening, primarily driven by fiscal policies such as Germany's coalition agreement and increased defense spending. This resulted in attractive real yields on government bonds, a level not seen since the financial crisis. However, the Interest Rate Swap (IRS) curve lagged behind, leading to a deterioration in government credit spreads.

By the end of Q3 2025, the long-term government bond yields stabilized following positive developments in France, allowing for the IRS curve to continue its gradual steepening, leading to a deterioration in core euro government credit spreads..

The significant yield curve steepening witnessed this year validated the ALM risk strategy focused on hedging against long-term rate increases while protecting NII from declining short-term rates. Key actions taken included avoiding hedging long-term bonds on the short-medium part of the curve, and continuing the implementation of the short-term receiver swaps and long-term payer swaps program, which remains a critical part of the bank's IRRBB strategy for the next 5 years.

In 2025, the Net Interest Income has demonstrated a strong resilience. This can be primarily attributed to a favorable asset/liability yield differential, driven by lower-than-anticipated competition in pricing, coupled with strong protection amidst the declining short-term rate environment and sound commercial dynamics.

The yield curve steepening observed throughout 2025, coupled with the restoration of the risk premium across maturities, supports a prudent but solid forecast of increasing interest revenues. This aligns with Belfius Bank's core business strategy of safeguarding and expanding its market share to continue addressing the evolving needs of its clients.

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

Further details on the interest rate risk management for non-trading books are provided in the Risk report annex (tables EU IRRBB1 and EU IRRBBA).

V.2. Management of the Interest rate risk in the banking book

With respect to the interest rate risk, Belfius Bank pursues a prudent risk management of its interest rate positions in the banking book within a well-defined internal and regulatory limit framework, with a clear focus on generating stable earnings and preserving the economic value of the balance sheet and this in a macro-hedging approach, thoughtfully considering natural hedges available in the bank balance sheet.

The management of non-maturing or 'on-demand' deposits (such as payment and savings accounts) and non-interest-bearing products use portfolio replication techniques. The underlying hypotheses concerning expected duration, rate-fixing period and tariff evolution are subject to constant monitoring and, if necessary, they are adjusted by the ALCo. Implicit interest rate options like prepayment risk are integrated through behavioural models. All ALM models are following the three lines of defense.
Interest rate risk has two forms: economic value of equity volatility and earnings volatility. The measurement of both of these forms is complementary in understanding the complete scope of interest rate risks in the banking book.

Banks' ALM objective is to protect the net interest income from downward/upward pressures in the current volatile interest rate environment, while respecting the risk appetite limits on the variation of economic value.

Economic value indicators capture the long-term effect of interest rate changes on the economic value of the Bank. Interest rate sensitivity of economic value of equity measures the net change in the ALM balance sheet's economic value of equity (under run off balance sheet assumption) if interest rates move by 10 bps across the entire curve. The long-term sensitivity of the ALM perimeter was EUR -68 million per 10 bps as at 31 December 2025 (compared to EUR -80 million per 10 bps as at 31 December 2024), excluding interest positions of Belfius Insurance and of the pension funds of Belfius Bank.

Earnings at Risk indicators capture the shorter-term effect of the interest rate changes on the earnings of the Bank (under stable balance sheet assumption). Therefore, indirectly through profitability, interest rate changes can also have a shorter-term solvency effect. A +100 bps increase of interest rates has an estimated impact on net interest income (before tax) of EUR -32 million of the next book year and an estimated cumulative effect of EUR +22 million over a three year period, whereas a -100 bps decrease would lead to an estimated impact of EUR -48 million of the next book year and an estimated cumulative effect of EUR -336 million over a three year period.

In addition to directional interest rate risk, curvature risk, due to steepening or flattening of the interest rate curve, is also followed up within a normative framework by the ALCo. The same goes for basis spread risk between Euribor and €STR (Euro short-term rate) and cross-currency spread risk.

During 2025, the short-term interest rates continued their descent to stabilize around 2%, induced by the ECB policy to lower its policy rates after stabilization of inflation and in an effort to boost the Eurozone's lagging economy. Long-term rates, however, gradually increased, also driven by geopolitical uncertainties. These interest rate evolutions led to a normalized interest rate curve with its typical upward-sloping pattern. This has resulted in a lowering of savings account tariff in the first half of 2025, but also in a boost of loan production under a maintained pressure on tariffs. Furthermore, we have observed a clear shift from term funding towards 'on demand' deposits (savings and payment accounts). The increase in Net Interest Income in 2025 with 3% compared to 2024 can be mainly attributed to the shift to non-maturing deposits at lower tariffs, especially after the maturing of the term deposits launched in 2024 in response to peers' offering at the return of the funding from the Belgian State bond.

The ALCo will remain attentive to a volatile interest rate environment with the primary objective to respect the Risk Appetite Framework (RAF). ALM conventional models are regularly reviewed at the light of the macro-economic environment and prevailing interest rates. During 2025, the evolution of interest rates showed no clear arguments for changing the duration of our conventional models for savings accounts.

VI. Market Risk

In an environment rich in geopolitical events, adverse impacts on Belfius trading activities remained limited thanks to a defensive positioning performing well under stressed conditions.

More specifically, the Exposure Value Adjustment (XVA) risk framework, which was developed and refined over 2020/2021, continued to perform well, maintaining low P&L volatility and supporting the reduction of Risk Exposure Amount. Further enhancements to this framework include diversification of Itraxx hedging and standardisation of Forex option hedging, thus leaving only our own funding spread as a significant unhedged risk.

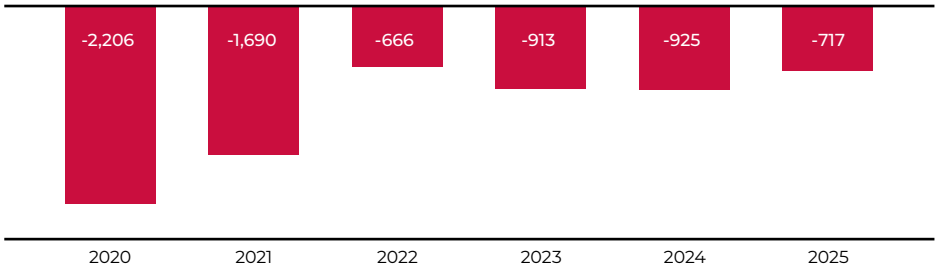
As a result, market Risk Exposure Amount has remained at a very low level throughout the year as trading positions remained limited or crash oriented.

Definition

Overall, market risk can be understood as the potential adverse change in the value of a portfolio of financial instruments due to movements in market price levels, to changes of the instrument's liquidity, to changes in volatility levels for market prices or changes in the correlations between the levels of market prices.

Sensi CTP evolution

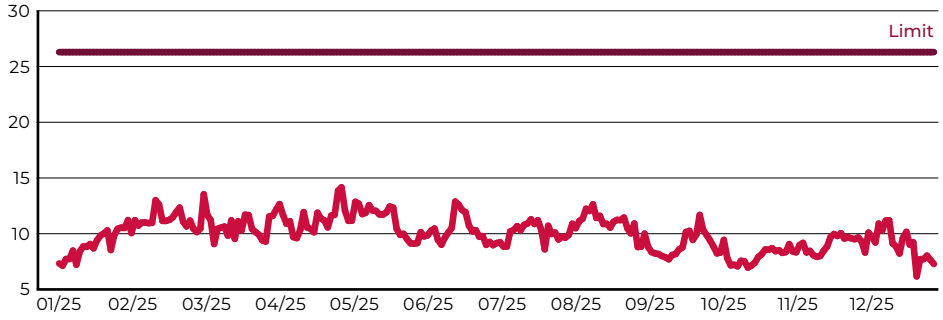
In EUR k



2022 jump due to XVA FVA methodology change
2023 jump due to CTP methodological update

Evolution of global VaR in 2025

In EUR million



VI.1. Risk types

Financial Markets activities encompass client-oriented activities and hedge activities at Belfius Bank. No Financial Markets activities are undertaken at Belfius Insurance.

The mission of Financial Markets, aligned with the mission of Belfius Bank, is to serve its clients and the Belgian economy with essential financial services like hedging, investing or funding. Most positions within the trading book are centralized within the hedging desks (flow management desks) which are dynamically managing or hedging internal (e.g. ALM) and external client flows on different asset classes. Some positions also remain on Credit Derivatives, those are detailed in the Risk report annex (Table EU CCR6).

Management of market risk within Belfius encompasses all Financial Markets activities of the Bank and focusses on interest rate risk, credit spread risk, foreign-exchange risk, equity risk (or price risk), inflation risk and commodity price risk.

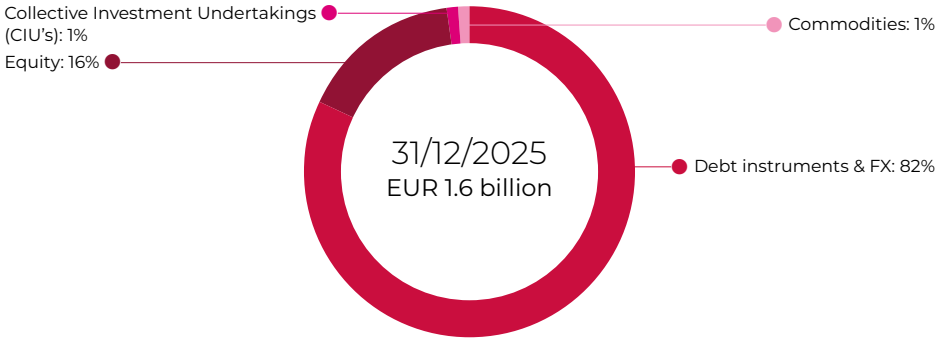
The changes in market risk can be triggered by the fluctuations in the levels of:

- **interest rates;**
- **credit spreads;**
- **foreign-exchange rates;**
- **equity prices;**
- **inflation or commodity prices;**
- **and their related risk factors like volatility or correlation, for example.**

- **Interest rate risk** may be understood as the risk that the value of assets or liabilities can change following changes in interest rates quoted on the markets. It is more important in debt instruments and derivatives that have debt instruments as their underlying reference asset and other derivatives whose values are linked to market interest rates.
- **Credit spread risk** is linked to the credit spread curve that can change for a counterparty even if the credit quality (rating) remains unchanged. This impacts the XVAs, and related hedges, and mainly the Credit Value Adjustment (CVA) which applies only on derivatives. Credit spreads also affect the bond asset price. However at Belfius Bank bonds are mostly valued at amortized cost and exposure in trading portfolios at fair value is limited.
- **Foreign-exchange risk** is the potential risk that movements of exchange rates may adversely affect the value of a financial instrument or portfolio. Despite exchange rates being a distinct market risk factor, the valuation of foreign-exchange instruments generally requires knowledge of the behaviour of both spot exchange rates and interest rates.
- **Equity price risk** is the potential risk of 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.
- **Inflation risk** is the risk that the future real value (after inflation) of an investment, asset, or income stream will be reduced by unanticipated inflation. Commodity price risk is the potential for financial loss or reduced profitability caused by unexpected fluctuations in the market prices of raw materials, such as energy, metals, or agricultural products.

VI.2. Market REA in 2025

Market REA by product



Market Risk Exposure Amounts has remained at a very low level throughout the year as trading positions remained limited or crash oriented. At the end of 2025, the market REA amounted to EUR 1.6 billion in line with 2024. The market REA under the internal model approach stood at EUR 1.2 billion (down from EUR 1.3 billion at the end of 2024) and the market REA under the standardised approach at EUR 0.4 billion (marginally up from EUR 0.35 billion at the end of 2024).

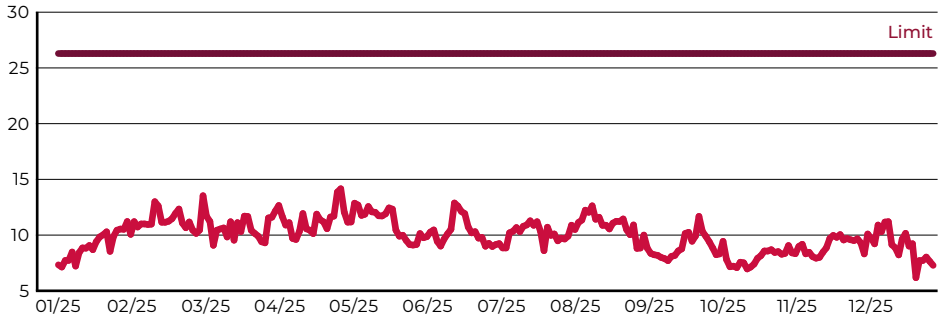
In terms of products, are stemming for 82% from Debt instruments & FX, followed by Equity (16%), Collective Investment Undertakings (CIU's, 1%) and Commodities (1%).

The Value-at-Risk (VaR) used for internal limit control remained far from limit throughout 2025. The average VaR consumption decreased from EUR 10.1 million in 2024 to EUR 10.0 million in 2025. With a maximal VaR of 14.2 million, it shows that VaR consumption was low throughout the year without any specific events. The most important evolution was a reviewed IT system running the VaR and an update of the credit spread VaR.

VI.3. Market risk measures

Belfius Bank uses the Value-at-Risk (VaR) concept as the primary metric for managing its market risk. VaR measures the maximum potential loss in Net Present Value (NPV) that the bank may face in normal or historical market conditions over a ten-day period with a 99% confidence interval. Belfius monitors the following risks using VaR computation:

Evolution of global VaR in 2025
In EUR million



- the interest rate, inflation and foreign exchange (forex) rate risk: this risk category is monitored via a historical VaR based on an internal model approved by the National Bank of Belgium and ECB. The historical simulation approach consists of managing the portfolio through a time series of historical asset yields. These revaluations generate a distribution of portfolio values (yield histogram) on the basis of which a VaR (% percentile) may be calculated. The main advantages of this type of VaR are its simplicity and the fact that it does not assume a normal but a historical distribution of asset yields (distributions may be non-normal and the behaviour of the observations may be non-linear);
- the general and specific equity risks are measured on the basis of a historical VaR with full valuation based on 1 year of history;
- the spread risk is measured via a historical approach, applying 1 year of observed variations on the sensitivities;
- the commodity risk is measured via a simplified VaR approach were calibrated shocks are multiplied with the sensitivities.

We distinguish between two VaR scopes. The regulatory scope, applied for capital requirements related to interest rate, inflation and forex, includes the Trading Book, Credit derivatives (in runoff), the Forex risk of the Banking Book, the Credit Value Adjustment (CVA) and Funding Value Adjustment (FVA) hedges and the risks related to FVA. For internal limit controls, our VaR covers all asset classes but are limited to the Trading Book scope. Forex Risk of the Banking Book as well as XVA risks and credit derivatives are framed by different sets of alternative limits (greeks,...).

VI.4. Market risk exposure

The overall average VaR of Financial Markets activities decreased from EUR 10.1 million in 2024 to EUR 10.0 million in 2025.

Value-at-risk by activity

VaR[1] (99% 10 days) In EUR million	31/12/24				31/12/25			
	IR[2] & FX[3]	Equity	Spread	Other risks[4]	IR[2] & FX[3]	Equity	Spread	Other risks[4]
By activity								
Average	5.6	3.7	0.5	0.2	5.2	4.2	0.4	0.2
End of Year	2.9	4.2	0.1	0.3	3.6	3.1	0.3	0.3
Maximum	10.2	8.6	1.9	0.4	8.1	6.8	1.2	0.3
Minimum	2.8	1.9	0.0	0.0	2.1	2.6	0.1	0.0
Global								
Average	10.1				10.0			
End of Year	7.5				7.3			
Maximum	14.8				14.2			
Minimum	7.5				6.2			
Limit	26.3				26.3			

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

VI.5. Stress testing

While the Value-at-Risk (VaR) is a highly useful tool for managing daily loss-risk exposures, it does not fully account for abnormal market movements and may not always provide a completely accurate picture of market exposure. Stress tests can sometimes offer better insights by assessing Belfius' market positions vulnerability to exceptional events, thereby providing additional information about market risks that complements the data from VaR. These risks include those from extreme price movements and scenarios not reflected in recent history or implied by the parameters used to calculate VaR. As a result, Belfius Bank employs stress tests alongside the VaR approach.

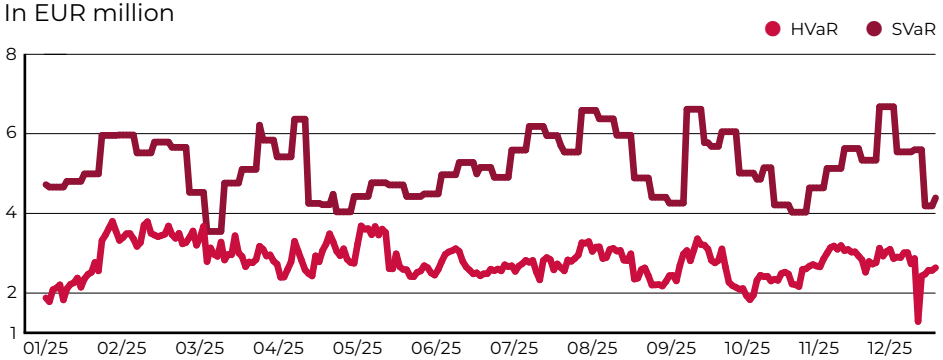
Three types of scenarios are considered: calibrated scenarios (shocks to each risk factor, calibrated as quantiles of their historical distribution), specific scenarios (targeted shocks to certain risk factors), and historical scenarios (based on past crises, such as the Covid-19 pandemic).

