

Febelfin in

2020



actions and highlights of
a year dominated by the
coronavirus crisis

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FOREWORD

2020 was a milestone year for Febelfin in many ways.

Challenges arising from the coronavirus crisis dominated last year. This unprecedented situation showed that the banking sector was able to listen and send a strong message. We continued to support the economy. More than ever, we assumed our social role in a spirit of solidarity. Indeed, the sector maximised support for companies and individuals in financial difficulty because of the crisis. And we continue to provide that support.

Moreover, the coronavirus crisis has not overshadowed the other challenges facing the sector. A fundamental process of change, including a major digital revolution, is underway in the sector. Without losing sight of the digital inclusion of as many people as possible, this means responding appropriately to consumers' rapidly changing needs. The digital revolution also highlights the need for security. In response to the rise and competition from FinTechs and BigTechs, banks have to reinvent themselves and analyse their strategy and internal processes. With climate change also a growing concern, the financial sector has a clear responsibility to help achieve sustainability.

2020 was also a year of internal change for Febelfin. Together with Febelfin Academy, we moved into a completely renovated building on Boulevard Roi Albert II / Koning Albert-II Laan in Brussels. In doing this, we have shown the outside world what we represent: a house of dialogue. We have also chosen a new logo that literally and figuratively gives our organisation a 'fresh face'. A face open to the sector, society and all our stakeholders. To coincide with these changes, we have also given our website a facelift and updated it to reflect our new identity.

On a more personal note, 2020 has also been a year of change and new challenges for me: in April, I took up my new position as CEO of the Federation amid unprecedented circumstances.

Lastly, 2020 was an opportunity to do some deep thinking about our DNA. To this end, we have defined our strategic objectives: to meet everyday financial needs; to provide innovative, safe and high-quality financial services; to work

towards a stable, sustainable and equitable regulatory and business environment; to finance individual, business and government projects; to respond to the needs of society; and to engage with a wide network of partners and stakeholders in pursuit of a sustainable financial sector. Four pillars represent these strategic objectives and reflect our priorities: financing the economy, the security and soundness of the financial sector, digital banking and sustainable banking.

We have outlined our 2020 actions and highlights for you around these pillars.

I hope you enjoy reading the rest of this report.

Karel Baert



KEY FIGURES

Some key figures on the Belgian banking sector:



Belgium has **82** banks ¹

In total, there are

4,232 bank branches ²

CORE ACTIVITIES

€257.5 billion

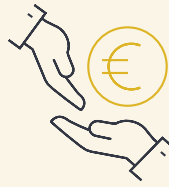
Credit to Belgian families

€150.2 billion

Credit to Belgian non-financial enterprises

€65.1 billion

Credit to Belgian government
(12/2021; on a territorial basis)¹



47,813

people employed in the banking sector

2.089

recruitments in 2020
(12/2020 * provisional figures = CP310) ²



Excluding refinancing, close to 234,000 mortgage loan contracts were concluded in 2020. The total value of these contracts was almost

€33.5 billion

331,656 business mortgage loan contracts were concluded in 2020 totalling almost

€48.6 billion



4.7% return on equity ³



Consumer credit of

€26.3 billion was granted in 2020 ⁴

89% of customer deposits are converted into loans ¹



14.2 million internet banking subscriptions



€2.319 billion

card payments

42%

contactless payments (2020 figure ⁵)



€153 million

cash withdrawals.
In 2020, Belgians could access

6,416 bank ATMs
(2020 figure ⁵)



€295.4 billion

in savings passbooks at year-end 2020 ¹

€346.5 billion managed by asset managers in Belgium
(12/2020 ⁶)

9.1 million mobile banking subscriptions
(provisional figures end 2020 ²)



€1,421.2 million in additional bank taxes

(besides the traditional corporation tax, the banking sector also contributes to public finances through specific taxes) ²

WHAT DOES FEBELFIN STAND FOR?



Mission
To develop a financial sector that is responsive to the needs of society.



Values

- Responsible, cooperative, goal-oriented
- Proactive
- Innovative
- Credible

4 core activities



Adopting positions

for and by members



Lobbying

at regional, national and European levels, as well as participating in social negotiations and engaging in dialogue with a broad network of stakeholders.



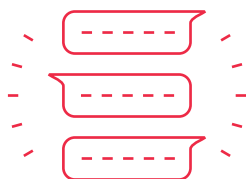
Providing services

- informing
- explaining and advising
- overseeing projects
- offering training courses through Febelfin Academy



Communicating

with members and the general public and participating in professional, political, social and educational debates.



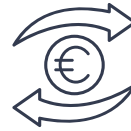
“As spokesperson for the financial sector, Febelfin answered **767** press calls in 2020.”

Strategic objectives



Needs

Meeting daily financial needs at all stages of life.



Financing

Providing individuals, businesses, public authorities and their projects with the right answers to their financing needs.



Services

Making innovative, secure and high-quality financial services accessible to the general public.



Dialogue

Listening to the needs of society and engaging in dialogue with a broad network of partners and stakeholders who want to work together for a sustainable financial sector.



Openness

Working towards a stable, sustainable and equitable regulatory and business environment.

The strategic objectives have been translated into four priorities, which can, of course, be expanded:



**Financing
the economy**



**Security, soundness
and continued
compliance of
the financial sector**



Digital banking



**Sustainable banking
to serve society**

This annual report is structured around four priority pillars: Each pillar includes a selection of the main projects from Febelfin's business lines in 2020.

Most of these projects are evolutionary in nature and will therefore continue in 2021.

01. Financing the economy



Financing the economy is the core business of banks. In line with this mission, they support the projects of businesses, individuals and government agencies.

.....

Lending was thus sustained in 2020 despite the economic crisis.

.....

In 2020, the financial sector was more focused than ever on supporting the economy with measures to assist families and businesses affected by the coronavirus crisis. Banks also continued to lend heavily to businesses and individuals. Lending was thus sustained in 2020 despite the economic crisis.

Last year also demonstrated how important it is for the financial sector and government to work together to drive economic recovery and address social challenges. Multi-stakeholder partnerships are needed to oxygenate the economy and benefit society as a whole.

The entire industry also wanted to send a strong message to the general public about its social role in this difficult context. This was achieved through joint communication using the slogan 'Together against Coronavirus'.

'Together against Coronavirus' visual for the banks' various channels



**# SAMEN
TEGEN
CORONA**

Retail Banking and Corporate Banking

Support for financing the economy against the backdrop of the coronavirus crisis



The coronavirus crisis is not only a health crisis; it also affects Belgium's entire social and economic fabric. The pandemic has severely affected, and continues to affect, many businesses and individuals. In this context, the financial sector has been working since the beginning of the crisis to introduce supportive and accompanying measures.

DEFERRED PAYMENT FOR MORTGAGE LOANS

In March 2020, the Minister of Finance, the National Bank of Belgium and Febelfin announced that they would provide support to individuals struggling as a result of the coronavirus crisis. An agreement was reached to allow deferral of capital and interest payments on mortgage loans without having to pay administration and processing fees. Febelfin worked to put this commitment into practice. It drafted a **first Charter** to enable banks to help their customers in a uniform way. Families could apply for deferred payments for six months and then an extension of up to nine months (with a deadline of 31 December 2020). At the end of 2020, the sector decided to keep its commitment for 2021. A **second Charter** was drafted for this purpose. Individuals could thus again apply to defer payment of their mortgage loans for up to three months (with a deadline of 30 June 2021). Under the first and second Charters, the combined payment deferral could never exceed nine months.

DEFERRED PAYMENT FOR CONSUMER LOANS

In May 2020, consumers facing persistent financial problems as a result of the coronavirus crisis could also get a temporary **payment deferral** on their consumer loans. Febelfin and the relevant authorities finalised the practical arrangements. Consumers could thus defer

payment for up to three months and extend that by another three months in 2020. This measure was also extended by three months in 2021.

DEFERRED PAYMENT FOR BUSINESS LOANS

The coronavirus crisis has left many companies in serious financial difficulty. In this context, the Minister of Finance, the National Bank of Belgium and Febelfin announced that they would provide support to businesses struggling as a result of the coronavirus crisis. An agreement was reached to allow deferral of capital on business loans without having to pay administration and account handling fees. To put that commitment into practice, Febelfin included the practical details in a **first Charter**. Businesses could apply for deferred payments for up to six months and then an extension of up to nine months (with a deadline of 31 December 2020). In 2021, the banks made an additional commitment to guide businesses through the crisis. The **second Charter** that allowed businesses to defer payment of their business loans until 31 March 2021 was extended to 30 June 2021. All healthy companies that have benefited from deferred payments and reached the maximum limit of nine months can also apply for an additional deferral until 30 June 2021. All conditions associated with this sector commitment are set out in a **third Charter**.

GOVERNMENT GUARANTEE SCHEMES FOR BUSINESSES

In consultation with the National Bank of Belgium and Febelfin, the government has also developed guarantee schemes for new loans to support businesses following the coronavirus crisis. In mid-April 2020, the federal government activated a guarantee scheme for all new loans and new lines of credit with a maximum 12-month term for viable non-financial enterprises and the self-employed. Besides this guarantee scheme, the federal government activated a second guarantee scheme for SMEs in July 2020 for all new loans and new credit lines with a term between 12 and 36 months. At the end of 2020, the maximum term of loans that could be brought under the second guarantee scheme was extended to five years.

CORONAVIRUS MONITOR

To obtain a snapshot of how the deferred payment figures for mortgage loans, consumer loans, business loans and newly granted loans (with or without State guarantee) were evolving, Febelfin conducted surveys on a regular basis and created a document called the 'Coronavirus Monitor'. Regular updates were published and sent to the press in 2020. The aim was to communicate openly and transparently with society.



CORONAVIRUS CONTACT POINTS

Two contact points were set up from the beginning of the crisis to answer questions from individuals and businesses about the support measures. In 2020, Febelfin answered 2,596 requests for information and queries from individuals, while 656 businesses also reached out to the contact points.

Coronavirus contact points in 2020

 **3,252** queries received through two coronavirus contact points:

 **INDIVIDUALS**

2,596 queries - **TOP 3** queries:

- Terms and conditions for deferred payment
- Clarifications/interventions relating to a bank's response
- Options for extending a deferred payment period

 **BUSINESSES**

656 queries - **TOP 3** queries:

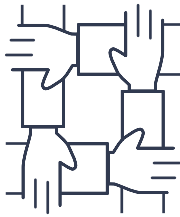
- Overview of support measures
- Terms and conditions for deferred payment
- Clarifications/interventions relating to a bank's response



'TALK TO YOUR BANKER IN TIME' BROCHURES

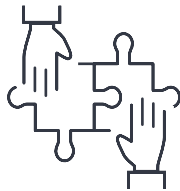
Febelfin has produced two 'Talk to your banker in time' brochures to encourage **individuals** and **businesses** at risk of running into payment difficulties to contact their bank in time to find a bespoke solution. These brochures offer individuals and businesses an overview of the various possible solutions, apart from the support measures adopted for the coronavirus crisis.

Call for a constructive partnership with government to revive the economy



In 2020, the sector made a strong commitment to the economy. It signalled its intention to continue on this path. Febelfin and Assuralia cemented that intention in a **political memorandum**. The sector is ready to partner with the authorities and the federal government to ensure a sustainable economic recovery. After all, a greater potential for growth is essential to ensure the sustainability and the financing of our society.

Cooperation agreement with the Flanders Participation Company (PMV)



As a result of the health and economic crisis, many businesses are under pressure to strengthen their solvency. Regional investment companies such as PMV can play a role in this by providing subordinated loans. To this end, Febelfin has signed a cooperation agreement with PMV, under which the banks agree to assist the regional investment company in analysing credit applications for subordinated loans.

Fincafé



The first virtual Fin Café was held on 7 December 2020 with the theme 'Coronavirus crisis: impact on the Belgian economy'. The event featured distinguished speakers such as Vincent Van Peteghem, Deputy Prime Minister and Minister of Finance; Leen Van Den Neste, CEO of vdk bank; Mathias Dewatripont, Professor of Economics at ULB; and Johan Thijs, CEO of KBC and President of Febelfin. Members were briefed about the structural challenges facing the Belgian economy, the impact of declining business confidence and expectations for 2021.

Financial Markets & Infrastructure

Capital Markets Union (CMU)

The Capital Markets Union aims to create a single capital market. The aim is to allow money – investments and savings – to circulate throughout the European Union so that consumers, investors and businesses can use it wherever they happen to be. Febelfin worked with its partners on this project in 2020. A dedicated task force helped

Febelfin develop a Belgian sector position paper on CMU, which generated support for the initiative. Febelfin also analysed and commented on the European Commission's action plan, contributing to its objectives in cooperation with the European Banking Federation (EBF) and various working groups.

02. Security, soundness and continued compliance of the financial sector



The role of banks in combating financial and organised crime has grown over the years. Febelfin is moreover committed to combating money laundering.

Cybersecurity is more important than ever in a highly digitised financial sector. Febelfin and the financial institutions are engaged in a relentless battle to strengthen this security and to provide a secure environment at every level.

The sector is also taking numerous legislative and regulatory initiatives at both national and European level. It must therefore constantly adapt to new regulations and laws in the most efficient way possible.