The results of these stress tests are reported monthly.

VI.6. Regulatory internal model and back-testing

Belfius Bank uses its internal VaR model for the regulatory capital requirement calculation on foreign exchange risk and general interest rate risk within the trading scope.

Evolution of HVaR and SVaR (internal model) in 2025
In EUR million



Technical aspects of the VaR

- VaR is scaled by considering the scaling of time rule (VaR 10d equals VaR 1d times √10).
- VaR returns are either relative or absolute, with most IR curves having absolute shocks; FX Spot and IR volatilities have relative shocks.
- The VaR is calculated by taking into account the currency of collateral.
- A final approved change concerns the inclusion on the FVA sensitivities in the internal model calculation. Implementation was done in Q4 of 2023, with a limited impact in 2024 due to 60-day averaging.
- Where it is possible, the VaR is simulated in full revaluation. For the credit derivatives and FVA, the simulations of interest rate and FX shocks is done in sensitivities.
- Discrepancies between full evaluation and sensitivities as well as effect of non-material risk factors is analyzed in the Regulatory Risks Not In Model framework (RNIM) in order to ensure that their individual and global effect remain low.

Beside the VaR described above, Belfius Bank calculates a Stressed VaR (SVaR). The SVaR is computed on a weekly basis using 250 historical daily evolutions of parameters from the stressed period March 2008-April 2009.

Both VaR and SVaR are calculated on the same scope:

- Flow management trading (with the exception of equity trading which is treated in standardized approach): these IR and IR options desk externalize internal flows coming from sales, structuring and ALM, within a strict limit framework;
- Credit derivatives: legacy trading scope for which Belfius has a trading derogation;
- XVA hedges: internal hedges of IR and inflation exposure coming from XVA exposure;
- FVA: exposure coming from uncollateralized trades.

The other market risks are treated under the Basel Standardized approach.

Further details on market risks are provided in the Risk report annex (Tables EU MR1 to EU MR4 and EU MRA).

The purpose of back-testing is to assess the accuracy and mathematical robustness of internal market risk measurement methods by comparing the calculated market risk figures with the volatility of the actual outcomes. For Belfius Bank, back-testing is essential because we employ internal models to determine the regulatory capital requirements for certain market risks.

The outcome of the back-test is the count of actual market losses that exceed their corresponding VaR figures (known as "the number of exceedances"). Based on this count, regulators decide upon the multiplier to apply when determining the regulatory capital requirement for market risks.

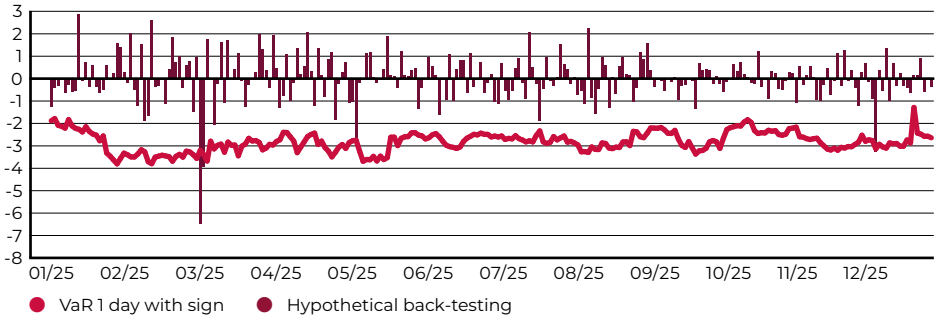
At Belfius Bank, two types of back-testing are currently conducted:

- Hypothetical back-testing compares the portfolio's end-of-day value with its value at the end of the following day, assuming no changes in positions. This result excludes any provisions adjustments and other unrelated risk factors, with a holding period of one day. In 2025, there were four negative exceptions observed in the hypothetical back-testing, below the regulatory amount of 5 which requires a Risk Exposure Amounts (REA) add-on;
- Real back-testing, on the other hand, compares the portfolio's end-of-day value with its actual value at the end of the subsequent day, excluding fees, commissions, and net interest income. In 2025, there were 3 negative exceptions observed in the real back-testing, below the regulatory amount of 5 which requires a Risk Exposure Amounts (REA) add-on.

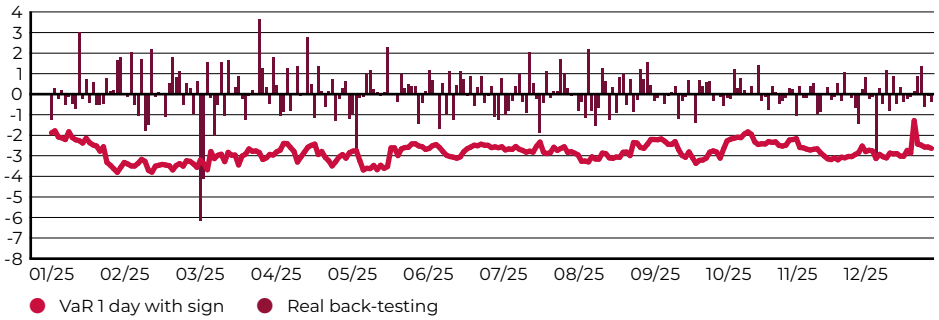
The back-testing processes provide an insight into the number of (hypothetical and actual) exceptions. The higher of these two numbers is used to adjust the VaR & SVaR multiplier, which is then applied to calculate the Bank's risk capital requirements for market risk under the regulator-approved internal model. In summary, 4 exceptions fall below the regulatory threshold of 5 for an add-on.

The charts illustrate real and hypothetical back-testing for interest rate and foreign exchange categories in 2025.

Hypothetical Back-testing
In EUR million



Real Back-testing
In EUR million



VI.7. Validation

Validation is responsible for the independent overall assessment of market risk and valuation models at Belfius Bank. The process established to endorse the validation of models deployed within the bank is multi-layered, ensuring compliance with regulatory requirements. Validation controls the models from both a methodological and operational (implementation and usage) perspective. It intervenes before the first use of a new model or any significant change to an existing model. Additionally, it periodically reviews the performance of the models. Validation efforts are summarized in reports that indicate the controls performed, findings, proposed corrective actions, and validation status.

Decisions regarding the market models are made by the FMFV Committee (Financial Markets Fair Value Committee), which includes the Head of Market Risk, the Head of the Dealing Room, the Head of Accounting, and the Head of Validation.

The FMFV Committee reports the main topics to the FMC (Financial Markets Committee), which comprises the Chief Risk Officer (CRO), the Chief Financial Officer (CFO), the Board Member in charge of Financial Markets, and their direct reports responsible for market activities. The FMC provides:

- Green light to put new models or model updates into production;
- Endorsement of the corrective action plans recommended by Validation.

Once a year, the Management Board and the Risk and Audit Committees are informed of the status of the market models, including evolutions, points of attention, and outlook.

VI.8. Systems and controls

Financial Markets Risk Management conducts daily monitoring, analysis, and reporting of the risks and outcomes associated with the FM desks. Every month, the FM Committee (FMC) convenes to review these risks and results, as well as to discuss market limits, procedures, guidelines, and policies. They also approve or modify new valuation methodologies.

All market activities are governed by specific guidelines that outline the objectives, authorized products, sensitivity, Value-at-Risk (VaR), and/or outstanding limits. Belfius has established various procedures to ensure a comprehensive and formal framework that supports all market risk responsibilities through robust systems and controls.

VI.9. Valuation

Within the Financial Markets, we deal with financial instruments that have intricate features and sometimes limited liquidity, which are valued using internally developed pricing models. To prevent valuation errors, having a robust valuation risk framework is crucial. Key components to mitigate risk include a validation policy, model change policy, market data policy, IPV (Independent Price Verification) process, and Value Adjustments guidelines.

These measures ensure that all models are validated by an independent team, any significant changes to the models are reviewed by an independent team, the data feeding the models is properly controlled, independent price reviews are conducted (e.g., consensus exercises, alternative price sources, collateral controls), and necessary value adjustments are applied to the fair value.

Additionally, a critical component of the Valuation Risk framework is Prudent Valuation. Additional Valuation Adjustments (AVAs) are designed to ensure that institutions prudently value their fair-valued financial instruments. The prudent value is the value at which institutions are 90% confident they can exit a position based on the market conditions at the time of the assessment.

Belfius uses the core approach to calculate its AVA. This method involves calculating nine AVAs, each addressing different sources of valuation uncertainty, as the excess of valuation adjustments required to achieve the prudent value:

- Market Price Uncertainty (MPU)
- Close-out Costs (CoC)
- Model Risk (MoRi)
- Unearned Credit Spread (UCS)
- Investing and Funding Costs (IFC)

- Concentrated Positions (CP)
- Future Administrative Costs (FAC)
- Early Termination (EaT)
- Operational Risks (OpR)

The prudent valuation scope includes all fair-valued positions, whether they are in the trading book or banking book, excluding positions where a change in accounting valuation does not impact CET 1 capital.

For market price uncertainty, close-out costs, and model risk category-level AVAs, Belfius computes individual AVAs for separate valuation exposures. These are then aggregated to provide total category-level AVAs using Method 2 as outlined in the Annex to the Delegated Regulation 2016/101. Unearned Credit Spread and Investing and Funding Costs AVAs are divided into their MPU, CoC, and MoRi components.

In 2025, the AVA decreased significantly from EUR 79 million to EUR 68 million mainly due to model risk AVAs. Here, the biggest changes are observed in our funding cost AVA from a combination of reduced exposures and reduced uncertainty.

Further details prudent valuation adjustments can be found in the annex of the Risk report (table EU PV1).



VII. Liquidity and Funding risk

The strong solidity of Belfius is reflected in excellent liquidity ratios with an LCR of 144% and a NSFR of 130% at the end of 2025.

Belfius strengthened its liquidity position in 2025 despite continued strong loan production. Mortgage loan volumes remained high throughout the year. In the first half, the bank supported this growth by complementing commercial funding with additional wholesale funding. However, the fourth quarter marked a turning point for commercial funding. The bank successfully retained nearly all deposits that matured in September and attracted significant new commercial funding across most segments, particularly from corporate clients.

Stress-testing indicates that our balance sheet is resilient to geopolitical tensions, even in scenarios where such tensions create challenges for federal or local governments.

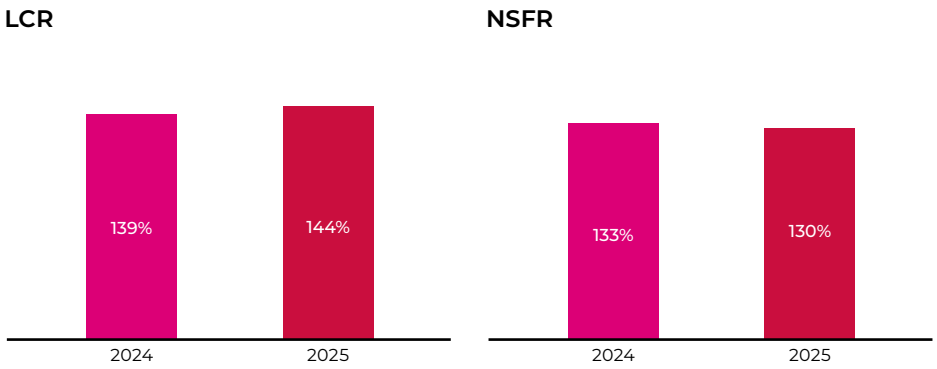
Belfius continues to refine its liquidity risk framework in response to the gradual wind-down of the ECB's balance sheet.

Sources of liquidity and funding risk

The liquidity and funding risk at Belfius Bank is mainly stemming from:

- commercial funding collected from customers and the way these funds are allocated to customers through different types of loans/products;
- 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;
- concentration risk of funding sources, counterparties and maturities.

LCR & NSFR



VII.1. Liquidity and funding risk management

The risk identification process ensures that the evolution of risks is appropriately and proactively captured and that the emergence of new risks enters the risk management framework in a timely manner.

Belfius measures and monitors liquidity and funding risk through a set of regulatory and internal liquidity risk metrics as part of its Risk Appetite Framework with the following main objective: “Belfius has low appetite for Liquidity & Funding risks. Belfius intends to keep sufficient liquidity to meet its financial obligations even after severe but plausible stress for various time horizons without changing its business model.” The Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR) and the Asset Encumbrance ratio (AER) are the regulatory metrics in its scope. The Risk Appetite Framework imposes an additional buffer on top of the regulatory minima. (Reverse) Stress-testing shows that these buffers combined with a set of predefined recovery measures ensure that Belfius will respect regulatory minima even under severe stress conditions.

Another component of the second line of defense includes the Early Warning indicator framework that proactively warns for potential liquidity crises. These indicators can trigger the activation of the contingency Funding Plan, which acts as a playbook to prevent or mitigate a liquidity crisis. Additionally, less acute liquidity metrics are monitored periodically.

Belfius also relies on forward-looking assessments, as part of its (reverse) stress-testing activities, to account for client behaviour changes, simulated bank runs, changes in monetary policies, evolution of market circumstances and future changes in the regulatory environment. That way, Belfius ensures to have a sufficient liquidity buffer and a well ‘balanced’ balance sheet under a variety of various stress conditions on the short, medium and long term. Stress- testing is a crucial tool to challenge the robustness of the financial plan.

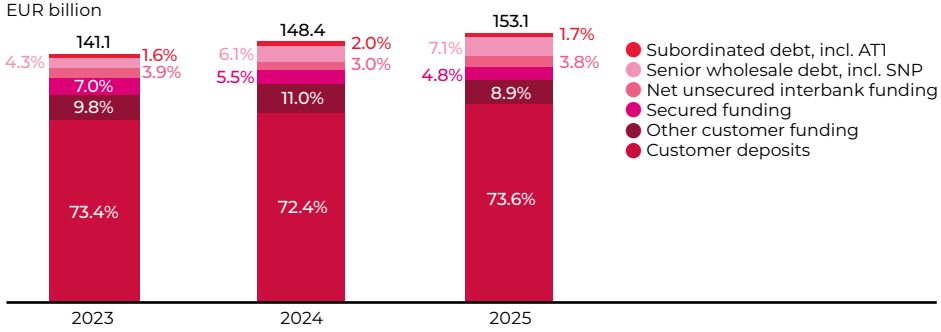
VII.2. Diversification of funding

Overall, Belfius’ strategy in terms of liquidity risk management is to be a bank with a low risk profile by maintaining a conservative level of buffers and a diversified funding mix. The bank has ended the year with a comfortable liquidity buffer of EUR 51.9 billion.

Belfius diversifies its funding and cultivates a broad investors base. Fully aligned to the bank’s business model and strategy, customer deposits make up 73,6% of its funding sources (composed of 56% of individual customers and 44% from professional clients). In 2025, Belfius experienced a shift within customer funding, with a decline in other funding categories in favor of higher customer deposits. Clients which invested in 1 year products during the 2024 September campaign kept the matured money for a big part in sight- or saving accounts. The weight of wholesale funding increases slightly due to new emissions.

Evolution funding sources

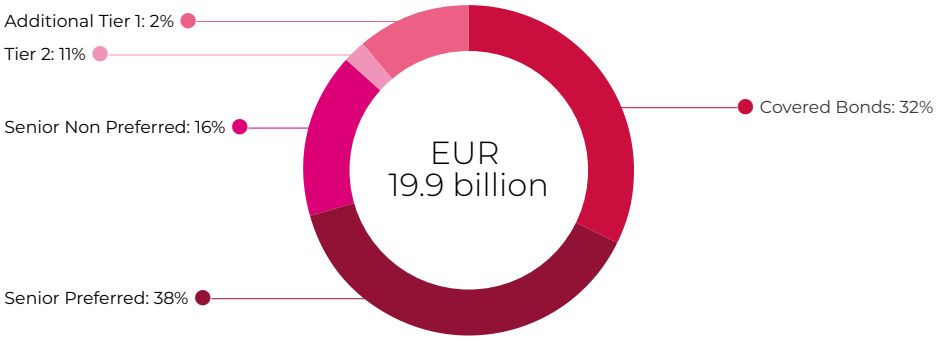
EUR billion



(1) Belfius defines the liquidity buffer as an aggregation of Cash at Central Banks, Liquid bonds, Retained bonds and ECB eligible bank loans. All the elements of the buffer have been adjusted based on liquidity haircuts.

Belfius uses multiple wholesale funding sources, encompassing both mid/long-term and short-term financing, in addition to secured and unsecured funding. This strategic approach enhances the bank's funding base by diversifying across various funding types, maturity profiles, and levels of seniority.

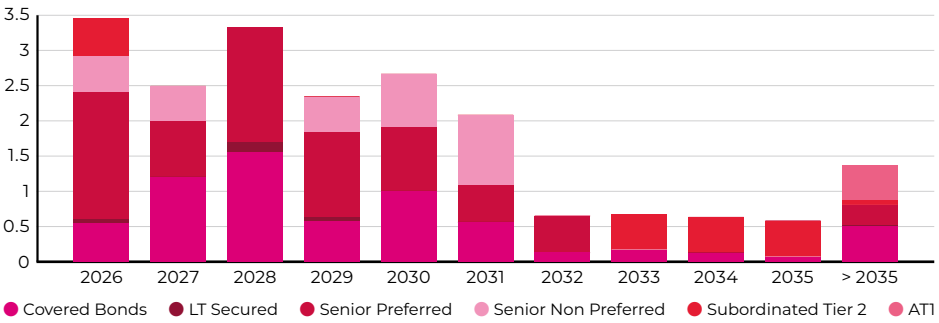
Wholesale Long Term Funding sources



In 2025, Belfius secured funding by leveraging on a wide range of wholesale funding products. As a result, wholesale funding increased by EUR 1.0 billion. Throughout the year, Belfius effectively secured EUR 3.4 billion in long-term financing. This included EUR 1.7 billion in Preferred Senior Notes, EUR 1.3 billion in Non-Preferred Senior notes and EUR 0.5 billion in mortgage covered bonds. Short-term funding also increases with EUR 1.3 billion mainly due to unsecured funding.

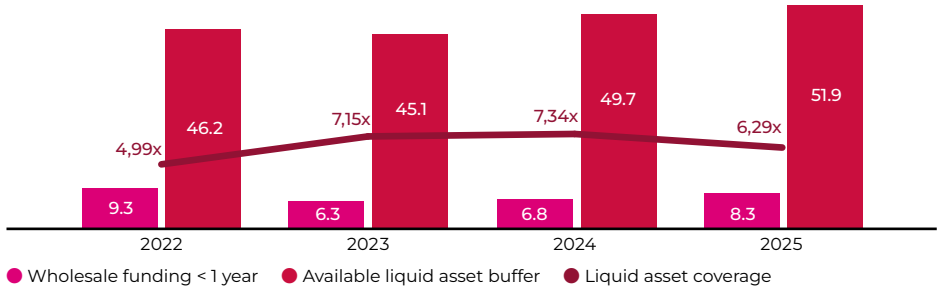
Redemption profile MLT wholesale funding

In EUR billion



Liquidity coverage evolution

In EUR billion



Further details on liquidity are provided in the Risk report annex (tables EU LIQ1, EU LIQ2, EU LIQA and EU LIQB).

VII.3. Covered bond activity

Belfius Bank has set up 2 programmes for the continuous offer of Belgian covered bonds (Belgische pandbrieven/lettres de gage belges) in accordance with the legal framework for Belgian covered bonds, i.e. a Mortgage Pandbrieven and a Public Pandbrieven programmes.

The main asset class of the special estate of the Mortgage / Public Pandbrieven programmes consists of respectively residential mortgage loans / public sector loans that were originated by Belfius Bank.

The main characteristics of those 2 programmes are provided in the appendix X.5. of the report.

VII.4. Securitisation activity as originator

The steering of the set-up for securitisation transactions is performed by the FIG (Financial Institutions Group) & Structured Finance department with the support of the dedicated organisation/project management departments. As such, both prior to and after the closing of a transaction, transversal task forces are set up including all relevant departments, such as accounting, asset and liability management, credit risk, market risk, back-office, transaction processing.

Post-closing, the transaction follow-up concerns the efficiency and effectiveness of the servicing, the appropriate monitoring of the transaction from a credit, market and liquidity risk perspective on the one hand and the reliability of the reporting being produced on the other hand.

All outstanding transactions were carried out with a view of obtaining long-term funding or establishing a liquidity buffer.

No assets have been originated with the intention to securitise. The underlying assets have been originated in the regular course of lending business to Retail, Public and Corporate customers of Belfius Bank. Only performing assets are included in the securitisation transactions. No profit or losses are realised upon sale of the assets to the Special Purpose Vehicle.

In 2025, Mercurius Master Issuer, backed by Belgian SME loans, was the only outstanding transaction. This transaction has EUR 5.76 billion in senior securitization notes outstanding.

For more specific information on Belfius 'Securitisation activity as originator' we refer to tables EU SECA, EU SEC1 to EU SEC5 in the risk report annex.

VII.5. Encumbered assets

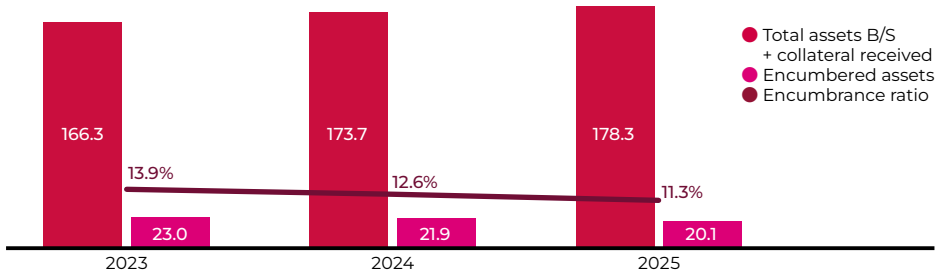
Following the EBA guidelines and based on the median values of the encumbrance reporting of the last four quarters, the encumbered assets at Belfius Bank decreased to EUR 20.1 billion at the end of 2025 compared to 21.9 billion at the end of 2024. The asset encumbrance ratio (median value over 2025) decreased from 12.6% to 11.3% due to slight decrease in encumbrance and increase in assets.

Belfius Bank is the only entity of the group that generates encumbrance. The EUR 20.1 billion of encumbered assets come mainly from covered bonds and derivative activities. The cover pool of covered bonds generates encumbered loans for EUR 8.7 billion, while derivative exposures amount to a median value of EUR 3.1 billion in the form of cash or securities. A significant part of collateral is financed through collateral received from other counterparties with whom the Bank has concluded derivatives in the opposite direction.

Given that no other currency is representing more than 5% of total Belfius liabilities, all encumbrance figures are computed in EUR.

Encumbered assets

In EUR billion



Further details on the encumbered assets are provided in the Risk report annex (tables EU AE1 to EU AE4).

VII.6. Impact of liquidity and funding risk on economic capital

No capital is reserved for liquidity risk as Belfius believes that capital is not the appropriate solution to cover this risk. The Liquidity risk is actively monitored and managed through gap limits and stress tests.

Funding risk refers to potential losses linked to Belfius' ability to raise the funds necessary to refinance its debt, cash requests, margin calls, ... Funding risk also results from unexpected changes in Belfius funding mix that may impact the refinancing cost. In some unfavorable cases, assets may have to be sold at stressed market price to close the funding gap, impacting the P&L through capital losses.

Funding risk is part of the internal capital adequacy process. The capital amount is not calculated via a statistical model but via scenario analysis. The scenario combines systemic risks and severe decrease of clients confidence in Belfius. This liquidity stress scenario will generate a funding risk which can be defined as the sum of P&L impacts resulting from the cost linked to the replacement of the existing funding that left the balance sheet by funding obtained through pledging the assets from the liquidity buffer at ECB. In line with economic capital standards, the loss incurred over one year is measured and the confidence interval of the considered scenario (a presumably very rare event) is assumed to be 99.94%.

VII.7. Behavioural risk management

Behavioural risk is defined as the potential change of exposure to interest rate and funding risks due to the uncertain behaviour of customers. On the liability side, it includes the uncertain amortization of non-maturing liabilities.

Behavioural risk is capitalised through a prepayment risk capital approach which relies on a statistical model.



VIII. Non-Financial Risk

In response to the Supervisory Review and Evaluation Process, Belfius is further strengthening its Risk Culture and Non-Financial Risk (NFR) frameworks as a core foundation for sustainable growth, with several initiatives underway.

Progress is being achieved in reinforcing governance and upgrading the non-financial risk frameworks, with targeted enhancements to key policies, most notably in Third-Party Risk Management (TPRM), and further strengthening of the New Product Approval Process (NPAP).

Fraud risk governance was also reinforced through more centralized fraud management and improved information sharing, enabling a stronger response to an increasingly complex fraud environment.

In line with BCBS 239 requirements, Belfius launched initiatives to improve data quality and increase the efficiency of reporting processes.

Definition

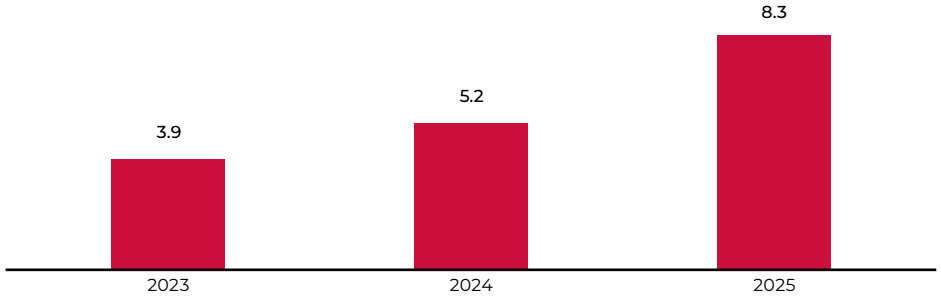
The term Non-Financial Risk (NFR) must be understood as a broad umbrella covering among others operational risks (including fraud, HR, IT, IT security, business continuity, outsourcing, data-related risks, privacy,...) as well as reputational, compliance, legal, tax, ESG risks.

Average annual potential net losses from operational incidents (2023-2025)

EUR
8.26 million

Operational incidents

Evolution of the potential net losses over the past 3 years at Belfius Bank (EUR m)



VIII.1. Fundamentals of Non-Financial Risk in 2025

Significant work has been undertaken in 2025 to further enhance governance, existing frameworks, and policy landscape on non-financial risks, with a particular focus on Third Party Risk Management (TPRM):

- Adoption of a new Third Party Arrangement Strategy, encompassing Outsourcing strategy;
- Enhancement of the TPRM framework, designed in 2023 and deployed since end 2024, covering onboarding, re-assessments, lifecycle monitoring and issue management – leveraged and strengthened in 2025 to operationalize the new strategy;
- Group-wide contract centralization, including intra-group arrangements;
- Approval of a Target Operating Model with:
  - a Third Party function within the 1LoD;
  - Service Relationship Officers (SRO's) appointed across Belfius Bank and subsidiaries;
- Ongoing monitoring with external databases (D&B, Ecovadis);
- Massive on-site visits with a focus on digital and data security;
- Exposure reduction campaigns;
- Renewed policy documentation (policies, guidelines, committee charters);
- TPRM process linked to New Product Approval Process (NPAP) and Approval Process (AP);
- About 80 re-assessments completed on existing third parties, with a structured plan in place for 2026 and 2027.

Given the criticality of the NPAP, several improvements were initiated in 2025. These include an updated NPAP Policy and strengthened governance, notably through enhanced risk self-identification and self-assessment, increased involvement of Corporate Offices to ensure completeness and stage tracking, and a formal escalation mechanism for risk specific acceptance decisions. In parallel, a Product Assessment Review (PAR) initiative was launched to reinforce end-to-end accountability under the Product Manager, with dedicated focus on legal and regulatory requirements.

The new GRC tool has been implemented and the rollout is happening in phases. The focus in 2025 was set on modules allowing to strengthen Belfius' control management. The next focus is to further implement additional NFR functionalities and making them available to relevant stakeholders.

Given the commitment to make no concessions regarding safety and crisis management, continuous improvements and crisis testing are performed.

Fraud risk governance is being further strengthened through a more centralized fraud management and enhanced information sharing across the organization, enabling a more effective response to an increasingly challenging fraud landscape.

VIII.2. Transversal risk processes

Belfius is continuously innovating. In that context, change risk management is a corner stone of the global risk management framework, with the New Product Approval Process and Project Risk Management as the main components.

VIII.2.1. New Product Approval Process

The process of developing or changing a function (product, service, activity, process, or system) involves a sound (ex ante) risk assessment, the so-called New Product Approval Process (NPAP). Its objective is to ensure that:

- all relevant risks are identified, assessed, and mitigated;
- subject-matter experts review the proposal based on their respective mandates;
- the NPAP Steering Committee provides structured oversight and validation;
- binding conditions issued during the assessment are fully implemented before go live.

The NPAP framework is monitored through dedicated KRIs and reporting is performed to the management via the QRR and the NFRC.

VIII.2.2. Project Risk Management

The ability to deliver projects with high-quality standards within the designated timeframe is a key success factor. In this context, a Project Risk Management framework aims at correctly and timely identifying risks, and implementing the necessary controls and mitigating plans following a risk-based approach. This framework has been applied to strategic programs and their sub-projects, and the outcomes have been integrated into the Strategic Project Reporting presented to the Board of Directors.

VIII.3. Integrated risk management

VIII.3.1. Incident Management

The systematic collection and control of data on operational incidents is one of the main requirements of the Basel Committee regarding operational risk management.

The reporting mechanisms ensure that the responsible parties are notified quickly when incidents occur. Major incidents are investigated thoroughly and are reported to the CRO/ Management Board. Such incidents are also adressed through specific action plans and appropriate follow-up, under the responsibility of the relevant line management, to avoid, mitigate, or limit the associated risk.

For the period 2023-2025, Belfius Bank's average annual potential net losses stemming from operational incidents amounted to EUR 8.26 million. The main areas of operational losses continue to be essentially incidents related to external fraud where leasing activities are an important contributor, and incidents in relation to execution, delivery, and process management. Other categories remain limited in amount but not necessarily in the number of events.

VIII.3.2. Self-Assessment of Risks and Internal Controls

Another important task of risk management is the analysis of the overall main potential risks and related key controls, performed within Belfius Group's main entities. This is achieved through a bottom-up self-assessment of risks and internal controls (SARIC) in all departments and subsidiaries, using the COSO methodology to determine the internal control level. These exercises may result in the development of additional action plans to further reduce potential risks. They also provide an excellent overview of the main risk areas in the various businesses. They are conducted annually, and the results are submitted to the Boards of Directors. Belfius Bank also submits the senior management report on the assessment of the internal control to its regulators.

The results of the SARIC exercise are globally satisfactory. The main aggregated risk statements cover External fraud, Regulatory compliance, Data privacy & security and Compliance complemented, amongst others, by Business continuity, Strategic risk and Transaction processing.

VIII.3.3. Fraud risk management and 2nd LoD Branch Audit

Belfius applies a zero-tolerance policy for all forms of fraud (internal, external, and mixed fraud schemes), monitors the threats continuously and manages these risks based on a global anti-fraud policy as defined and steered by the senior management. The roles and responsibilities have been clearly defined with business and support lines as the first risk managers. The CRO and the NFR team, including the Anti-Fraud Officer as expert, have a 2nd LoD role. Processes are screened and internal controls evaluated to prevent fraud to protect the interests of Belfius and its employees, customers, suppliers, and other stakeholders.

Effective May 2025 as per Management Board decision, the Anti-Financial Crime Operations (AFCO) unit was established, as a 1st LoD expert unit, specializing in fraud and financial crime risk controls, with a particular focus on external fraud and money laundering detection. The AFCO ensures compliance with relevant Fraud and Anti-Money Laundering (AML) risk frameworks within the Belfius Group. Positioned within the 1st LoD, the AFCO unit reports directly to the Chief Technology and Operations Officer (CTOO).

Branch Audit, operating within the Risk function and from a 2nd LoD perspective, specifically targets traditional 'physical' distribution channels. Through on-site reviews, it provides assurance on the level of control for risks arising from human interventions in the distribution process, which necessitate a physical presence for assessment. Branch Audit also formulates advices in order to improve the functioning of the internal control system within these distribution channels.

VIII.3.4. Managing insurance policies

Belfius also mitigates the potential financial impact of operational risks by taking out insurance policies that mainly cover professional liability, fraud, theft, business interruption, and cyber risks. This approach is standard practice within the financial services industry.

VIII.3.5. Outsourcing risk

The Third Party Risk Management (TPRM) framework, offers guidance and structure for:

- managing third party arrangements and addressing the associated risks through an end-to-end risk-based approach, from engagement to termination, by incorporating principles such as "Know Your Third Party", "Manage Your Third Party", "Risk Profiling via a Risk-Based Approach", and an "Integrated TPRM Lifecycle";
- ensuring compliance with Belfius' Risk Appetite Framework, and with applicable regulations in particular with the EBA guidelines on Outsourcing and the Digital Operational Resilience Act (DORA) and its related delegated acts.

The main objective of this framework is to provide a sound risk management for third party risk management. It aims to :

- maintain alignment with both Belfius' third party arrangement strategy and risk appetite;
- identify, assess, and mitigate risks for all third parties, and provide additional assurance for critical arrangements;
- uphold ongoing monitoring on third parties and their potential risks;
- ensure compliance with relevant regulatory requirements and obligations;
- provide oversight on issue solving and management;
- establish accurate and realistic business cases, considering both external costs associated with third party arrangements and internal costs such as monitoring efforts;
- consolidate a portfolio view in terms of risk exposure, including overreliance on third parties.

Dedicated KRIs are used to monitor the TPRM framework and regular reporting is provided to Management through the QRR and the NFRC report.

VIII.3.6. Permanent Control

Effective risk management requires special attention to internal control systems. Belfius has implemented Permanent Control functions to provide ongoing assurance on the adequacy and effectiveness of its control environment.