Regulatory affairs

Combating money laundering

Protecting society from money laundering and the financing of terrorism is an absolute priority for Belgian banks. In recent years, banks have continued to invest in their monitoring and detection procedures. And their internal organisation has been significantly enhanced to effectively combat money laundering and fulfil their crucial role as gatekeepers. These procedures allow banks to best fulfil their legal role in combating money laundering and to report suspicious transactions or occurrences to the Financial Intelligence Processing Unit (CTIF-CFI), enabling them to be more thoroughly investigated and potentially flagged to the

public prosecutor's office. CTIF-CFI's figures moreover show that banks are one of the main actors in combating money laundering. In 2019, credit institutions reported 11,237 suspicious transactions to CTIF-CFI and were behind 73% of the money laundering cases referred to the judicial authorities.

While banks are a crucial link in detecting money laundering, they are, of course, only one part of the picture. In 2020, following the FinCEN files, Febelfin recommended closer consultation between the financial sector and the public authorities (government, anti-money laundering

unit, judicial authorities, and so forth) to exchange information efficiently and jointly intensify the fight against money laundering.

Under the anti-money laundering legislation, banks must be able to apply a fully risk-based approach at all times, meaning they need to be able to analyse and mitigate the money laundering risks associated with each individual customer. For this reason, the banking industry initially resisted the indiscriminate introduction of basic corporate banking services for all types of businesses. In October 2020, the Act was finally passed in parliament. The sector is therefore ready to assume its responsibilities and work with the authorities to implement the statutory provisions by Royal Decree, obviously including the requirements prioritised by the anti-money laundering legislation.

Lastly, Febelfin carried out several projects in 2020 as part of the fight against money laundering.

For example, Febelfin is pursuing a project aimed at optimising KYC (know-your-customer) services, particularly those relating to identifying businesses. To this end, Febelfin is supporting the

Isabel Group to develop the Kube system, which allows businesses to identify themselves through a system that uses blockchain technology to verify user identities. This system allows easier, faster and more accurate identification of financial institutions' customers.

The sector is also closely monitoring the European Union's work on this subject. In fact, Europe is looking to reform anti-money laundering rules and develop a single rulebook to harmonise regulations across the Union. Harmonisation ensures more uniform application of rules and makes AML legislation more effective.

The fight against money laundering also affects the bank's relationship with its customers. A customer who wants to open an account at a bank must namely first identify themselves. Through the cooperation of the customer, who agrees to disclose their identity and other data, the bank is able to establish the correct relationship and implement any appropriate measures to prevent financial crime. To explain how everything works, Febelfin produced the **'Why is my bank asking for my identity data?'** brochure.



Follow-up and implementation of insolvency law amendments

Despite the difficult economic situation caused by the coronavirus crisis, the number of bankruptcies in 2020 fell sharply compared to 2019 (- 33%)¹. These numbers could rise again after the support measures and deferred payments end. To stem a possible wave of insolvencies, the Belgian federal legislator took initiatives in 2020 that involved

amending the insolvency law in Book XX of the Belgian Economic Law Code. Febelfin formulated an opinion on the first legislative bills after consulting insolvency-law specialists. Febelfin also drew the legislator's attention to the need to work on the transposition of the Restructuring Directive as well.

Implementation of the new Basel standards and equity and resolution directives

The new regulations and directives on capital requirements (CRR II and CRD V) and resolution (BRRD II) aim to reduce risks in the banking sector and ensure financial stability. These measures introduced new expectations relating to good governance, asset risk weighting and recapitalisation capacity (the 'risk reduction package'). Belgian banks are involved in implementing and transposing these measures through Febelfin. Proper dialogue allowed the regulator to consider some of the specificities of the Belgian market.

The implementation of the latest post-crisis Basel III standards will also significantly affect the Belgian banking sector. The reform package includes changes to risk-adjusted equity that take effect in stages. Febelfin prepared the banking sector for these changes in 2020 by informing its members and conducting joint impact analyses. The priorities for Belgian banks have been defined on this basis, which is significant for the

purpose of transposing the final Basel III package into European regulations.

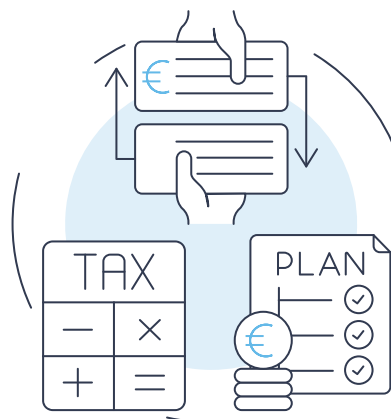
Given the important social role of banks in the coronavirus crisis, the prudential framework was temporarily adjusted to ensure lending.

To give the economy every chance of recovery, it is moreover desirable to avoid any further negative impact on banks' lending capacity. One possibility in this regard would be to further delay implementing the final Basel III reform internationally. The European Commission may also consider the most appropriate timetable for transposing this reform into European legislation and the most appropriate application of the final Basel III standards. The Basel III framework was created in response to the global financial crisis. But today we are in an entirely different kind of crisis, in which banks play a critical role in supporting businesses and consumers.

¹ Data from Graydon's bankruptcy barometer

Tax Affairs

Follow-up and implementation of tax changes



In the absence of a federal government with a parliamentary majority, early 2020 was relatively quiet in terms of new tax initiatives.

But the implementation of many issues, including the 'DAC 6' (Administrative Cooperation Directive) that imposes new reporting in relation to certain tax optimisation schemes, has largely mobilised the teams. Other cases, such as compliance with tax legislation and links to the responsibilities of financial intermediaries in the fight against money laundering, continue to be priorities.

New measures, including freezing the indexation of certain tax reference amounts, but also announcing the introduction of a new version of the tax on securities accounts, were developed after the De Croo I government was sworn in during the autumn.

The De Croo I coalition agreement also stipulates that serious consideration will be given to modernising our tax system during the coalition period. This reflection exercise should be an opportunity to put an end, once and for all, to the improvisation and cut-and-paste culture in tax matters. The principles of coherence, legal certainty, simplicity and predictability that apparently inspire the current administration should continue as clear priorities.

Several other tax projects were also announced, including expanding the communication of account balances to the NBB's Central Contact Point and ending tax regularisation by the end of 2023. Given that tax compliance and the responsibilities of intermediaries in the fight against money laundering are constantly increasing, these issues also require a coherent approach.

International tax issues are also on the agenda, with discussions on the taxation of both international groups and digital activities. The tax criterion linked to an activity physically carried out from a territory has been superseded, leading to political debates at the highest level, overseen by the OECD. It is important to find balanced solutions that do not penalise investment and innovation and to ensure that the tax burden is fairly distributed.