In addition to the organisational deployment of the Permanent Control function, control testing campaigns have been launched to test the main internal controls within the Bank and evaluate them on appropriateness, effectiveness and efficiency. If any major gaps are identified during testing, action plans are developed to address them.

VIII.4. Risk culture & governance

The formal definition of the RAF constitutes the primary reference for the Group's risk management practices, covering both financial and non-financial risks. The NFR dimension of the RAF combines quantitative elements—such as target values and ratios—with qualitative statements. It is structured around key risk indicators for which specific limits are defined, ensuring consistent monitoring and alignment with the Group's overall risk profile.

The RAF is continuously updated and improved regarding RAF indicators, with constant challenging at the governance level and an improving level of maturity.

VIII.5. Operational resilience

VIII.5.1. Business continuity & crisis management

Belfius is committed to its clients, counterparties, and regulators to establish, maintain, and test viable alternative plans that, in the event of an incident, enable the continuation or resumption of critical business activities at the agreed operational level and in compliance with Belgian regulations.

The supporting process, the business continuity and crisis management process, is aligned with the ISO22301 standard and the BCI Good Practice Guidelines. It is applied in a uniform way in all Belfius entities and relies a.o. on threat analysis, business impact analysis, reallocation strategies (dual office, remote and homeworking, etc.), crisis management & recovery plans for different threats (e.g. cyber security), effective management reporting, business continuity plans as well as exercise and maintenance programs.

Several exercises have been conducted to test Belfius' ability to react, of which several tabletop exercises to test our capacity to react to tail risks, such as staff reallocation on sites in case of telework failure or resolution planning in accordance with SRB expectations. Crisis management has also been reviewed to enhance Belfius' response in crisis situations, particularly in the event of cyber-attack. As a result, Belfius' Business Continuity Management process is highly developed and ensures the institution's resilience going forward.

VIII.5.2. Employment Practices (HR) & Workplace Safety, Damage to Assets & Public Safety risk

Belfius has a very low appetite for physical security and workplace safety risks, and strives to provide a safe environment for its staff, clients, guests, and assets by ensuring that its physical security measures and procedures meet high standards. In this regard, a dedicated risk committee systematically monitors the overall situation, especially in case of potential incident.

VIII.6. Information security management

The purpose of information security is to protect Belfius' data and information, including that of its customers, against loss of integrity, loss of confidentiality, and unplanned unavailability. To this end, Belfius has developed and deployed its own Information Security Management System (ISMS) framework, which is inspired by ISO 27000 but includes additional control objectives.

Belfius has continued to strengthen its ISMS by implementing controls based on a risk-driven approach. In parallel, Belfius has taken additional steps to advance its alignment with the DORA, reinforcing its commitment to regulatory compliance.

Furthermore, enhancements to Data Loss Prevention (DLP) controls have been implemented, with a clear roadmap in place to ensure their continuous evolution and maturity in the coming years.

VIII.7. Data privacy management

The respect for privacy and the protection of personal data is a key commitment at Belfius, which is translated into a sound internal governance and principles to be followed in the respect of the General Data Protection Regulation (GDPR).

To continuously ensure data privacy within Belfius, the Privacy Committee related to GDPR meets regularly. Belfius' management and several committees are regularly informed about GDPR at Belfius.

The Data Privacy Officer (DPO) is part of the 2nd LoD. A network of privacy correspondents, active in each department, collaborates closely with the DPO to continuously raise awareness, monitor and ensure that processes and activities comply with GDPR.

GDPR compliance, including risk assessments for the rights and freedom of individuals whose personal data is processed, is maintained in every process involved in providing existing, adapted, and new products, innovative digital tools, services, and information sharing to clients.

This includes reviewing the privacy notice, implementing an updated cookie policy, and complying with the rulings of the European Court of Justice regarding potential international data transfers or access to personal data.

All activities processing personal data are documented by the business lines in a privacy register. Belfius is very committed to avoiding personal data breaches and managing any incident as quickly as possible.

Data subjects can exercise their rights through various means, including the Belfius online and mobile applications.

The governance is being reinforced with new roles and responsibilities. This includes enhancing ownership and accountability at the 1st LoD level through a dedicated function, strengthening the procurement role as the orchestrator of the entire process, and finally, confirming the oversight role of NFR throughout the process. In parallel an increase of resources has been approved in order to enhance future effectiveness of the whole TPRM process.

Further details on the operational risks are provided in the Risk report annex (tables EU OR1 to EU OR3 and EU ORA).

VIII.8. Compliance risk

VIII.8.1. Definition

Compliance risk pertains to the potential for a financial institution to fail in adhering to laws, regulations, rules, internal policies, or prescribed best practices within the recognized Compliance domains. Such failures can lead to financial sanctions or reputational damage.

VIII.8.2. Organisation and management of the risk

Compliance is, within Belfius Bank, organised around a central Compliance department based on 3 pillars:

- Business Advisors (advisory function),
- Compliance Risk Monitoring team (control function),
- Anti-Money Laundering unit (AML).

These three teams are supported by two dedicated units that provide project and IT coordination, as well as overall organizational support.

The central Compliance department may also rely on a network of Compliance correspondents within the Bank's divisions, as well as on Compliance managers within the branch network. They play an important role, particularly in implementing Compliance policies and procedures, as well as in delivering training and awareness programs.

A Compliance Officer, recognised by both the FSMA and the NBB, directs the Compliance organisation. The Compliance Officer reports directly to the Chief Risk Officer and to the Audit Committee, and may, if necessary, directly approach the Chairman of the Board of Directors, the external auditors, and the regulators.

As required by the regulations, the department also has an Anti-Money Laundering Compliance Officer. The Anti-Money Laundering Compliance Officer (AMLCO) is the head of the Anti-Money Laundering team, which combats money laundering practices. Belfius strives not to be involved in laundering money from illegal activities, the organisation of tax fraud, financing terrorism or circumventing (international) embargoes in line with all legal requirements. To underline this commitment, the AMLCO has established preventive measures and broadened controls. Proper knowledge of the customers and their identification (Know Your Customer process), investigation on the origin of financial flows, establishment of expected customer transaction profiles and detection of dubious transactions (Know Your Transaction process) are all vital elements in the prevention of such practices.

The Compliance Officer of Belfius Bank ensures that a coherent and effective Compliance policy is applied within all the subsidiaries of the Belfius Group. Belfius Bank traces out the group policy and defines the Compliance methodology to be used. Each regulated subsidiary company has a Compliance Officer who is responsible for the application of the transposed policy within his/her company. These Compliance Officers report functionally to the Compliance Officer of Belfius Bank. In 2025, particular attention was given to the further mutualization of the Compliance Group aspects.

The compliance risk appetite of Belfius Bank is very low. This translates the willingness of Belfius Bank to maintain a good reputation, the confidence of all stakeholders, and to avoid administrative or criminal sanctions.

Compliance risks such as financial crime, regulatory change & demands, as well as consumer protection remain major risks throughout the years and onwards.

In recent years, one external factor – the geopolitical pressure – had a growing impact on sanctions risk and its management. This is particularly evident in the rapidly evolving sanctions regimes, requiring a swift response from Belfius Bank.

While the Compliance department has already rolled out artificial intelligence to strengthen its fight against money laundering for transaction monitoring, the focus is now on the creation of a sustainable AI retraining program to maintain the relevant quality labels as well as more broadly to other compliance domains such as market abuse and insider trading.

VIII.8.3. Capitalisation

Compliance risk is not mitigated through capital allocation. The primary reasons for the inability to quantify Compliance risk stem from the insufficient availability of data and/or historical records to support a statistically robust quantification process. In this context, capital is not the appropriate solution to address Compliance risk. Instead, we deem more pertinent to monitor this risk through a robust compliance culture, procedures, and processes, and to allocate 'ad hoc' provisions for these specific events, which are often characterized by lengthy procedures.

VIII.9. Legal risk

VIII.9.1. Definition

Legal risk results from regulatory and contractual framework risks.

Regulatory framework risks:

- non-compliance with the regulatory framework: the risk of not applying, in whole or in part, applicable laws and regulations;
- incorrect application of the regulatory framework: the risk of incorrectly applying laws and regulations, which could be challenged by a third party;
- non-optimal use of the regulatory framework: the risk of not providing the appropriate or optimal legal support, or of not benefiting from an advantage resulting from the regulatory framework, due to a lack of sufficient knowledge of that framework;
- breach of the general duty of care: the risk of a behaviour, fact or decision adopted in violation of the general duty of care, which may involve Belfius' non-contractual civil liability.

Contractual framework risks:

- inadequate drafting of contracts: the risk of not protecting Belfius' interests in the contracts with third parties (contracts with terms that are either inadequate, unfair or unenforceable);
- ignorance of the contractual framework: the risk of not taking into account all the commitments made by Belfius with or towards any third party (failure to keep track of and meet or enforce contractual obligations or rights).

The materialization of the legal risk may entail the following consequences for Belfius:

- financial impact;
- reputational impact;
- litigation, liability (civil or criminal), sanctions (administrative or criminal), or measures imposed by a (supervisory) authority; and/or
- impact on customer satisfaction.

VIII.9.2. Organisation and management of the Risk

In order to control legal risks, a Legal Risk Framework (also known as Legal Risk Policy - including a Risk Assessment Matrix) has been set-up and approved by Belfius' Management Board. This Legal Risk Framework is being implemented and a risk measurement & management process is applied.

This process involves successively:

- a risk assessment, in terms of impact and probability of occurrence;
- a risk taxonomy & risk appetite; and
- the implementation of risk management measures.

A Legal report, including a dashboard of the identified major legal risks is submitted to the Risk and Audit Committee on a half-yearly basis.

In 2025, Belfius Bank continued to reinforce the management of legal and tax risks, building on the foundations established in 2024, including the creation of a dedicated 2nd LoD Legal & Tax team. The focus was on further developing the governance framework, designing monitoring guidelines and templates, and carrying out the first monitoring activities.

VIII.9.3. Capitalisation

Legal risk is not covered by capital, as there is a lack of sufficient available data and/or history to support statistically robust quantification. Therefore, we consider more relevant to monitor the Legal risk through procedures and processes, and to allocate "ad hoc" provisions for this type of specific events that often involve long-term procedures.

IX. Strategic risk

Strategic risk should be understood as an overarching category that includes Business (profitability) risk, Execution risk, Reputation risk, Model risk, ESG risk and Conglomerate risk. Accordingly, this section addresses strategic risks in a broad sense, covering both core strategic exposures and important drivers—such as ESG risk—as well as impacts, including Reputation risk.

IX.1. Business risk

IX.1.1. Definition

Business risk reflects the unexpected, current or prospective, decrease of profitability compared to the expected (or budgeted) plan resulting from changes in a competitive environment, adverse business decisions, lack of responsiveness to changes in the business environment (macroeconomic, regulations, client behaviour, competitive landscape, socio-demographic, climate, ...) or adverse/improper implementation of business decisions.

IX.1.2. Organisation and management of the risk

The Business risk is at the heart of Belfius daily management. Integrated Corporate Management (ICM) is responsible for the consolidation of data necessary to calculate income, expenses and profitability, as well as related reporting. Additionally, with regards to the Financial Plan, sensitivity analyses and stress-testing are executed to tackle the Business risk in a forward-looking manner.

IX.1.3. Capitalisation

Business risk is not capitalized through Economic Capital but treated through Earnings at Risk and Stress Testing frameworks.

IX.2. Execution risk

IX.2.1. Definition

Execution risk refers to the potential failure to fully implement the decided strategy or the incorrect execution of decisions. Examples of Execution risks are insufficient resources (HR, IT, ...), failing new product introductions or rolling out complex new systems.

IX.2.2. Capitalisation

Execution risk is not covered by capital but is handled and monitored through an appropriate reporting and follow-up.

IX.3. Reputation risk

IX.3.1. Definition

Reputation risk is defined as the potential decrease in the value of the Belfius brand arising from adverse perception of the image of the financial institution by customers, counterparties, shareholders, investors, regulators or other stakeholders.

IX.3.2. Risk Appetite

Belfius aims to be consistently perceived as a reliable and trustworthy partner by all its stakeholders—primarily prospects, customers, investors, the shareholder, and regulators. This ambition is supported by a deep-rooted commitment to client satisfaction and a long term, sustainable profit strategy built on a low risk profile.

Safeguarding and strengthening its excellent reputation is a core priority for Belfius. As reputation is a strategic asset built over years but vulnerable to rapid deterioration, Belfius considers reputation risk to be a key risk. Given that the Group's business model is fundamentally based on trust, actively managing reputation risk is essential. Belfius therefore strives to prevent and mitigate any threat that could undermine stakeholder confidence and the bank's long term credibility.

IX.3.3. Organisation and management of the risk

Reputation risk (mainly image and branding) is steered by the People, Brand, Communications & ESG Department in direct line with the CEO and the BoD Chairman. The NFR teams are active partners in this field.

The Reputation risk policy, the integration of Reputation risk in the RAF, and overall, the Risk Charter, Risk Culture, Risk Roadmap, Ethical codes, and codes of conduct, address Reputation risk. This demonstrates Reputation risk is managed as a shared and collective responsibility.

The reputation strategy aims to implement sound, prudent and effective risk management, and is based on three pillars:

- prevention: transparency regarding the Reputation risk governance, combined with well-defined processes, guidelines and procedures, mainly to identify sources of Reputation risk;
- detection: an early warning reporting ensures a proactive detection of factors affecting Reputation risk and stimulates the alertness and speed of response, both having a significant impact on the level of reputational damage;
- mitigation: tactical and operational mitigation actions are top-down driven with adapted short decision & communication lines ensuring a clear and univocal response to incidents or crises. The emphasis is given, amongst others, on effective response to press, interaction on social media, sound complaint management and crisis communication.

The key internal control actors, i.e. the People, Brand, Communications & ESG department, the Risk department, and all business departments, have set up appropriate risk management frameworks and policies to prevent, detect and monitor potential reputation impacts.

IX.3.4. Capitalisation

The risk is not capitalised but is managed through strong corporate governance and compliance rules within Belfius as described above.

IX.4. Environmental Social Governance risk

IX.4.1. Definition

ESG risks can be defined as the potential negative impacts on financial institutions and the broader economy due to climate and environmental, social, and governance factors. Within climate and environmental risks, a distinction is made between physical and transition risks:

- Physical risk refers to the impacts of a changing climate and environmental degradation. Physical risk is categorized as “acute” when it arises from extreme events and “chronic” when it arises from progressive shifts.
- Transition risk refers to an institution’s financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy.

ESG risks can have a negative financial impact on financial institutions like Belfius, both directly (affecting its own assets and operations) and indirectly (through its financing activities). ESG risks materialize as drivers of traditional prudential risk categories, and could as such impact Belfius’ solvency, liquidity, and profitability.

IX.4.2. Organisation and management of the risk

Belfius places sustainability and ESG at the center of its mission, aiming to maximize its positive impact on society, manage ESG risks to remain resilient, and seize opportunities linked to the transition. Guided by its 2030 Planet & Society Strategy, the bank integrates ESG — especially climate-related — risks into its overall risk framework while strengthening governance controls and progressively embedding social factors. Through this approach, Belfius strives to support a sustainable Belgian economy while safeguarding its long-term business model.

Belfius implements various measures to ensure solid risk management. Among these are: the Transition Acceleration Policy (TAP) and the Risk Appetite Framework (RAF).

- The TAP sets restrictions on products and services for companies involved in controversial or unsustainable activities, helping Belfius reduce financial and reputational risks. It is a dynamic framework that is continually updated and applies to all Belfius entities and activities, except for execution-only transactions and investment products where Belfius does not have full control over the underlying assets.
- For several years, the Belfius RAF has included ESG-related qualitative statements and quantitative ESG risk indicators.

Besides financing limitations with the Transition Acceleration Policy (TAP) and setting limits with the Risk Appetite Framework (RAF), ESG risk mitigation measures include, among others:

- The design of a business strategy that reflects Climate & Environmental risks and promotes transition financing (i.e. the 2030 Planet and Society Strategy);
- The definition of sectoral decarbonization targets aimed at gradually aligning Belfius’ core lending and investment portfolios with a Paris-aligned decarbonization trajectory;
- The integration of ESG considerations in the credit framework and credit processes including, among others, adjusting credit acceptance criteria and pricing to account for those risks;
- The development of new sustainable finance products and services to support customers in their transition;
- The implementation of a (New Product) Approval Process (NPAP) ensuring that ESG risks are considered at the inception of new products and services;
- Specific analysis to ensure operational climate resilience of own assets and critical third parties;
- Dedicated processes to manage legal, compliance, liability, litigation and reputational risks (including greenwashing risks);
- The integration of ESG factors in the remuneration of senior management;
- Mandatory C&E risk awareness and training sessions for employees;
- Active engagement with clients, investees and suppliers to advocate change and promote sustainable activities, and discourage unsustainable activities.

Belfius Bank also adheres to a robust framework of credit policies and processes to ensure effective risk management. More information on these policies and processes can be found in the section II. Risk Management Governance and in the section IV. Credit Risk of this report.

IX.4.3. Capitalisation

Climate stress tests on mortgage and corporate/business exposures reveal a limited impact on solvency as long as Belfius keeps transition objectives well integrated in its product offering.

The capital requirements assessments for mortgage loans and for corporate and business loans remain covered by the overall financial plan stress depletion buffer which consider more severe macro-economic stress.

For Legacy exposures, the climate and environmental risk drivers are more significant and included in the capital depletion assessment of the financial plan stress contributing directly to the overall internal capital requirements in line with the risk appetite.
Physical risk drivers are assessed as non-material.

Further information on the ESG risk management is available in the Risk report annex (tables 1,2,3 for qualitative information and templates 1 to 5 for quantitative information).

IX.5. Model risk

IX.5.1. Definition

Model risk is the risk of negative outcomes for the bank, for clients or society as a whole, resulting from the use of models. The causes can be “avoidable” or “structural”:

- Avoidable: risks arising from mistakes in the conception, implementation or usage. This also includes inadequate applications of regulations. Adequate processes and controls should prevent their occurrence.
- Structural: models are a simplification of reality built on the information available to the modeler. They always carry a certain degree of uncertainty, the causes of which must be understood and their magnitude estimated in order to put in place any precautionary measures.

Given the wide range of model applications, Model risk can materialize in many different ways. Non-exhaustive examples include financial losses, increased financial volatility, capital impacts, client attrition, reputational damage, operational disruptions, regulatory fines, legal issues ...

IX.5.2. Organisation and management of the risk

A Model Risk Management (MRM) framework defines how model risk is managed at Belfius. It is primarily the responsibility of the 1st line (developers and users) to ensure that avoidable risks are minimized and that structural risks are properly mitigated throughout the entire life cycle of the model. The MRM framework defines the quality standards the models must meet, as well as the controls to be performed before and after the model enters production. It also specifies the decision-making process at each stage of the life-cycle: initiating development, moving to production, maintaining use, updating the model, implementing mitigating measures, and decommissioning. Within Belfius, these decisions are taken by high-level committees involving the relevant members of the Management Board for the relevant models. Risk mitigating measures typically consist of restrictions of use, provisions or layers of conservatism, and ultimately, a good information of the users.

The Model Validation & Model Risk (MVMR) department is the 2nd LoD in charge of ensuring that Model risk is adequately managed within the bank. It consists of two teams:

- Model Risk defines the Model Risk Management (MRM) framework and verifies that it is adequately implemented. It is also in charge of maintaining the inventories of models and of ensuring that the main stakeholders are adequately informed of the risks.
- Model Validation performs independent controls, before a new model is deployed in production or any major change, then periodically. Those controls cover the whole process of development, implementation, usage and monitoring. Model Validation can impose remediation measures and has a veto right on the usage of the models. How and when it intervenes is defined in the MRM framework.

The depth and frequency of the controls performed by the 1st line and by Model Validation is modulated in function of the magnitude of the risks born by the models.

In addition to the MRM framework, Risk Appetite indicators define the expectations of Belfius regarding the quality of the models and the robustness of the controls.

IX.5.3. Capitalisation

Model risk is capitalized, by adding a layer in function of the uncertainty around the calculated risk capital metrics.

IX.6. Conglomerate risks

IX.6.1. Definition

A distinction is made between:

- "Group consolidated risk" which is the risk inherent to a "group" i.e. a company owning and consolidating other companies, whatever the sector the company and its affiliates belong to;
- "Conglomerate risk" which is the risk arising from a group of companies - a financial conglomerate - composed of credit institutions, insurance undertakings and investment firms. The conglomerate manages financial companies regulated under at least two different prudential frameworks (Bank and Insurance).

Conglomerate risk comes on top of "group consolidated risk" as the financial conglomerate will be submitted to "group consolidated risk" and to "conglomerate risk".

A distinction is made between Financial risks on the one hand, and Non-Financial risks on the other hand. The following conglomerate risks are defined at Belfius:

- **Financial Risk**
  Regulatory inconsistency could lead to 'double gearing', where the same capital, issued by the conglomerate, is being counted twice, to satisfy both banking and insurance capital requirements. Another result of inconsistency is 'excessive leveraging', which can occur when debt is issued by the conglomerate and the proceeds are given as equity to the regulated subsidiary. Because of regulatory inconsistency a financial conglomerate could shift activities from one of its banks to one of its insurance firms, or vice versa, if the respective capital requirements are lower.

  Intragroup insurance contracts are contracts between the insurance and the bank. These will not be effective at conglomerate level (e.g. property risk).

- **Non-Financial Risk**
  Contagion/reputation: financial difficulties in one subsidiary in one sector could have contagion and/or reputation effects on another subsidiary in a different sector, especially when using the same brand name. In that case, the conglomerate may be more vulnerable than its stand-alone subsidiaries.

  Moral hazard – subsidiaries: subsidiaries may assume help from the holding company in cases of financial stress and may exhibit riskier behavior in a financial conglomerate than as a stand-alone institution.

  Moral hazard – conglomerate level: at conglomerate level, the moral hazard risk associated with the 'too big to fail' position may exist.

  Size & complexity: it becomes more difficult to manage and understand the operation of a firm as the organization grows. Both these issues are not specific to financial conglomerates but arise because financial conglomerates tend generally to be larger than pure sectorial players.

  Governance and conflict of interest: as financial conglomerates run activities in different sectors (Bank, Insurance, Investment services ...) they may be more exposed to conflict of interest. These may arise from subsidiaries vs mother company, from promoting banking products vs insurance or investment products, confidentiality conflicts, etc.

IX.6.2. Organisation and management of the risk

With regards to Conglomerate risk, Belfius has put in place several mitigating actions. Some of them (not exhaustively) are listed below:

- The Belfius Capital Group committee in charge of monitoring the adequacy of capital management at conglomerate and sector level;
- The capital and dividend policy at group level with consistency at entity level;
- FICOD test gives a view of the regulatory capital needed to cover risks in each part of the conglomerate;
- Stress Tests are designed and run at group level but also at bank and insurance levels;
- ECAP and EaR are computed at group level giving an exhaustive view of the capital needed to cover all major risks;
- A cartography of intragroup insurance contracts has been set up and monitoring takes place on a regular basis;
- The existence of reinsurance rules above specific thresholds;
- The common communication and reputation follow-up at group level;
- The set up of several joint committees at the highest level of the group: Joint RC/RUC Committee, Joint Audit Committee, Joint Management Committee (Group Management Board), Conglomerate Monitoring Committee.

IX.6.3. Capitalisation

The Conglomerate risk is not covered by capital seen the multiple mitigating actions in place.

IX.7. Pension plan risk

IX.7.1. Definition

Pension plan risk is the risk stemming from commitments on employee pension plans (e.g., pension and post-employment employee benefits).

These commitments and the related assets are externalized to an insurance company or an OFP (Organization for Financing Pension – legal form in Belgium). Belfius Bank pays premiums to the insurance company or pays contributions to the OFP. The contributions in the OFP are invested in assets (equity and bonds). Belfius Bank remains the ultimate responsible for the commitments.

The risk for a pension plan is that the net present value of its liabilities (commitments to employees) is higher than the net present value of its assets (investments in the OFP or the value of the commitments of the insurance company).

As a result, pension plan risk covers a set of underlying risk drivers. The most important are market risk (interest rate risk, equity risk, inflation risk), credit risk and behavioural risk (turnover, mortality).

IX.7.2. Organisation and management of the risk

The OFP grants an investment mandate to the pension fund asset manager. This investment mandate establishes clear investment objectives for the pension fund, consistent with the characteristics and the risk appetite of the pension fund.

The approach for achieving these objectives takes into account the need for effective risk management, diversification and asset allocation limitations.

The ALCo evaluates the risks in the OFP and insured pension plans, and decides if further mitigation is required.

IX.7.3. Capitalisation

Pension plan risk is capitalised. The risk capital is based on a mix of several risk factors.



X. Appendices

X.1. Information exempted from disclosure

Disclosure of templates CQ2, CQ6, CQ8, CR2 and CR2a is only required for entities with a non-performing loan ratio (NPL) of 5% or above. The NPL ratio of Belfius is below this threshold and therefore these 5 templates are not applicable.

CQ7 Collateral obtained by taking possession and execution processes: the recovery procedures used by Belfius are based on the best possible performance of the available collateral. The legal procedures used are based on the transfer of property received as collateral and not on the transfer of ownership.

CR7—IRB approach—Effect on the Risk Exposure Amount (REA) of credit derivatives used as CRM techniques: Belfius does not typically secure its credit exposure by buying protection via credit derivatives. At the current time, the Belfius' credit derivatives are not used for REA reduction via credit risk mitigation but are used in the context of its market risk activities, including CVA risk hedging.

Template CR9.1 refers to IRB approach—Back-testing of PD per exposure class: this template is only applicable to institutions using the default rates from an ECAI or similar organizations while Belfius uses its own default rate estimates.

Templates CR10.1 to CR 10.4 refer to the slotting approach for specialised lending and equity exposures which is not applied by Belfius (no approved model or no exposure).

CCR7—RWA flow statements of CCR exposures under the IMM: Belfius does not use the Internal Model Method (IMM) methodology for measuring the EAD for counterparty credit risk exposures.

SEC2 - Securitisation exposures in the trading book: this template is not applicable because Belfius has no securitization exposures in the trading book. The role of Belfius on securitisation is described in the sections IV.8 and VII.4. Belfius acts either as original lender or as investor.

Consequently, the tables SEC3—Securitisation exposures in the non-trading book and associated regulatory capital requirements—institution acting as originator or as sponsor is not applicable because Belfius has no securitization exposure in the non-trading book where it acts as an originator or sponsor. Belfius applies the look-through approach on its securitization as originator.

CVA 1 – Credit valuation adjustment risk under the Reduced Basic Approach (R-BA) and CVA3 - Credit valuation adjustment risk under the Standardised Approach: these templates are not applicable for Belfius because Belfius uses the Full Basic Approach for the credit value adjustments.

SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments: this template is not applicable because Belfius has no securitization on exposure in default or with specific credit risk adjustments.

Regarding the ESG disclosures, the EBA has advised the suspension of disclosure obligations for templates 6 to 10—covering the Green Asset Ratio (GAR), the Banking Book Taxonomy Alignment Ratio (BTAR), and other mitigating measures—for large and listed institutions, until 31 December 2026. This comes in the context of the European Commission's Omnibus I package amending, among others, the EU Taxonomy framework.

The EBA has advised that the suspension proposed should be applied starting from the publication of the consultation paper (22 May 2025, first reference date 30 June 2025), pending the entry into force of the revised Implementing Technical Standards (ITS). This was further clarified in EBA public hearing on this matter held on 26 June 2025 to which Belfius participated.

Finally, on 6 August 2025, the EBA issued a no-action letter advising national competent authorities not to prioritize the enforcement of the disclosure and the collection of templates 6 to 10 during this transitional period.

In this context, Belfius has taken the decision not to publish templates 6 to 10 of the ESG Pillar III disclosures until the 31 December 2026.

The following templates are not applicable now and have been postponed until 31/12/2026 (ITS EBA ESG from 22/05, confirmed by the NBB):

- Template 6 – Summary of GAR KPIs
- Template 7 – Mitigating actions: Assets for the calculation of GAR
- Template 8 – GAR
- Template 10 – Other climate change mitigating actions that are not covered in the EU Taxonomy
- Template 9.1 – Mitigating actions: Assets for the calculation of BTAR
- Template 9.2 – BTAR %
- Template 9.3 – Summary table - BTAR %

However, Belfius remains committed to delivering transparent ESG disclosures and has prepared the other disclosures required by the European Commission Implementing Regulation on Pillar III disclosures.

X.2. Exposures to Credit Risk

The tables in the following chapter provide an overview of the overall credit risk exposures. As prescribed by the Commission implementing regulation (EU) 2021/637 different metrics referring either to accounting or to risk concepts are used in the quantitative templates disclosed in the risk report annex.

In addition to these metrics, Belfius uses also the term of Full EAD or FEAD.

The definition of Full Exposure at Default "FEAD" is determined as follows

- for balance sheet assets (except for derivatives): the gross carrying amounts (before credit risk adjustments);
- for derivatives: the exposure at default calculated under the standardized approach for Counterparty Credit Risk (SA-CCR);
- for Securities Financing Transactions: the carrying amount as well as the excess collateral provided for repurchase agreements;
- for off-balance sheet commitments: either the undrawn part of credit facilities or the maximum commitment of Belfius for guarantees granted to third parties.

FEAD for instance provides a consistent metric to present a combined view of the Bank and Insurance's respective exposures to credit risk.

The figures in the table below are after elimination of intra-group exposures but with inclusion of credit exposure of trading activities and Counterparty Credit Risk.

Exposures are allocated to the final counterparty. This means that if substitution is applied to a certain exposure to a borrower guaranteed by another party, the exposure is shifted to the region, type of exposure and rating of the guaranteeing party.

As of 31 December 2025, the total credit risk exposure within Belfius slightly increased to EUR 221.2 billion, an increase of EUR 4.6 billion or 2.1% compared to the end of 2024, primarily stemming from FEAD increase for Retail and Corporates reflecting Belfius' strategy to support the Belgian economy, and to a lesser extent for Financial Institutions, partly offset by a slight decline of exposure for Public sector entities and EU Central Bank.

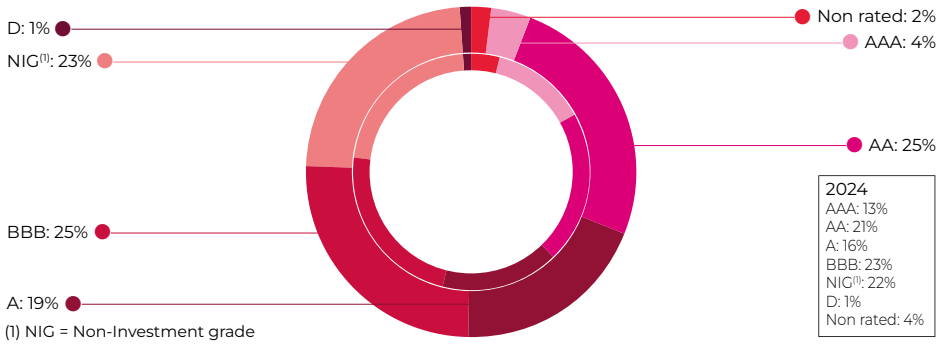
At bank level, the credit risk exposure increased with 2.1% to EUR 205.2 billion. At the level of Belfius Insurance, the credit risk exposure increased by 2.0% to EUR 16.0 billion on 31 December 2025 compared to the end of 2024.

Breakdown of credit risk by counterparty

(FEAD, in EUR million)	31/12/2024	31/12/2025	Of which Bank	Of which Insurer
Central governments	34,336	34,638	28,992	5,646
of which government bonds	9,227	8,957	4,325	4,632
of which EU Central Bank	22,249	21,569	21,569	0
Public sector entities	41,286	40,088	39,018	1,071
Corporate	55,686	57,864	55,486	2,377
Project Finance	2,397	2,124	2,124	0
Retail	64,916	68,279	64,639	3,640
Financial Institutions	13,413	14,741	12,127	2,614
Other[1]	4,551	3,444	2,813	632
TOTAL	216,585	221,178	205,198	15,980

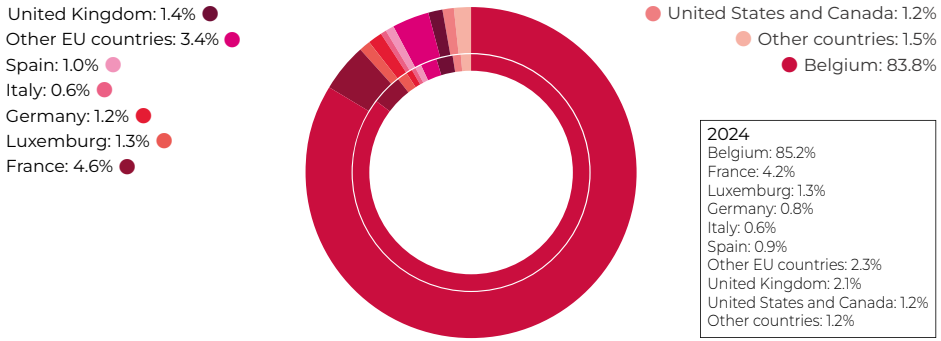
(1) Other includes a.o. deferred tax assets, tangible and intangible assets and gains and losses on the hedged item in portfolio hedge of interest rate risk.

Breakdown of credit risk by rating (Outside 2025 – Inside 2024)



(1) NIG = Non-Investment grade

Evolution credit risk by geographical region(Outside 2025 – Inside 2024)



Belfius' positions are mainly concentrated in the European Union: 96% or EUR 197.3 billion at bank level and 93% or EUR 14.9 billion for Belfius Insurance. The total relative credit risk exposure on counterparties situated in Belgium decreased from 85.2% at the end of 2024 to 83.8% as of 31 December 2025. Furthermore, total relative credit risk exposure on counterparties situated in France was 4.6% (increase from 4.2% at the end of 2024), 1.4% in the United Kingdom, 1.3% in Luxemburg, 1.2% in the United States and Canada, 1.2% in Germany, 1.0% in Spain, and 0.6% in Italy.