Lastly, we mention the European Commission's launch of a comprehensive review of VAT on financial transactions with a view to possible modernisation. Together with the EBF, the Febelfin is considering solutions for more legal certainty, more neutrality and a better international level playing field for VAT.

For a country with an open economic system such as Belgium, it is particularly important in such cases to avoid penalising local economic and financial operators with a multiplicity of taxes, business charges and risks, especially as local banking operators are still disadvantaged today by specific contributions. Introducing a financial transaction tax affecting only some EU or Eurozone Member States is clearly inappropriate, as it is a source of new disruption when we are working to integrate financial markets and the banking union.

At a time when the challenges to our society are many and great, we must have the courage to look beyond short-term obstacles to positive and balanced solutions for society as a whole.

Payments & Operations

Combating fraud

Phishing fraud surged globally in 2020. The data shows that around 67,000 fraudulent phishing transactions were carried out in Belgium, amounting to around €34 million. Belgian banks make great efforts to prevent such fraud (constant investment in online and mobile banking security, intensive transaction monitoring, awareness campaigns and so forth). Banks detect, and then block or recover over 75% of all fraudulent transfers.

Given the nature of the problem, not only are technical working groups of financial experts exchanging information to detect fraud, but Febelfin also works with other stakeholders. In 2020, partnerships and meetings were set up with telecom operators, public prosecutors, the police, government and judiciary to combat phishing.



As prevention among consumers plays a vital role, Febelfin launched a new campaign in May 2020 to remind people never to share personal bank codes through a link in an email, a text message, on social networks or over the phone. As the campaign ran across all digital channels of the financial sector, it could be seen in the form of a public service message on public television channels. Consumers could also find practical information on the new online platform on phishing: www.beschermjezelfonline.be. Numerous companies (Proximus, 2dehands.be, and so forth) and the government, notably through the Centre for Cyber Security Belgium, the Cyber Security Coalition, the federal police and FPS Finance, supported the campaign.

Thomas Vanderveken
die een voortuintje vernielt?
Waarschijnlijk fake.

Je bank die je codes
opvraagt om je bankkaart
te vernieuwen via een link?
Altijd fake.

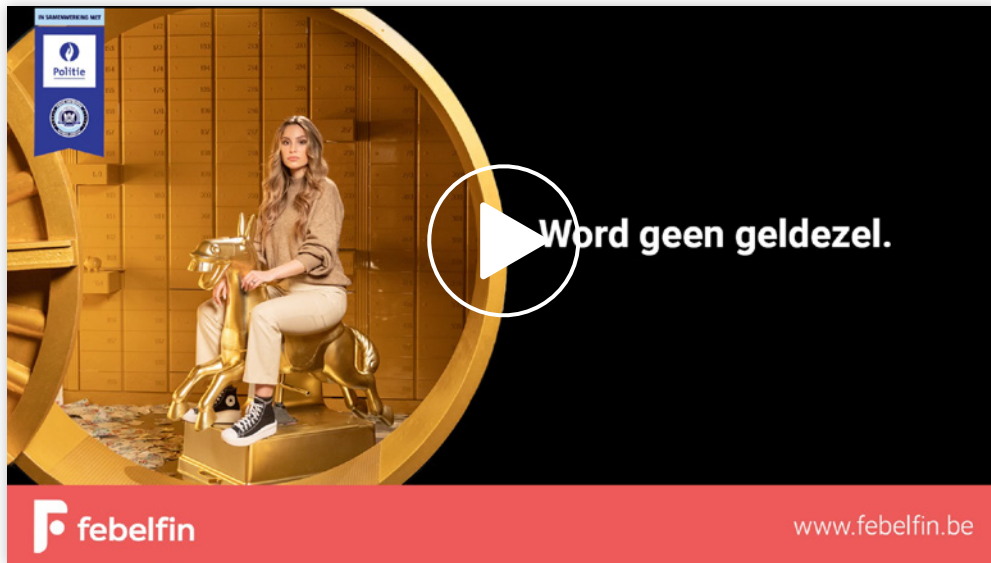
Bescherm je bankrekening
tegen phishing op
beschermjezelfonline.be

Een initiatief van
Febelfin

Anti-phishing campaign in 2020

In addition to the phishing prevention campaign, Febelfin launched a social media campaign in December 2020 to make young people aware of the 'money mule' phenomenon and the dangers of this practice. Two well-known Belgians took on the role of a 'money mule' for this purpose.

A video explained how criminals operate and the serious consequences for people who agree to act as 'money mules'. The videos were shot at Smile Safari, the Instagram and TikTok museum in Brussels. Febelfin set up a special area with advice and warnings on how to avoid the temptation.



Video showing Liandra Sadzo's deposition as a money mule

During 2020, Febelfin lastly also raised awareness among the general public about other forms of fraud, such as **CEO fraud**, **safe account fraud** and **fraud relating to requests for help**.



Video on safe account fraud

Strong customer authentication (PSD II)

Online shopping has become a habit for many Europeans. But these remote purchases must be secure and easy for consumers to verify and pay. The second European Payment Services Directive (PSD 2), which came into force in 2019, created a legal framework for safer payments, both for consumers and merchants. New rules designed to give customers additional protection, known as 'strong authentication', were introduced for online card payments.

Febelfin has set up a task force to facilitate the introduction of this strong customer authentication in the Belgian market. In

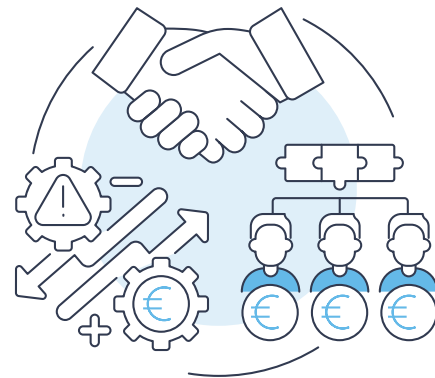


consultation with its members, Febelfin brought together all payment chain stakeholders. The task force has developed a national migration plan in cooperation with the National Bank of Belgium. The plan is to phase in the new rules for online shopping by May 2021.

Asset Management & Private Banking

Continuity and stability of investment solutions

for both institutional parties and banking and insurance firm customers



European regulations have established a robust cross-border framework for providers of investment funds and asset management advice, ensuring high levels of protection for customers. Asset managers were informed in good time of how EU-UK relations would be affected by the renegotiated Brexit deal, as from 1 January 2021. Based on dialogue with the supervisory authority (the FSMA), Febelfin and its sub-association, the Belgian Asset Managers Association (BEAMA), have taken the lead by working specifically on creating the necessary preparedness and awareness so that members are informed in good time and can take appropriate action in their field.

Efforts were also made to deal with the impact of the coronavirus crisis. The high volatility in

the financial markets in March and April 2020 was a major challenge for asset management. In consultation with the FSMA, Febelfin and BEAMA worked specifically on anticipating potential liquidity problems by providing immediate case-specific information to the supervisory authority. The FSMA, in cooperation with the Belgian legislator, has adopted a special measure to allow fund managers to use the necessary Liquidity Management Tools when needed. The whole operation was part of a Common Supervisory Action by ESMA, the European financial markets regulator.

Febelfin and BEAMA play this role in responding to external events and proactively, for example, by responding promptly to the European

Commission's reviews of European regulations. For example, in autumn 2020, BEAMA responded to the public consultation on the review of the Alternative Investment Fund Managers Directive

(AIFMD). The new relationship between the European Union and the United Kingdom has also heightened the political importance of this review.

Practical support in implementing the new law or regulation

Investment fund and asset management advice providers have seen a tenfold increase in the number of due diligence and disclosure requirements they have to handle. Febelfin and BEAMA make every effort to provide the necessary support to deal with the impact of this development. This is achieved by contributing to the analysis phase through working groups and formulating joint proposals on behalf of members during technical meetings with the regulator(s).

The areas of work that have attracted the attention of investment fund and asset

management advice providers in 2020 are disclosure, in the context of UCITS, of benchmarks linked to fund managers' investment policies; the explanation of sustainability risk in the risk management of fund managers and the impact on fund prospectuses with the introduction of the SFDR (Sustainable Finance Disclosure Regulation); the necessary adjustments to the legal framework of investment fund and asset management advice providers through a special amending Act, due to the inconsistencies and uncertainties created by the introduction of the new Belgian Companies and Associations Code.

Financial Markets & Infrastructure

Monitoring sector developments to support the Belgian market

Febelfin's Financial Markets & Infrastructure business line covers regulatory oversight and developments likely to affect its areas of activity, including the Securities Value Chain, i.e. the services offered to all securities clients. Initiatives come from the private sector and from the political sphere, even from European bodies. The legislative process is such that it requires analysis of the potential impact on members' activities.

As part of the internalisation and positioning of different world regions, the European Central Bank (ECB) is the driving force behind the development of pan-European solutions for payments, securities settlement and the harmonised management of collateral deposited by banks for the ECB's monetary operations. All of these elements require the definition and coordination of numerous initiatives, resulting in



necessary adjustments for market participants, financial institutions and their customers. European harmonisation also implies regulation and supervision at national level.

Digitalising professions related to the financial markets

Febelfin is following the consultations and proposals for the European Commission's regulations on Digital Financial Services. First, there are the Digital Operational Resilience Act (DORA) initiatives, which aim to strengthen operational resilience. Second, there are the DLT Pilot Regime initiatives aimed at market infrastructures, allowing them to innovate and experiment with solutions based on blockchain

technology. Third, the Markets in Crypto-assets (MiCA) initiative allows for the regulation of activities related to crypto-assets, which are not currently regulated as financial instruments (and covered by the MiFID). Each initiative is discussed in the general context of delivering financial services, the use of new technologies, and the increasing presence of both FinTechs and BigTechs.

03. Digital banking



Digital banking and electronic payments have boomed in recent years.

The coronavirus crisis reinforced that trend in 2020. Belgians do their banking more digitally than ever, but they have also changed their payment behaviour with more electronic payments. Cash withdrawals also fell sharply at the same time.

Banks follow where society wants to go, adapting their services and solutions to better meet their customers' expectations and needs. The aim is to provide everyone with efficient, accessible digital banking services that make their lives easier.

The financial sector recognises the importance of digital inclusion and the need to help and guide those who are not yet digitally active.

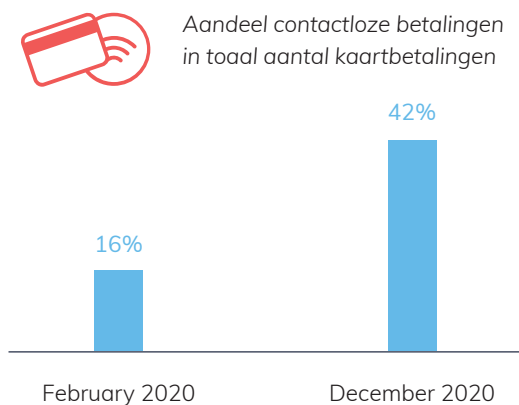
Payments & Operations

Increasing the limit for contactless payments and promoting digital payments

In April 2020, Febelfin and its members decided to raise the limits for contactless card payments. The €25 contactless payment limit was raised to €50. Belgians have since adapted their payment behaviour: between February and December 2020, the number of contactless payments more than doubled (from 16% to 42%).

As part of this new habit, Belgians also expect digital payment options from their retailers. Febelfin therefore took the opportunity during Customer Weekend to introduce the sticker 'Digital payments? Sure!' to be offered in cooperation with trade federations Unizo, Comeos, the NSZ, the UCM, Worldline, Bancontact, VISA and Mastercard. Retailers could use the sticker to show that paying by card or smartphone is possible.

Evolutie contactloze betalingen



Source: Worldline



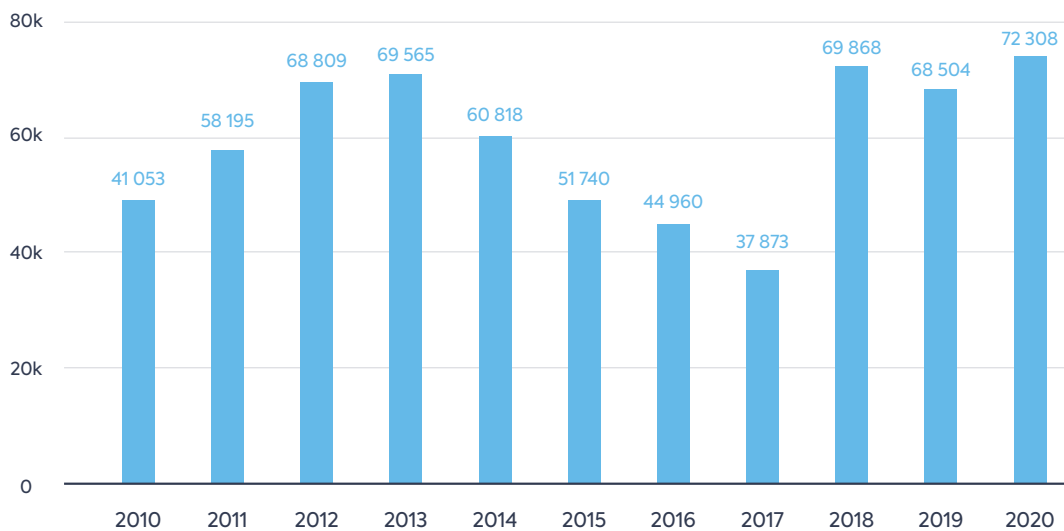
Free sticker for retailer

Bank switching for savings accounts



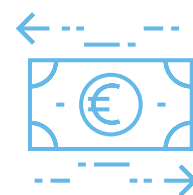
Following the **interbank mobility service** which already allows the transfer of current accounts and payments from one bank to another, several banks extended this service to savings accounts at the end of 2020. Because of this project

coordinated by Febelfin, customers can ask their new bank to transfer their savings account from their former bank through the interbank mobility service.