The credit risk exposure to counterparties in the United Kingdom amounted to EUR 3.1 billion. About 66.1% of this credit risk exposure relates to bonds belonging to the ALM-yield portfolio.

On 31 December 2025, 73% of the total credit risk exposure had an internal credit rating of investment grade (IG). The decrease in exposure to AAA rated counterparties is attributable to the reallocation of EU Central Bank deposits from the European Central Bank (rated AAA) to National Bank of Belgium (rated AA-) in the context of the Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET), the real-time gross settlement system for the euro.

X.3. Credit risk approaches

X.3.1. Overview credit risk under the prudential scope of consolidation

At year-end 2025, 59% (compared to 58% at the end of 2024) of the total credit risk exposures were calculated using the IRB approach. IRB exposures mainly consist of retail, corporate exposures and public and social exposures.

For further details on the credit quality of exposures by geography, economic sector or maturity, please refer to the Risk report annex (tables EU CQ4, EU CQ5 and EU CR1A).

The differences between the accounting and regulatory scopes of reporting are described in the Risk report annex (Tables EU LI1, EU LI2, EU LI3 and EU LIA).

X.3.2. Internal rating-based approaches

X.3.2.1. Competent Authority's Acceptance of Approach

By a letter sent on 21 December 2007 by the Financial Services and Markets Authority (FSMA), the Belgian Regulator, Dexia SA was authorised to use the Advanced Internal Rating-Based Approach (AIRB Approach) for the calculation and the reporting of its capital requirements for credit risk starting from January 1, 2008. This acceptance was applicable to all entities and subsidiaries consolidated within the Dexia Group, which are established in a Member State of the European Union and are subject to the Capital Requirement Directive, and among them Belfius Bank (formerly Dexia Bank Belgium).

X.3.2.2. Internal Rating Systems

The internal models used by Belfius Bank are set up to evaluate the three Basel parameters: Probability of Default (PD), Loss Given Default (LGD) and Credit Conversion Factor (CCF). For the portfolios under the IRB-Foundation approach, a PD model has been developed; while for the portfolios under the AIRB approach, a set of three models has been developed, one for PD, one for LGD and one for CCF. Regarding CCF, Belfius makes a distinction between retail and non-retail counterparties: an advanced approach is applied for retail counterparties, while non-retail counterparties use the regulatory values.

FEAD 31/12/2025	Credit risk		Counterparty credit risk			Total
(In EUR million)	On-balance-sheet amount	Off-balance-sheet amount	Securities Financing Transactions	Derivatives	Prefunded default fund contribution	
IRB EXPOSURE CLASSES						
Public Sector Entities	2,814	428		5		3,248
Corporates	37,925	17,930	0	359		56,215
of which Corporates- SME						0
Retail	56,004	6,366		1		62,371
of which secured by RRE [1]	43,471	1,222				44,693
of which Qualifying Revolving	115	3,190				3,305
Securitisation	105					105
TOTAL IRB APPROACH	96,849	24,725	0	365	0	121,939
STANDARDISED EXPOSURE CLASSES						
Central governments or central banks	28,533	126		67		28,727
Regional government or local authorities	17,271	7,739	0	52		25,062
Institutions	4,227	1,395	1,575	1,122		8,319
Covered Bonds	4,372					4,372
Corporates	7,017	1,492	221	582		9,312
Secured on real estate and ADC [2]	1,121	681				1,802
Retail	913	118				1,030
Short Term			0			0
Equity	2,627					2,627
Subordinated Debt	540					540
Other [1]	3,390	66			293	3,748
TOTAL STD APPROACH	70,009	11,617	1,796	1,824	293	85,539
TOTAL	166,858	36,341	1,796	2,189	293	207,478

(1) Residential Real Estate
(2) Acquisition, Development and Construction
(3) includes exposure classes past due items, or other items

Scope Belfius Bank

The PD models estimate the one-year probability of default on a through-the-cycle basis. Each model has its own rating scale for which probability of default is defined. The correspondence between rating and PD for each scale is set during the calibration process and is reviewed during the yearly maintenance process. The number of ratings on each scale depends on the characteristics of the underlying portfolio (the number of counterparties, their homogeneity, whether it is a low default portfolio or not). The master scale has 18 non-default classes.

The LGD models estimate the ultimate loss incurred in a downturn situation on a defaulting counterparty, including the indirect/direct costs related to the recovery process. For non-retail counterparties, the LGD is determined by a set of drivers related to the counterparty as well as to the guarantee and collateralisation levels. For retail counterparties, the LGD is based on workout recoveries and is mainly determined by product type and by collateralisation level.

Counterparty ratings and internal estimates of Basel risk parameters are widely used within Belfius Bank beyond the calculation of the risk exposure amounts, namely for the decision-making process, credit risk management and monitoring, internal limit determination, and risk-based pricing.

In 2020, Belfius has launched a transformation plan of its IRB model landscape as a response to the latest EBA roadmap for the implementation of the regulatory review of internal models (focusing on the definition of default, PD and LGD estimations, and the credit risk mitigation framework), and as a response to TRIM ("Targeted Review of Internal Models") findings.

In that context special attention has been given to:

- Enhancing the data quality framework;
- Aligning with the new EBA Definition of Default;
- Reviewing the models to align with the EBA guidelines on PD and LGD estimations, including the simplification of the model structure for certain models, the revision of the downturn period and the implementation of a Margin of Conservatism (MoC) framework;
- Rationalizing the IRB model landscape (see section IV.3.1. of this report) by reducing the number of internal models.

This transformation plan provides Belfius with a renewed set of models, as a cornerstone of the credit acceptance, loan lifecycle management, credit risk management processes, pricing and reporting, and fully compliant with the latest regulatory requirements.
By the end of 2024, the rationalization of the IRB model landscape took place. The retail portfolio and the (mid) corporate portfolio remained under the advanced approach, the satellite portfolio moved from IRB model to the foundation approach and the other portfolios moved from IRB model to the standardised approach. Moreover, all models have been submitted to the ECB for approval and a set of models has been approved and implemented in the production environment. In particular, the PD and LGD models for the corporate, mid-corporate and satellite portfolio were deployed end of 2024. The retail models were implemented in 2025, always with IRB models.

An overview of the PD and the Default Rates (DR) on the Bank's main portfolio under advanced method is available in the annex of the Risk report (tables EU CRE, EU CR6, EU CR6A, EU CR8, EU CR9 and EU CR9.1).

X.3.2.3. Annual review

The purpose of the annual review is to assess the performance of the internal rating system through the back-test of the risk parameters (PD, LGD and CCF) and to recalibrate these risk parameters, if need be. Note that even if the non-retail CCF parameters are not the result of a dedicated model, they are still subject to a monitoring in order to ensure the used values are appropriate.

In general, the back-test procedure aims at assessing the discriminatory power of the model (ranking of the clients from "good" to "poor" grades), the calibration level (a rating system is well calibrated if the estimated PDs (or LGDs) deviate only marginally from the actual default rates) and the stability of the model's population/risk drivers. It covers both the quantitative and more judgmental aspects of the model.

The outcome of the annual review drives action plans at individual model level, e.g. implementation of the recalibration or more in-depth re-development of the model.

X.3.3. Standardised approaches

X.3.3.1. Scope

Belfius Bank uses the AIRB Approach to calculate its capital requirements for credit risk. Nevertheless, it applies the Standardised Approach for some portfolios corresponding to cases specifically authorised by regulation such as:

- small business units;
- non-material portfolios;
- portfolios corresponding to activities in run-off or to be sold;
- portfolios for which it has adopted a phased roll-out of the AIRB Approach.

In the context of the rationalization of the IRB model landscape, the ECB has approved in 2024 the move to less sophisticated approaches for low default portfolios, for which historical default and/or loss data are deemed insufficient to develop a compliant internal model. This has led to the following portfolios to move to the standardized approach:

- bank and insurance;
- project finance;
- regional governments and local authorities;
- countries.

X.3.3.2. Nominated External Credit Assessment Institutions (ECAI)

Belfius uses the regulatory defined risk buckets to assess the quality and linked risk weight, for all exposures calculated according to the Standardised approach. It also uses external ratings from S&P's, Fitch and Moody's to define the risk bucket of exposures.

The EBA standard table is used for mapping these external ratings.

If two external ratings are available, the lower of the two is used. If there are three external ratings with different risk weights attached to them, the risk weight corresponding to the second-best rating is applied. If no rating is available, the risk weight provided by the Standardised approach is used.

Further details on the use of IRB or Standardised approach are provided in the Risk report annex (tables EU CRD, EU CR6A).

X.3.4. Credit risk mitigation techniques

X.3.4.1. Description of the main types of Credit Risk Mitigants (CRM)

A Credit Risk Mitigant (CRM) is a technique used to protect or mitigate the credit risk associated with one or more risk exposures. Based on the regulation, CRMs can be classified into two main categories:

Funded CRMs, encompassing

On balance-sheet netting:

- Netting agreements (covering repo-style transactions or OTC derivatives);
- Collaterals;
- cash, debt securities, equities, funds, gold, ...;
- immovable property collateral;
- receivables;
- leasing;
- other physical collateral (e.g. on floating charge).

Unfunded CRMs, encompassing

- Guarantees;
- Credit derivatives.

Immovable property collateral can be in the form of mortgages or mortgage mandates on physical assets such as homes, commercial property or vessels. In addition, loan agreements may contain a negative pledge clause prohibiting the customer from pledging assets to other lenders.

Guarantees can be given by private individuals, companies, national or regional governing bodies, municipalities, guarantee institutes and banks. As it is the case for the original obligor, the guarantor will be attributed a rating taking into account its debt-servicing capacity and financial wealth to intervene when the former goes into default. The rating of the guarantor is subject to an annual review in order to capture recent and forward-looking evolutions of his financial performance and his financial strength. Legal restrictions to use a guarantee as CRM are taken into account as well.

The main principle for valuing collateral is to determine and make use of the expected realisation value at the time of a possible future default when the bank might have to realise the collateral. The valuation of collateral used in the credit origination and lifecycle:

- must be done in connection with all new credit applications;
- periodically during the credit life cycle in a risk-based and proportional manner (depending on the type of collateral, remaining level of credit exposure and evolution of the credit quality of the obligor); and
- are part of the basis for credit decisions and the credit review process.

Credit requests for residential or commercial real estate are considered based on the property's market value, external appraisals or internal value estimates as set out in Belfius' internal credit risk guidelines.

Financial collaterals are considered based on their market value with haircuts for market volatility, correlation with obligor and holding period. In order to reduce the risk, margin calls can be added to the loan or the pledge agreement. The use of financial collateral (except for cash in the case of derivatives transactions) is rather limited.

For Corporate and Specialized Lending credit files, in addition to the credit quality assessment and the credit risk mitigation techniques, moral commitments may be added e.g. in the form of financial covenants in order to monitor the evolution of the financial performance of the obligor and to take precautionary actions in case of non-respect. Examples of financial clauses are requirements for Net Debt/EBITDA (leverage) and minimum level of equity (solvency).

X.3.4.2. Policies and Processes

Within Belfius, managing the CRM involves the following tasks:

- analysis of the eligibility of all CRM under the Standardised, Foundation and Advanced Approaches;
- periodic collateral valuation in mark-to-market;
- description of all CRM characteristics in internal Risk Systems, such as:
  - mortgage: rank, amount and maturity;
  - financial collateral: valuation frequency and holding period;
  - guarantee/credit derivative: identification of the guarantor, analysis of the legally mandatory conditions, check whether the credit derivative covers restructuring clauses;
  - security portfolio: description of each security.

All relevant data concerning eligibility criteria, minimum requirements, specific characteristics and valuation are captured in various IT tools, and detailed procedures are documented and implemented in the internal management process, both in line with the Basel II standards (Basel III for OTC and SFT).

More specifically, Belfius applies prudent collateral valuation rules integrating adequate haircut layers based on the relevant items influencing the value of the collateral for the bank. Depending on the nature of the collateral, revaluation procedures based on automated information flows, on indexes or expert analysis are in place.

X.3.4.3. Regulatory Treatment

For derivatives and securities financing transactions netting agreements, Belfius recognises their impact (subject to eligibility conditions) by applying the netting effect of these agreements on the calculation of the Exposure at Default (EAD).

For guarantees and credit derivatives, Belfius recognises the impact by substituting the PD, LGD and risk weight formula of the guarantor to those of the borrower (i.e. the exposure is considered to be directly towards the guarantor) if the risk weight of the guarantor is lower than the risk weight of the borrower.

For financial and physical collateral, Belfius' methodology relating to eligible CRM depends on the approach:

- AIRB Approach: CRM are incorporated into the calculation of LGD through the Value-to-Loan risk driver;
- FIRB (Foundation Internal Rating-Based) and Standardised Approach: eligible CRM (after regulatory haircuts) are directly taken into account in the EAD.

In the Risk report annex, following detailed specifications are provided:

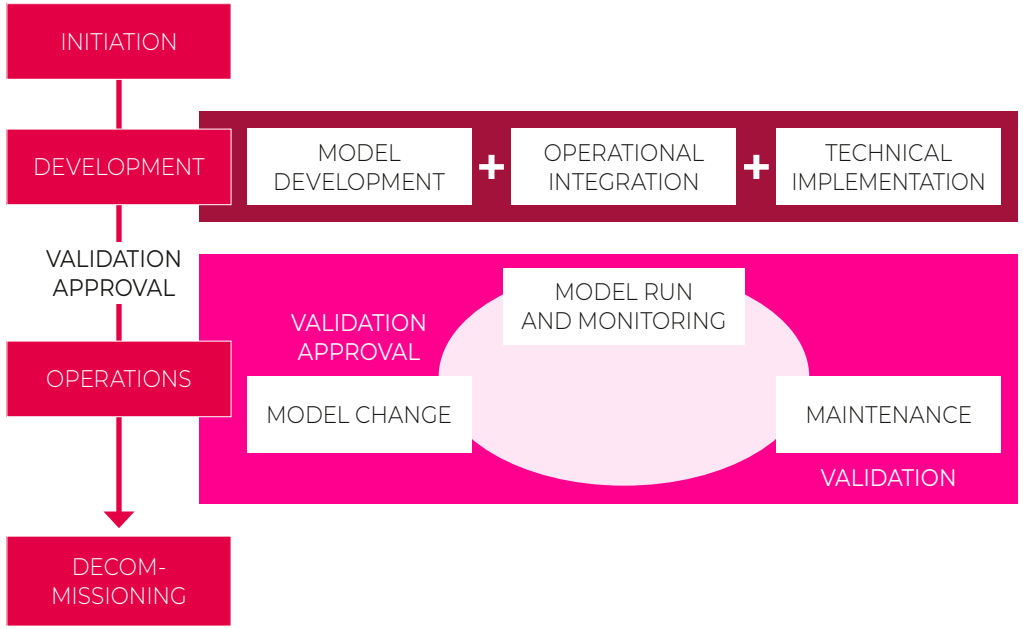
- an overview of the credit mitigation techniques (Tables EU CRC and EU CR3);
- for exposures under the standardised approach, details on the effect of credit risk mitigation techniques and the decomposition in risk weight bands (Tables EU CR4 and EU CR5);
- for exposures under the IRB approach, the same information for the significant portfolios (Tables CR6, EU CR7 and CR7A).

X.4. Risk methodology

X.4.1. Qualitative disclosure information related to IRB approach

In accordance with CRR 2 Article 452, institutions calculating risk-weighted exposure amounts under the IRB approach are required to disclose not only quantitative information on the IRB metrics and their impacts on capital requirements but also qualitative information on the internal rating systems. This qualitative information should include the organisational structure and control mechanisms around models' development, calibration and validation, the methods and data for estimating and validating the risk parameters, and the internal use of the internal risk parameters and measurements in the internal risk management and decision-making processes. This section aims to address these qualitative disclosure requirements

Internal rating system organisational structure and governance
The internal rating process is organised around the main phases of the model lifecycle as shown in the following figure: model initiation, development, operations and decommissioning.



The team Credit Modelling, part of the Strategic Risk Management & Modelling division, bears the overall responsibility for the entire IRB model lifecycle although some activities might be driven by other teams (e.g. Data and IT team being in charge of the technical implementation, Analyst team being responsible for the rating override).

As provided for in point II.2.3., the validation division of the risk department is structured as a single, independent expert control team. This team is responsible for the independent initial validation of the internal models before their implementation and use for estimating minimum own funds requirements and other use tests. Additionally, after their implementation, the team performs regular assessment to ensure the compliance of the models and associated processes (including model use) with the relevant regulations. The validation division reports directly to the CRO and is not involved in any model development in order to guarantee its independence. The activities of the validation team are summarized in reports indicating the controls that were performed, their findings, proposed corrective actions and, when required, a validation status. These reports are also used to inform senior management through the Risk Executive Committee about the performance of the rating models and rating processes, areas needing improvement, and the status of efforts to improve previously identified deficiencies in line with Article 189 of Capital Requirements Regulation.