Source: Febelfin

Instant Payment



2020 was the first full year since the launch of Instant Payments in March 2019: a year in which instant transfers grew steadily to nearly 100 million transactions per year despite the pandemic reducing the total number of payments. Febelfin initially brought 14 banks on board with this initiative. Two more banks joined the project in 2020, enabling instant transfers from around 95% of current accounts in Belgium. With interest in the product generated, instant payments firmly established in the payments landscape and

touted as the new norm, work is intensifying to extend the service to payments across the Single European Payments Area (SEPA). The first banks already started this service in 2020, and we expect to see it widely available in the Belgian market by late 2021.

'1 December 2020 was a record day with no fewer than 512,655 instant transfers'

Retail banking

Digital inclusion

Not everyone is yet familiar with online and mobile banking. Some people need guidance to learn how to use it with confidence.

NEW WEBSITE ON DIGITAL BANKING

In April 2020, when the pandemic was in full swing, Febelfin created a website on **digital banking**. People were advised to use digital banking services and payments as much as possible to prevent the spread of coronavirus. The website aims to help people who are less

able to use digital applications. They have a wealth of practical information at their fingertips to help them get started with digital banking right away. Short videos show how to open a banking app, access a bank account, make a transfer and so forth. Security and digital payments are also highlighted, with step-by-step videos explaining how to pay with a card, QR code or contactless.



Video: 'Contactless payment by card'

NEW MOBILE BANKING MODULE ON THE 123DIGIT.BE PLATFORM

Febelfin launched a **mobile banking module** on its 123 Digit platform in June 2020 to guide people not yet familiar with digital banking services. This platform, developed by WeTechCare on the initiative of the King Baudouin Foundation, provides various modules to help people who have difficulties with digital

applications. Although the Febelfin module is primarily intended for tutors who offer training courses, information sessions, and so forth, anyone who wants to teach others the principles of mobile banking can also use it. Through interactive exercises, beginners become familiar with mobile banking and are eventually able to carry out their banking transactions completely independently.



Mobile banking module on the 123digit.be platform

INFORMATION SESSIONS ON DIGITAL BANKING

Febelfin also does outreach work to find people who are less familiar with digital tools. To this end, it organised information sessions on digital banking with various partners such as the Walloon Digital Agency, the Walloon digital open spaces (EPNs), SeniorenNet, the Association of

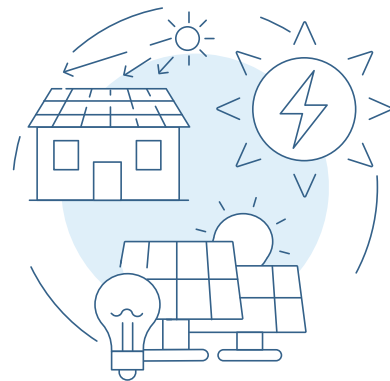
Flemish Cities and Municipalities, Public Centres for Social Welfare, and so forth.

These sessions focus on digital inclusion, the benefits of digital banking and the security of banking transactions. Because of the coronavirus crisis, some sessions were postponed to 2021 or given remotely.

Sustainable Finance Disclosure Regulation (SFDR)

The SFDR is a set of rules designed to increase transparency on sustainability issues. The transparency provisions apply to financial institutions and require disclosure of information on the sustainability of not only the product, but also the organisation. These initiatives are

essential for financing the green transition. The SFDR entered into force on 10 March 2021. A working group has been set up within Febelfin to assist and guide members in implementing this regulation.



Retail banking

Initiatives for greener homes

Global warming poses a challenge to society. The private housing sector is one of the main areas where energy-saving renovations can have a positive impact.

Through its sub-association, the Professional Credit Association (BVK), Febelfin supported the Flemish government's initiative to encourage renovation loans for upgrading the energy label of houses with poor energy performance to an EPC B or A label in 2020. The Flemish government assists borrowers by repaying the interest on this special renovation loan.

These actions are part of the European action plan for an energy-efficient mortgage initiative being developed by the European Mortgage Federation with financial support from the European Commission. At European level, energy performance improvement targets for buildings must be met by 2050.

When it comes to assessing energy efficiency, the EPC is the objective tool to determine the exact energy efficiency of the home and any investments to meet energy targets. In 2020, the Flemish government granted lenders access by decree to the EPC database for credit applications. Work is underway on the implementation procedures and technical solutions for database access. In 2021, specific steps will also be considered with the Wallonia authorities and the Brussels-Capital Region to access their EPC/EPB databases.

The National Bank of Belgium is also placing increasing importance on the energy efficiency of homes used as collateral by lenders. A specific circular from the end of 2020 requires banks and insurers under its supervision to collect and store data on the energy efficiency of homes used as collateral for loans: on a best-efforts basis at first, but mandatory from mid-2021.

Financial education for young people

The banking sector is committed to helping young people learn how to manage money. Financial education for young people is the foundation of their future financial capability. This covers various topics, including digital payments and banking services, managing money, saving, borrowing, security, and basic financial knowledge.

The sector is therefore committed to the financial literacy of young people and believes that this should receive the greatest possible attention in secondary schools.

Febelfin has been following the discussions and decisions of the competent authorities in this respect.

During times of crisis, financial education becomes crucial because certain demographics, such as young people, are especially vulnerable. Following a survey of 1,000 young Belgians aged between 16 and 30, conducted in partnership with the IndiVille research agency, Febelfin mapped the impact of the coronavirus crisis on the financial lives of this age group in May 2020. The aim was to show that financial knowledge is crucial. That is why Febelfin, together with several other agencies, is working in various ways to improve young people's financial skills. We also worked with Dutch and French-language radio stations to give young people a voice.

In September 2020, Febelfin launched a campaign aimed at young people to break the taboo around talking about money. It also worked with Dutch- and French-speaking influencers to share testimonies (money confessions) about how they manage money through stories. Successful partnerships were also established with Dutch and French-language radio stations, including prank videos, live in Smile Safari and programmes on young people and money. As a follow-up to this campaign, Febelfin also launched a new

platform www.mijngeldenik.be where young people and their parents can find a wealth of information on money matters. Smile Safari, the Instagram and TikTok museum in Brussels, even set up a space to promote this educational website on money matters.

'By providing neutral and clear information, we want to give everyone the chance to be money conscious'

Karel Baert, CEO Febelfin



Febelfin @SmileSafari campaign

Social Affairs

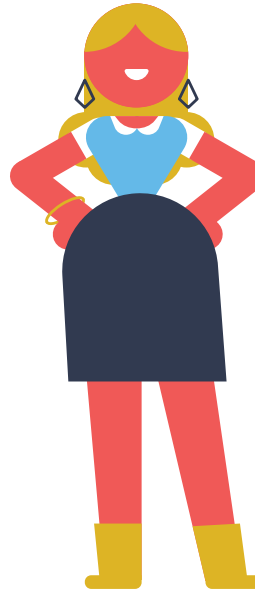
Women in Finance

Women in Finance calls for greater gender diversity in the financial sector. It wants financial institutions to become more aware of the importance of diversity and inclusion. For this purpose, we have drawn up a charter. The goal? Ensuring better gender balance at every level. What's more, Women in Finance is clearly having an impact: of the 40 members representing more than 90% of the sector in 2020, 58% confirm that they have launched or consolidated a gender diversity action plan since signing the charter. Women in Finance also organised several activities last year: workshops on writing inclusive job advertisements and measuring the gender pay gap, panel discussions on International

Women's Day, and so forth. The association also develops tools for its members.

'Signing the Women in Finance charter came at the right time for the National Bank of Belgium: we had just finished defining our diversity and inclusion policy. Joining Women in Finance gave our action plan a boost by allowing us to share experiences, but above all through the positive rivalry generated by the network'

Pierre Wunsch, Governor of the National Bank of Belgium



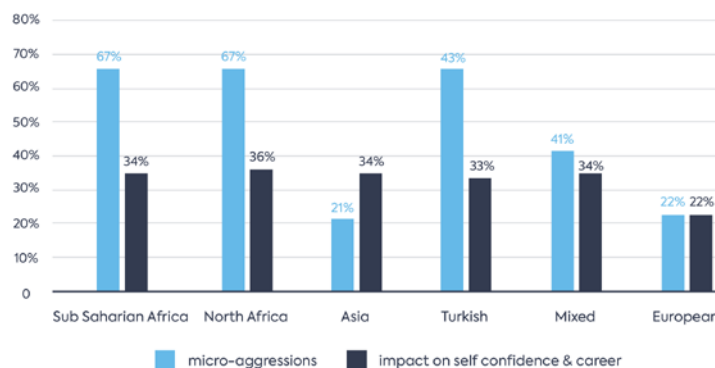
Survey on multicultural inclusion in the sector and launch of the Multicultural Bankers Network

In May 2020, Febelfin conducted a **survey on multicultural inclusion** in the financial sector. Around 800 employees from the Belgian financial sector, men and women, Dutch and French speakers, and representative of a diversity of backgrounds gave their views. The survey gave Febelfin a better understanding of the perceptions of multicultural inclusion among both local and foreign employees. Of course, Febelfin

and the financial sector want to go beyond this survey. Migrant workers were found to be much more likely than others to experience racist microaggressions and to have a greater need for networking and mentoring. They also look for role models. To respond to those needs, Febelfin launched the Multicultural Bankers Network on 2 July 2020.



Are you hearing racist micro-aggressions (sometimes, often, very often)?



Source: Febelfin

Survey on LGBTQIA+ inclusion

In December 2020, Febelfin conducted a survey to better understand how inclusive the financial sector is in relation to sexual orientation. The results of this survey, together with those on multicultural inclusion, will help to launch an inclusion campaign in 2021.

Fin Talent

Fin Talent is a set of sectoral initiatives driven by Febelfin. The Febelfin Academy develops the training for these initiatives. The aim is to better develop the talents of employees in the financial sector.

ELAN+

The **Elan+** training programme demonstrates the financial sector’s commitment to the knowledge level and mental well-being of its employees.

Febelfin Academy and the banking sector’s social partners have joined forces to adapt the form and content of training courses to challenging circumstances.

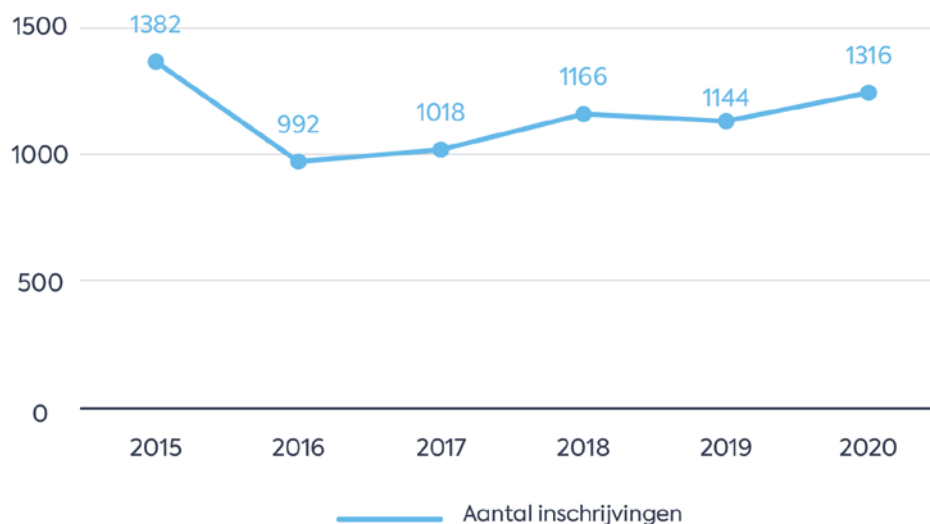
Most courses cancelled in the spring were moved to virtual or face-to-face classrooms in the autumn. The number of places per course was

maintained. Social distancing was scrupulously respected for face-to-face training.

Complementary online offerings were provided: The Master Channel and Goodhabitz.

The need for training to respond to the sense of uncertainty caused by the coronavirus crisis also became apparent last year. We responded with training courses such as ‘How to maintain my resilience in times of uncertainty’ and ‘Individual path: Back to work, but differently’.