In line with the corporate governance of Belfius, internal audit acts as 3rd LoD with regards to internal rating systems. In this context, Internal Audit conducts a dedicated mission each year by credit activity segment/type (Retail, Corporate, Public). This mission aims to assess the origination and servicing of the credit activity line, including the related models. The goal is to provide the oversight bodies with reasonable assurance regarding the evolution of the models developed and used, material changes and the validation process (respect of planning, evolution of major recommendations raised by the Validation team...).

Model validation is also responsible for some KRI's of the Belfius RAF aiming to monitor the status of the credit and market IRB models validation.

The Internal Rating System's (IRS) decisions are governed through two main committees:

The Risk Model Committee

Composed of the CRO, Modelling, Validation and key IRB model users, this committee takes the final decisions regarding the IRB models:

- Approval of the IRB model changes either for approval by the Board of Director before ECB submission (major changes) or for direct implementation of the model change (minor changes) ;
- Endorsement of the validation reports on the models maintenance (review of estimates and operational audit);
- Endorsement of the corrective action plans recommended by Validation.

The Rating Committee

The key role of the Rating Committee is to monitor the appropriate use of internal rating systems within the bank as a whole and to ensure that these IRS are effective. For these reasons, the Rating Committee:

- validates the overrides that exceed the tolerance level and proposed by the risk analysts;
- monitors the homogeneous application of the rating and derogation principles within the bank;
- validates operational establishment of the models once they are validated by the Risk Executive Committee .

For the broader view of the different risk committees, we refer to sections II.2.3 and X.6. on Risk governance structure.

X.4.2. Internal rating system main processes

Model development

The development process covers main activities between model initiation and model running in operations:

- the model development where data are collected, the design and calibration, the testing and documentation;
- the integration into operations clarifying which model output metric(s) will be used for what type of information/decision-making process;
- the technical implementation, which covers the coding of the model producing the output metrics, and the IT integration of the model into the data operational systems.

While the model development steps are led by the Scoring & rating model team, the operational integration is jointly decided between the Scoring & rating model team and the model users, and the technical implementation is managed by the Data and IT team supported by the Scoring & rating model team.

All the steps are independently assessed by Validation before being submitted for approval.

Model Operations

The activities related to model operations cover:

- the recurring activities around the model execution for the models where a judgmental layer is foreseen (e.g. override made by analysts) and around ongoing monitoring, which is performed by a Credit Risk Control Unit;
- the model maintenance covering the annual review of estimates where the model is back-tested and recalibrated, and the in-depth review of estimates where deeper analyses are ran to verify model performance and adequacy. This is in accordance with Capital Requirements Regulation Article 179(1)(c) stating that risk estimates should be reviewed when new information comes to light but at least on an annual basis.
  The review is structured around the following control components:

Review Component	
ENVIRONMENT STABILITY	Identify whether the in-force model based on historical information is still representative for the current and foreseen evolution of the environment
MODEL PERFORMANCE	Verify that the performance of the model is still sufficient for the expected uses both in terms of risk differentiation and risk quantification
MODEL BEHAVIOUR	Assess whether the model behaviour over time or under various scenarios is aligned with expectations
BENCHMARKING	Compare the model outcome to alternative sources of information, when relevant
MARGIN OF CONSERVATISM	Assess whether the MoC still represents the current view on model uncertainty quantification
MODEL OPERATIONS	Assess whether the risk parameter calculation process is aligned with the developed model

For some controls, multiple tests can be conducted (e.g. from visual inspection using boxplots and benchmarking analyses to statistical metrics accepted by industry practice such as AUROC and Kendall's tau for assessing the discriminatory powers, Wilcoxon signed rank test for the calibration accuracy, population stability index (PSI) for stability...). The selection of controls and relevant metrics to execute depends on the materiality of the portfolios being reviewed, number of available defaults and loss experiences and the type of review (annual or in-depth).
The review outcome is either to confirm the model appropriateness, to decide to implement the recalibrated values or to redevelop (partially) the model. In the first case, the model goes back to the recurring activities, while in the two last cases, this is considered as a model change.

The Credit Modelling team takes the responsibility of the model maintenance, which is executed at least annually as per CRR and ECB requirements. The validation team also performs an annual review of the IRS, its functioning and compliance with all minimum regulatory requirements.

- the model change encompassing modifications to the data, methodology, calibration or implementation. All proposed changes to internal models are independently validated. The process ensures that, before actual implementation, material changes receive appropriate approval from competent authorities. Other non-material extensions and changes are notified to the competent authority in line with Commission Delegated Regulation 529/2014 with regard to regulatory technical standards (RTS) for assessing the materiality of extensions and changes of the AIRB.

X.4.3. Definitions, methods and data for Estimating PD, LGD and CCF

Internal Rating Based Approach models

In order to harmonize risk identification and reduce unwanted REA difference between institutions, the EBA has issued guidelines on the default definition, which has led to a material change to Belfius' definition of default. This has been implemented in March 2020 within Belfius' internal processes and models have been recalibrated accordingly.

In addition, Belfius has been reviewing its credit models to align with the EBA guidelines. This has led to the alignment of all models with the new harmonized definition of default, the improvement in the calculation of downturn LGDs and CCFs, and the enhancement of the framework for the margin of conservatism in the models.

Equity and Securitisation Transactions

No internal models have been developed specifically for equity or securitisation transactions which follow a different regulatory approach. Securitisation risk weighting is based on external and not internal ratings.

Equities do not require the development of specific models. The equities under the PD/LGD approach are assigned the same parameters as a debt obligation on the same counterparty using the existing internal models.

Main principles used for estimating the PD

Type of counterparties	Number of models	Portfolios	Model methodology	Time series used	Internal/ external data	IRB asset class
Corporates	1	Large non listed or listed companies with annual sales >= 250 MEUR or belonging to a group with total annual sales >= 250 MEUR, and with total balance >= 2MEUR	Statistical model, and expert layer for large exposures and/or large corporates	10 years	Internal	Corporates
Mid-Corporates		Non-listed companies with total turnover <250 MEUR and belonging to a group with a consolidated turnover < 50 MEUR and/or total assets < 2MEUR		10 years	Internal	Corporates
Other Satellites		Non Public undertakings sponsored by public authorities		10 years	Internal	Corporates
Public Satellites		Belgian Public undertakings sponsored by public authorities	Statistical model and expert layer	10 years	Internal	Institutions
Retail	3	Individuals, Self-employed & Small entreprises	Statistical models	6 years	Internal	Retails

Main principles used for estimating the LGD

Type of counterparties	Number of models	Main hypotheses	Time series used	Internal/ external data
Corporates/ Mid-Corporates	1	Statistical model based on internal recovery data. The LGD depends several factors including level and type of collateral and guarantee or sector.	7 years	Internal
Retail	3	Statistical model based on internal recovery data. The LGD depends on several factors including product type and level of collateral.	6 years	Internal

Main principles used for estimating the CCF

Type of counterparties	Number of models	Main hypotheses	Time series used	Internal/ external data
Retail	1	Statistical model based on off-balance sheet items that are undrawn revolving commitments. The CCF depends on utilization rate and product type.	8 years	Internal

X.4.4. Business integration of internal estimates

Internal estimates of Basel parameters are used within Belfius Bank at present, covering a large number of applications in addition to the calculation of the risk exposure amounts.

They are notably used in the following fields:

- decision-making process;
- credit risk management and monitoring;
- internal limit determination;
- provisioning methodology;
- pricing;
- Financial Planning & Stress Testing;
- ...

Decision-Making Process
Basel parameters are key elements considered by the Credit Committee in assessing the opportunity to accept or reject a transaction. Credit guidelines have been updated in order to integrate Basel parameters while assessing credit proposals.

Credit Risk Management and Monitoring
Basel parameters are actively used in periodic credit risk reporting and also for the individual follow-up of distressed transactions and counterparties within the Watch List Committees.
Belfius Bank integrates the Basel parameters to define new internal reporting on the basis of a unique and common reporting credit risk data warehouse and uniform concepts. The counterparty internal ratings, the LGD, the level of EL and the regulatory weighted risks are the key Basel parameters used within the new internal reporting and the credit risk portfolio review.
A central database registers internal ratings and keeps them available for all relevant needs.

Internal Limit Determination
Basel parameters have been integrated to fine-tune the Belfius Bank credit limit system and determining delegation levels for credit acceptance.

Provisioning Methodology
The implementation of Basel parameters has made it possible to develop more synergies between accounting and prudential issues (IFRS/Basel), while relying on the processes, data and tools developed for the regulatory risk estimates.
The Basel notion of default and the accounting notion of impairment have converged in relation to Stage 3 impairments.
As a consequence, only defaulted assets identified as such in the Basel compliant risk management systems are identified as impaired assets for both accounting and risk management purposes.

Pricing
To support the credit decision process, a RoNRE (Return on Normative Regulatory Equity) based on Normative Regulatory Equity is calculated, to measure the expected profitability of the credit transaction and/or even the full credit relationship with the customer. Not only the expected income in the form of interest margins is taken into account, however also, inter alia, the operational costs and losses which might be statistically expected on loans are also considered. As a consequence, the Basel parameters are therefore integrated in the pricing.

Financial Plan & Stress-Testing
The internal rating model outputs are used by the strategic risk department to feed the Financial planning and its stress-test version. They are also of utmost relevance when assessing forward-looking views regarding external economic events to account for as it was the case for the Covid-19 outburst or for the energy crisis during which PD's and LGD's were heavily challenged and used to forecast potential evolutions.

X.4.5. IFRS 9 impairment methodology

The definitions of 'past-due' and 'impaired' exposures used in the risk perspective are similar to the definitions used for accounting purposes.

The methods and approaches used for the determination of Expected Credit Losses is briefly described in the section accounting policies of the consolidated financial statements. For an extensive description, we refer to the Risk Report of 2019.

X.5. Additional disclosures on the liability side

X.5.1. Belfius Bank originations

Belfius currently has one traditional securitisation vehicle: Mercurius Funding NV/SA, a Belgian securitisation vehicle with the purpose of securitising SME loans. Mercurius Funding has one active compartment Mercurius Master Issuer, which has issued:

- EUR 5.76 billion senior Class A Notes
- EUR 2.24 billion subordinated Class B Notes; and
- EUR 80 million subordinated Class C Notes

The same amounts were still outstanding at the end of 2025.

According to the definition of control under IFRS 10, Mercurius Funding is included in the consolidated financial statements. Belfius has:

- full power over its securitisation vehicles;
- exposure to their variable returns; and
- the ability to use its power to affect the amount of the returns.

X.5.2. Belfius mortgage pandbrieven programme

Belfius Belgian Mortgage Pandbrieven Programme

Total Amount Outstanding (in EUR)	12,907,000,000
Current Weighted Average Fixed Coupon	218.79%
Weighted Average Remaining Average Life	5.58

a/ Residential Mortgage Loans	
Outstanding balance of residential mortgage loans	16,158,520,097
Number of borrowers	146,830
Number of loans	249,521
Average outstanding balance per borrower (in EUR)	110,049
Average outstanding balance per loan (in EUR)	64,758
Weighted average original loan to initial value	77.54%
Weighted average current loan to current value	41.13%
Weighted average seasoning (in months)	83,07
Weighted average remaining maturity (in years, at 0% CPR)	13,06
Weighted average initial maturity (in years, at 0% CPR)	20,04
Remaining average life (in years, at 0% CPR)	6,96
Remaining average life (in years, at 2% CPR)	6,34
Remaining average life (in years, at 5% CPR)	5,48
Remaining average life (in years, at 10% CPR)	4,37
Remaining average life to interest reset (in years, at 0% CPR)	6,51
Percentage of fixed-rate loans	90.83%
Percentage of resettable-rate loans	9.17%
Weighted average interest rate	2.10%
Weighted average interest rate fixed rate loans	2.04%
Weighted average interest rate resettable-rate loans	2.74%

b/ Registered Cash	
Registered cash proceeds under the residential mortgage loans	370,861,775

c/ Liquid Bond Positions	
Mark-to-Market Value	346,713,287
Accounting Value	375,420,001

X.5.3. Belfius public pandbrieven programme

Belfius Belgian Public Pandbrieven Programme

Total Amount Outstanding (in EUR)	1,711,000,000
Current Weighted Average Fixed Coupon	125.10%
Weighted Average Remaining Average Life	4,98

a/ Residential Mortgage Loans	
Outstanding Balance of Public Sector Assets	2,318,121,874
Number of borrowers	683
Number of loans	19,135
Average Outstanding Balance per borrower (in EUR)	3,394,029
Average Outstanding Balance per loan (in EUR)	121,146
Weighted average seasoning (in months)	112,83
Weighted average remaining maturity (in years, at 0% CPR)	12,43
Weighted average initial maturity (in years, at 0% CPR)	21,87
Remaining average life (in years, at 0% CPR)	6,77
Remaining average life (in years, at 1% CPR)	6,48
Remaining average life (in years, at 3% CPR)	5,85
Remaining average life (in years, at 5% CPR)	5,31
Remaining average life to interest reset (in years, at 0% CPR)	6,14
Percentage of Fixed Rate Loans	86.91%
Percentage of Resettable Rate Loans	13.09%
Weighted average interest rate	2.84%
Weighted average interest rate Fixed Rate Loans	2.87%
Weighted average interest rate Resettable Rate Loans	2.67%

b/ Registered Cash	
Registered cash proceeds under the Public Sector Exposures	22,070,483

c/ Liquid Bonds	
Mark-to-Market Value	25,223,326
Accounting Value	26,549,590

X.6. Additional information on risk governance structure

Main risk committees on tactical / operational level

For Non-Financial Risk and Compliance Management:

- the Information Security Steering (ISS) ensures a well governed and coordinated information security strategy;
- the Anti-Fraud Steering Committee is a platform for the internal control functions (Risk/Compliance/Internal Audit) and a forum to reflect and organize a dialogue between the internal control functions and all the stakeholders (mainly operating in the decentralised expert units) regarding fraud risk management;
- the Privacy Steering Committee ensures a well governed and coordinated privacy strategy in line with regulatory requirements regarding privacy and personal data protection;
- the (Physical) Security Steering Committee is responsible for managing (physical) security risk to safeguard all of Belfius' organizational assets, particularly focusing on protecting people from criminal incidents and natural hazards like fire;
- the NPAP Committee oversees the management, implementation and execution of the "New Product Approval Process" (NPAP) to ensure appropriate risk analysis for any new or changed function. In particular, the committee delivers a final opinion based on the advices of risk experts;
- the Third Party Risk Management Committee ensures a well governed and coordinated third party management in line with Belfius' strategy, risk appetite and regulatory requirements.

For ESG Risk Management:

- the ESG Steering Committee ensures a well-governed and coordinated strategy to manage risks related to ESG. The ESG Steering Committee is in charge of the follow-up of the ESG action plan and steering models aimed at assessing and quantifying ESG risks. It includes permanent members from risk and business. The responsibilities of the ESG Steering Committee and other governance bodies with respect to ESG are detailed in section 1.4 of the Sustainability Report.

For Credit Risk Management:

- the Credit Risk Committee (CRC) has as core mission in providing an effective credit risk oversight & steering of the Private Wealth Retail (PWR) & Wholesale and Public Banking (WPB) credit activities. This includes a.o. reviewing business and risk reports, providing an appropriate risk management and governance framework aligned to the risk appetite and business objectives set forward by the Management Board. The Credit Risk Committee has to inform the Management Board on key issues. This can be done by presenting the CRC's minutes to the Management Board for information. Strategic files, however, have to be presented for final decision to the MB, before implementation;
- the Central Credit Committee (CCC) is the main Credit Committee. The CCC decides on new PWR & WPB credit transactions for the main exposures and credit files near the borders of the credit acceptance policy, reviews larger client exposures and advises on new deals or limits that must be presented to the Management Board. It also decides on delegations given to various lower PWR & WPB credit committees organized at regional level and towards certified deciders;
- the CDC ('Comité de Crédit') International Trade Finance at bank level makes decisions with regard to transactions managed by the Trade Finance department;
- credit decision committees are also organized at subsidiary level in order to decide PWR or WPB transactions belonging to their scope. The CDCs of Crefius, Elantis, Belfius Lease, Belfius Auto Lease, Belfius Commercial Finance can decide upon credit, respectively lease or factoring applications, extension of lines with a specific duration as well as the periodic review of files for amounts authorized within the Belfius' credit delegation framework. They also provide advice on files to be decided at bank level;
- the Regional Risk Committees PWR Business Banking and WPB are regional consultation platforms for monitoring the credit risk quality and taking actions for the regional portfolio with members belonging to Credit Risk, the Loan department, and the Front Office. The Committees ensure, in particular, a thorough follow-up of the regional credit portfolio, with a focus on counterparties whose credit profile has weakened and are managed under increased monitoring 'watchlist' status. Committees are organized by Business line (PWR & WPB) and Region (NO, NW, SE, SO, Center & Branches);
- the Forbearance Committee Mortgages and Consumer Loans is organized for Retail exposures at the bank, Crefius and Elantis. The objective is to monitor the evolution of the portfolio flagged as Forbearance, to validate the selected new Forbearance cases according to an automated algorithm and assess Forbearance cases on an expert basis;
- the Default Committee has as objective to decide and follow-up the default or out-of-default status of counterparties. The default status being a necessary condition for an impairment to be recognized.
- several Impairment Committees allow Belfius to oversee and govern IFRS 9 impairments resulted in a committee structure with different layers :
  - an Expert Panel, composed of business and economic specialists, advising on the forward-looking parameters to calculate the Stage 1&2 expected credit loss under IFRS 9;
  - a Stage 1&2 Impairment Committee : deciding on the expected credit losses accounted for under IFRS 9 Stage 1&2;
  - Stage 3 Impairment Committees approving the individual impairment amounts for defaulted, Stage 3 files. The committees are organized at 2 levels, with competences linked to the impairment amount;
  - a Backstop Impairment Committee determining the minimum coverage requirements of the non-performing exposures under the Regulatory Backstop directives.
- the Rating Committee: the main purpose of the Rating Committee is to supervise the correct and coherent application of the various Internal Rating Systems within Belfius Bank and its subsidiaries, together with an assessment of their performance.