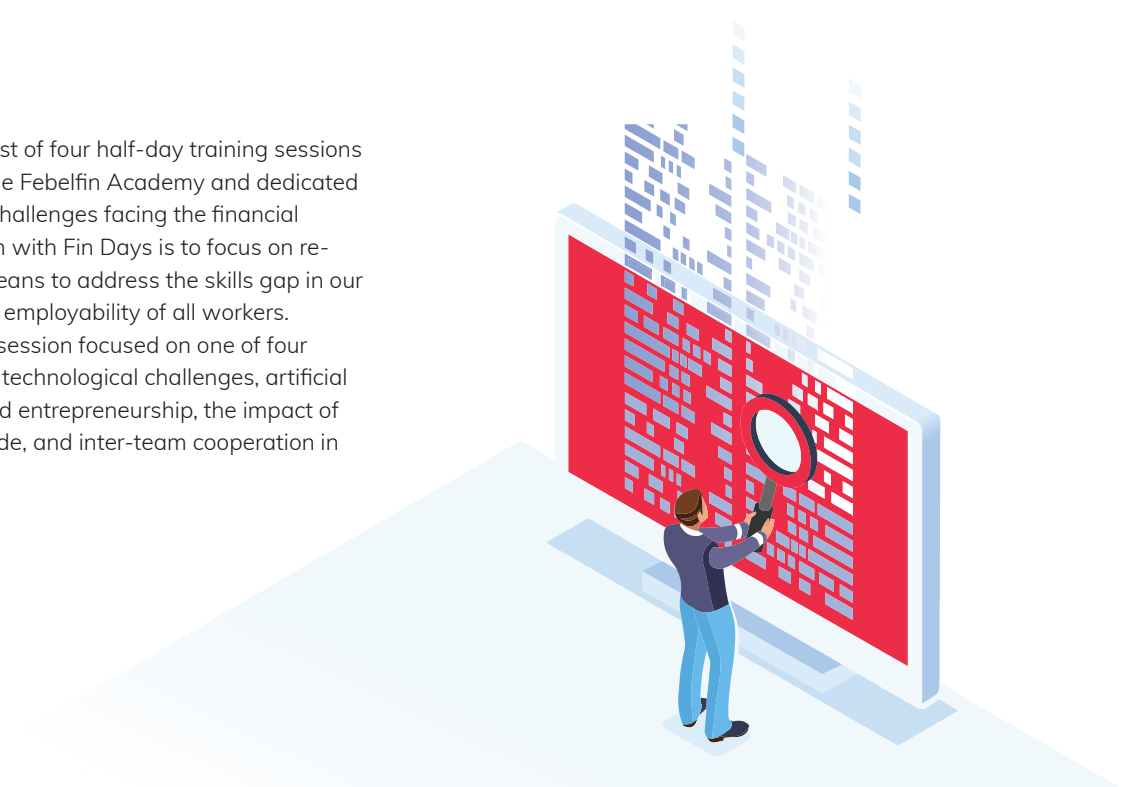
Elan+ 2020 Inschrijvingen per sectorieel initiatief



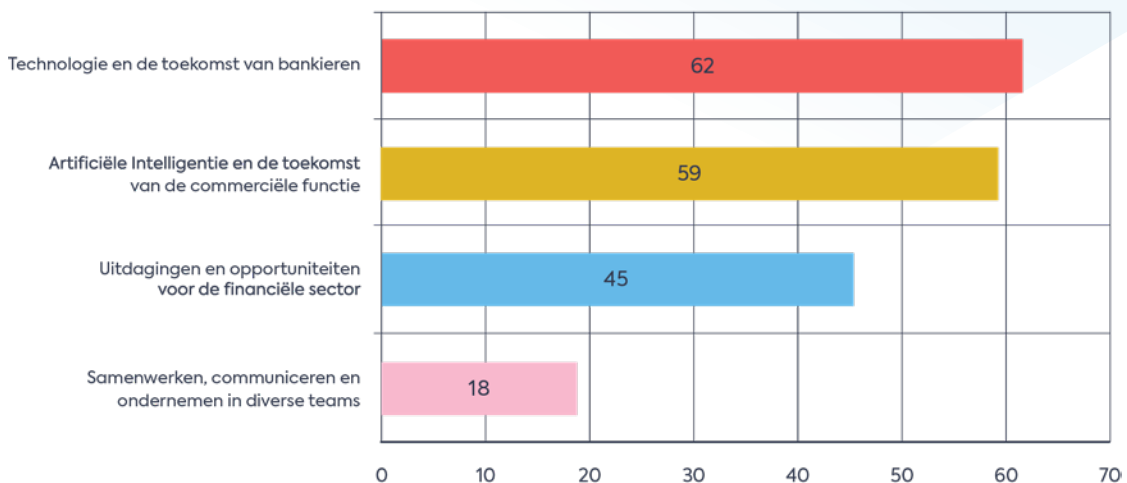
Source: Febelfin

FIN DAYS

Fin Days consist of four half-day training sessions prepared by the Febelfin Academy and dedicated to four major challenges facing the financial sector. Our aim with Fin Days is to focus on re-skilling as a means to address the skills gap in our sector and the employability of all workers. In 2020, each session focused on one of four major themes: technological challenges, artificial intelligence and entrepreneurship, the impact of globalising trade, and inter-team cooperation in the bank.



Aantal inschrijvingen per Fin Day in 2020



Source: Febelfin

BURNOUT

Burnout is a social problem. One way in which the financial sector has responded to this problem is through a pilot project to combat burnout. This makes the financial sector one of the first to work with the government to tackle this problem professionally and humanely. The Federal Agency for Occupational Risks (Fedris) launched this project in January 2019. It included a special counselling programme (sessions with a psychologist, and so forth) for those experiencing or at risk of burnout. In 2020, the importance of

this project became evident as the coronavirus pandemic heightened stress and emotions for many people.

'In 2020, Fedris received 645 applications for screening, of which 146 (22.6%) were from the banking sector'

Wien De Geyter,
Secretaris-Generaal of Febelfin

Conclusion

2020 was an intense year on many levels. But many challenges, such as supporting economic recovery, remain in 2021. The financial sector is ready to play its part. Our success hinges on constructive, results-oriented cooperation with all stakeholders based on trust.

Digital inclusion will also be an essential issue to address. Again, the sector has a positive role and is committed to working with the government and other local stakeholders to make significant headway.

Another challenge we should not underestimate is the surge in all forms of online fraud, including phishing. As this trend is set to continue in the coming years, fighting fraud and scams will also remain a top priority in 2021. We will work with the government and various stakeholders to wage this battle through targeted awareness campaigns.

Supporting and informing our members remains essential, and we will stop at nothing to achieve that mission.



Document prepared and drafted by Febelfin's communications team.
Boulevard du Roi Albert II/Koning Albert II-laan 19, 1210 Brussels
written as of April 2021.



Belgian Financial Sector Federation

www.febelfin.be