For Treasury and Financial Market (TFM) Risk Management:

- FM Risk and Results (FM RR) is reviewing business, risks, P/L reports and providing for an appropriate risk management and governance framework;
- FM Fair Value (FM FV), in its capacity of Fair Value assessor, acts as a body in charge of "Fair Value Validation";
- FM Benchmark follows-up on obligations of the bank as panel bank for the contribution of Euribor and €STR;
- Operational Committee (FM OC) makes the follow-up of operational issues;
- FM Credit Limits Committee (FM CLC) approves credit limits requests related to all TFM activities, Belfius Insurance and WPB Trade Finance, and monitors the associated credit risk for all the counterparties in scope;
- Steering Risk Covered Bonds (SRCB) is a common risk forum in order to communicate and to discuss regarding the Covered Bonds programs, reporting to the ALCo.

X.7. Glossary

ABS *Asset-Backed Securities*
Securities issued by a vehicle created for the purpose of buying assets from a bank, a company or a state, like trade receivables or inventories, and to provide the seller with cash and the buyer with a financial product that is characterised by a certain risk profile and a rate of return.

AIRB *Advanced Internal Rating-Based Approach*
Institutions using the AIRB approach are allowed to determine borrowers' probabilities of default and to rely on own estimates of loss given default and exposure at default on an exposure-based on an internal model approved by the supervisor. These risk measures are converted into risk weights and regulatory capital requirements by means of risk weight formulas specified by the Basel Committee.

ALM *Asset and Liability Management*
Managing of the net risk position between assets and liabilities, particularly with respect to imbalances generated by the evolutions of interest rates, currencies and inflation, but also maturity mismatch, liquidity mismatch, market risk and credit risk.

AML *Anti-Money Laundering*
Anti–money laundering refers to a set of laws, regulations and institutional practices designed to help financial institutions and other regulated entities prevent, detect, and report money laundering and related financial crime.

BRRD *Bank Recovery and Resolution Directive*
The Bank Recovery and Resolution Directive (BRRD) provides the authorities with comprehensive and effective arrangements to deal with failing banks at national level and with cooperation arrangements to tackle cross-border banking failures. The directive requires banks to prepare recovery plans to overcome financial distress. It also grants national authorities powers to ensure an orderly resolution of failing banks with minimal costs for taxpayers. The directive includes rules to set up a national resolution fund that must be established by each EU country.

CCF *Credit Conversion Factor*
The ratio of the currently undrawn amount of a commitment that will be drawn and outstanding at default to the currently undrawn amount of the commitment. The extent of the commitment will be determined by the advised limit, unless the unadvised limit is higher.

CDS *Credit Default Swap*
Swap contract in which the buyer of the CDS makes a series of payments to the seller and, in exchange, receives a pay-off if a credit instrument (typically a bond or loan) undergoes a defined "Credit Event", often described as a default (fails to pay).

CRD *Capital Requirements Directive*
The Capital Requirements Directive (CRD) for the financial services industry introduces a supervisory framework in the EU which reflects the Basel II and Basel III rules on capital measurement and capital standards.

CRM *Credit Risk Mitigant*
Range of techniques whereby a bank can, partially, protect itself against counterparty default (for example by taking guarantees or collateral, or buying a hedging instrument).

CRR *Capital Requirements Regulation*
The CRD is the legal framework for the supervision of credit institutions, investment firms and their parent companies in all Member States of the European Union and the EEA. The CRR came into force on 27 June 2013, while the supervised entities within its scope are subject to it as of 1 January 2014.
The CRR-Regulation is directly applicable to anyone in the European Union and is not transposed into national law. Much of the CRR is derived from the Basel III standards issued by the Basel Committee on Banking Supervision (BCBS). It includes most of the technical provisions governing the prudential supervision of institutions.

CSA *Credit Support Annex*
A credit support annex provides credit protection by setting forth the rules governing the mutual posting of collateral.

CVA *Credit value adjustment*
Market CVA is the difference between the risk-free portfolio value and the true value portfolio value that takes into consideration the possibility of a counterparty's default.
In addition to default risk capital requirements for Counterparty Credit Risk, Basel III introduced an additional capital charge to cover the risk of mark-to-market losses.

DR *Default Rate*
The rate of borrowers who fail to remain current on their loans.

DVP *Delivery Versus Payment*
A settlement practice stipulating that cash payment must be made prior to or simultaneously with the delivery of the security.

EAD *Exposure At Default*
Estimate of the amount outstanding (drawn amounts plus likely future drawdowns of yet undrawn lines) in case the borrower defaults.

EBA *European Banking Authority*
The European Banking Authority (EBA) is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector. Its overall objectives are to maintain financial stability in the EU and to safeguard the integrity, efficiency and orderly functioning of the banking sector.
The main task of the EBA is to contribute to the creation of the European Single Rulebook in banking whose objective is to provide a single set of harmonised prudential rules for financial institutions throughout the EU. The Authority also plays an important role in promoting convergence of supervisory practices and is mandated to assess risks and vulnerabilities in the EU banking sector.

ECAI *External Credit Assessment Institutions*
Under the Basel II agreement of the Basel Committee on Banking Supervision, banking regulators can allow banks to use credit ratings from certain approved Credit Rating Agencies when calculating the risk weight of an exposure. Competent authorities will recognise an ECAI as eligible only if they are satisfied that its assessment methodology complies with the requirements of objectivity, independence, ongoing review and transparency, and that the resulting credit assessments meet the requirements of credibility and transparency.

ECB *European Central Bank*
The ECB is the central bank for Europe's single currency, the euro. The ECB's main task is to maintain the euro's purchasing power and thus price stability in the euro area. The euro area comprises the 19 European Union countries that have introduced the euro since 1999.

EL *Expected Loss*
The amount expected to be lost on an exposure from a potential default of a counterparty or dilution over a one-year period.

EIOPA *European Insurance & Occupational Pensions Authority*
European Union financial regulatory institution aiming at promoting a sound regulatory framework and consistent supervisory practices in order to protect the rights of policyholders, pension scheme members and beneficiaries and contribute to the public confidence in the European Union's insurance and occupational pensions sectors.

FEAD *Full Exposure At Default*
FEAD is the total exposure at default (EAD), including the total amount of a free credit line and other off-balance-sheet transactions (with the exception of derivatives), before application of credit conversion factors (CCF). EAD is hence seen in this report as an estimation of the maximum extent to which a bank may be exposed to a counterparty in the event of, and at the time of, that counterparty's default.

FRTB *Fundamental Review of the Trading Book*
FRTB is the commonly used denomination of the revised market risk framework. The final version was published by the Basel Committee of Banking Supervision (BCBS) on 14 January 2016. According to BCBS, national supervisors are expected to issue final regulations by January 2019, with banks required to report under the new standards by year-end 2023.

FSMA *Financial Services and Markets Authority*
The FSMA is the successor to the former Banking, Financial and Insurance Commission (CBFA), which on 1 April 2011 changed its name as a consequence of the changes in its mandate, in particular its exclusive competence for the supervision of rules of conduct. The FSMA is responsible for supervising the financial markets and listed companies, authorising and supervising certain categories of financial institutions, overseeing compliance by financial intermediaries with codes of conduct and supervising the marketing of investment products to the general public, as well as for the "social supervision" of supplementary pensions. The Belgian government has also tasked the FSMA with contributing to the financial education of savers and investors.

FVA *Funding Value Adjustment*
FVA represents the difference between the risk-free rate used to value derivatives and the actual funding rate.

G-SIB *Globally Systemically Important Banks*
G-SIBs are defined as institutions whose failure would have a significant impact on the financial system or the real economy. The Financial Stability Board in consultation with the Basel Committee on Banking Supervision and national authorities reviews each year the list of G-SIBs based on a common methodology that takes into consideration a.o. the size, complexity and interconnectedness of those institutions. G-SIBs are subject to higher capital buffer requirements, Total Loss-Absorbing Capacity (TLAC) requirements and higher supervisory expectations in terms of risk management and governance, risk data aggregation capabilities and resolvability.

HVar *Historical VaR*
HVaR corresponds to the VaR measurement based on the historical market conditions for the Bank, putting them in order from worst to best. It then assumes that history will repeat itself, from a risk perspective.

ICAAP *Internal Capital Adequacy Assessment Process*
The ICAAP file describes how a bank monitors and assesses the adequacy of its minimum capital level regarding the risk it is taking. The file is accompanied by a series of appendices that describe in details the various Ecap models and stress tests methodologies, the complete Risk Appetite policy, Ecap and stress tests policies, Risk Cartography (RICAP) procedure and the Recovery and Resolution Plan (RRP).

IRB *Internal Rating Based*
Banks are allowed to use their own estimated risk parameters for the purpose of calculating regulatory capital. This is known as the internal ratings-based (IRB) approach to capital requirements for credit risk.

ISDA *International Swap and Derivative Association*
Trade organisation of participants in the market for over-the-counter derivatives. Its headquarters are in New York, and it has created a standardised contract (the ISDA Master Agreement) to enter into derivatives transactions.

LCR *Liquidity Coverage Ratio*
The Liquidity Coverage Ratio forces financial institutions to maintain a sufficient stock of quality liquid assets to withstand a crisis that puts their cash flows under pressure. The assets to hold must be equal to or higher than their net cash outflow over a 30-day period under stress (having at least 100% coverage). The parameters of the stress scenario are defined under Basel III.

LGD *Loss Given Default*
The ratio of the loss on an exposure due to the default of a counterparty to the amount out-standing at default.

LTV *Loan To Value*
Ratio between the amount borrowed and the appraised value of a property, used in mortgage underwriting to assess the lending risk.

LRE *Leverage Ratio Exposure measurement*
The IFRS balance sheet after netting of derivatives & cash collateral and including the off-balance sheet commitments. The leverage ratio is the % of LRE which is covered by the Tier 1 capital.

MBS *Mortgage-Backed Securities*
Asset-backed securities or debt obligations representing a claim on the cash flows from mortgage loans.

MDA *Maximum Distributable Amount*
The MDA is an amount calculated by the banks in line with article 141 of the CRR. In case banks fall under the MDA, dividend payment, AT1 coupon and variable remuneration will be restricted.

NBB *National Bank of Belgium*
The National Bank of Belgium is the current Belgian Financial Institutions regulator. The NBB is in charge of prudential supervision of the less significant institutions and of the insurance sector. However, some tasks are performed in close cooperation with ECB under the Single Supervision Mechanism.

NBB LAC DT *Circular NBB Loss Absorbing Capacity of Deferred Taxes Circular*
In Solvency II, the computation of the regulatory capital requirement is based on the loss of economic own funds in case an adverse event would happen. In such an event, the amount of expected taxes to be paid would also be reduced. The LAC DT mechanism enables insurers to reduce the capital requirement by the expected tax decrease.

Netting amount
Is the reduction in exposure due to the use of legally enforceable netting agreements, including the effect on potential future exposure in accordance with Article 298 of the CRR.

NSFR *Net Stable Funding Ratio*
NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an on-going basis. "Available stable funding" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance-sheet (OBS) exposures.

ORSA *Own Risk and Solvency Assessment*
ORSA is an internal process undertaken by an insurer or insurance group to assess the adequacy of its risk management and current and prospective solvency positions under normal and severe stress scenarios.

O-SII *Other Systematically Important Institutions*
O-SII is the term used in the EU legislation to designate domestically important banks. National authorities (NBB for Belgium) review each year the list of O-SIIs in accordance with the methodology specified by the EBA. Belgian O-SIIs are subject to a capital surcharge.

OTC *Over-The-Counter*
Over-the-counter (OTC) or off-exchange trading is carried out directly between two parties, negotiating bilaterally and privately without any supervision of an exchange.

PD *Probability of Default*
The probability of default of a counterparty over a one-year period.

PFE *Potential future exposure*
Potential future exposure (PFE) is the product of the notional amounts or underlying values as applicable by specific percentages set out in Article 274 of the CRR (Gross Add-on).

RAROC *Risk Adjusted Return On Capital*
Risk-based profitability measurement framework for analysing risk-adjusted financial performance and providing a consistent view of profitability across businesses.

RMBS *Residential Mortgage-Backed Securities*
RMBS are securities for which the primary source of payments is a mortgage loan or a pool of mortgage loans secured mostly on residential property. Investors receive payments of interest and principal that are derived from payments received on the underlying mortgage loans.

REA *Risk Exposure Amount*
Risk exposure amount (REA) is the total risk exposure calculated as the sum of risk-weighted exposures for credit risk, market risk, counterparty risk and operational risk. The term Risk Weighted Assets (RWA) is still commonly used and refers to the same as well as Risk Exposure amount which is the term used by the SRB when referring to MREL. TREA stands for Total Risk Exposure Amount.

SARIC/RCSA *Self-Assessment of Risks and Internal Controls/Risks and Controls Self-Assessment*
Process through which the likelihood and potential impact of operational risks and the effectiveness of controls used to circumnavigate them are assessed and examined.

SFT *Securities Financing Transactions*
SFTs are transactions where securities are used to borrow cash (or other higher investment-grade securities), or vice versa – this includes repurchase transactions, securities lending and sell/buy-back transactions.

SPV *Special Purpose Vehicle*
Separate legal entity created specially to handle a venture on behalf of a company. In many cases, the SPV belongs from a legal standpoint to banks or to investors rather than to the company. The IASB has however stipulated that the company should consolidate the SPV if it enjoys the majority of the benefits or if it incurs the residual risks arising from the SPV even if it does not own a single share of the SPV.

SRB *Single Resolution Board*
The SRB has been operational as an independent EU Agency since 1 January 2015. The SRM started its work on developing resolution plans for banks from January 2015 and became fully operational, with a complete set of resolution powers, on 1 January 2016. The SRB is the resolution authority for banks which are considered significant or in relation to which the ECB has decided to exercise directly all of the relevant supervisory powers, and other cross-border groups, where both the parent and at least one subsidiary bank are established in two different participating Member States of the Banking Union.

SREP *Supervisory Review and Evaluation Process*
The key purpose of SREP is to ensure that institutions have adequate arrangements, strategies, processes and mechanisms as well as capital and liquidity to ensure a sound management and coverage of their risks, to which they are or might be exposed, including those revealed by stress testing and risks the institution may pose to the financial system.

SRM *Single Resolution Mechanism*
The Single Resolution Mechanism entered into force on 19 August 2014 and is directly responsible for the resolution of the entities and groups directly supervised by the European Central Bank as well as other cross-border groups.

SSM *Single Supervision Mechanism*
The SSM operates as a system of common bank supervision in the EU that involves national supervisors and the European Central Bank. From 4 November 2014, banks deemed "significant" are supervised directly by the ECB. Smaller banks, called less significant, continue to be directly monitored by their national authorities, though the ECB has the authority to take over direct supervision of any bank.

SVar *Stressed VaR*
SVaR corresponds to the VaR measurement based on the worse historical market conditions (stressed period) for the bank.

TLOF *Total Liabilities & Own Funds*
The IFRS balance sheet after netting of derivatives & cash collateral. The amount is used to compute the MREL requirement in Bank Recovery & Resolution Directive 1 compute the MREL subordination requirement in Bank Recovery & Resolution Directive 2 and determine the level from which a bank may have access to the Single Resolution Fund.

TLTRO(-III) *Targeted Longer Term Refinancing Operations*
One of the ECB's unconventional monetary policy instruments. They provide long-term loans to banks and thereby encourage them to increase their lending activity for the benefit of businesses and consumers in the euro area.

TRIM *Targeted Review of Internal Models*
Large scale project conducted by the ECB over 2016-2020 aiming at reducing inconsistencies and unwarranted variability when banks use internal models to calculate the risk exposure amounts.

UCITS *Undertakings for Collective Investment in Transferable Securities*
Set of European Union directives that aim to allow collective investment schemes to operate freely throughout the EU on the basis of a single authorisation from one member state. In practice many EU member nations have imposed additional regulatory requirements that have impeded free operation with the effect of protecting local asset managers.

VaR *Value at Risk*
VaR represents an investor's maximum potential loss on the value of an asset or a portfolio of financial assets and liabilities, based on the investment timeframe and a confidence interval. This potential loss is calculated on the basis of historical data or deduced from normal statistical laws.

XVA
X-Value Adjustment (XVA) is an umbrella term referring to a number of different "valuation adjustments" when assessing the value of derivative contracts.