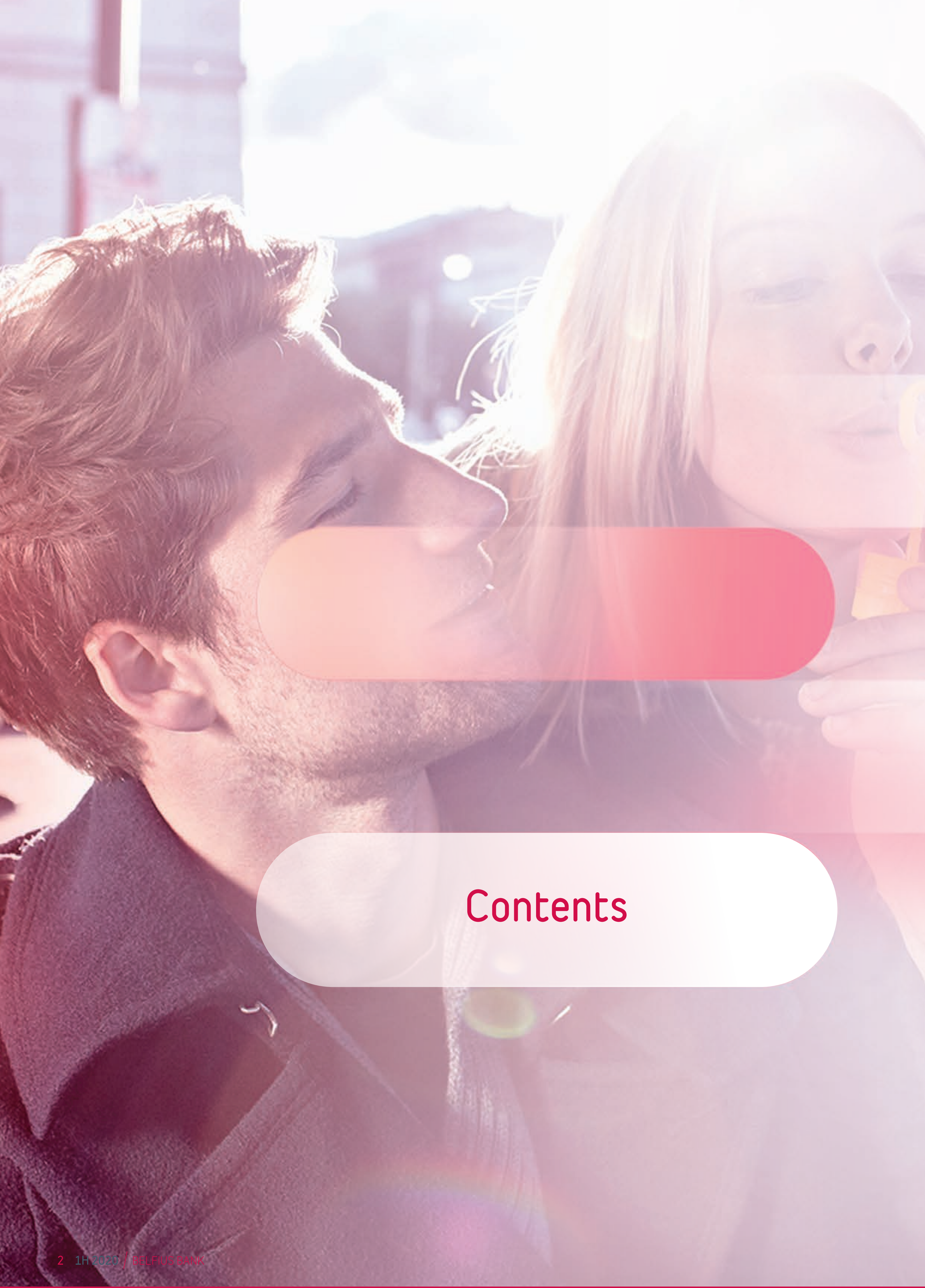
HALF-YEARLY 2020 BELFIUS

Belfius
Bank & Insurance



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Key figures and ratings

Consolidated statement of income

(In millions of EUR)	1H 2019	1H 2020
INCOME	1,155	1,132
EXPENSES	(710)	(711)
GROSS INCOME	445	421
Impairments on financial instruments and provisions for credit commitments	(30)	(393)
Impairments on tangible and intangible assets	0	(2)
NET INCOME BEFORE TAX	414	26
Tax (expense) income	(110)	(5)
NET INCOME AFTER TAX	305	21
Non-controlling interests	0	(1)
NET INCOME GROUP SHARE	304	21
of which		
Bank	179	(68)
Insurance[1]	126	89

(1) Contribution of the Belfius Insurance group to the consolidated statement of income.

Consolidated balance sheet

(In millions of EUR)	31/12/19	30/06/20
TOTAL ASSETS	172,439	188,471
of which		
Cash and balances with central banks	6,716	18,708
Loans and advances due from credit institutions	16,208	14,405
Loans and advances	94,944	98,748
Debt securities & equity instruments	29,490	30,095
Unit linked products insurance activities	3,671	3,829
Derivatives	13,305	14,335
TOTAL LIABILITIES	161,933	178,201
of which		
Cash and balances from central banks	4,017	13,079
Credit institutions borrowings and deposits	5,819	7,122
Borrowings and deposits	85,450	92,494
Debt securities issued and other financial liabilities	27,655	25,155
Unit linked products insurance activities	3,671	3,829
Derivatives	18,630	20,502
TOTAL SHAREHOLDERS' EQUITY	9,984	9,746
of which		
Shareholders' core equity	9,348	9,320
Gains and losses not recognised in the statement of income	636	426
TOTAL EQUITY	10,506	10,270
of which		
Total shareholders' equity	9,984	9,746
Additional Tier-1 instruments included in equity	497	497
Non-controlling interests	25	27

Ratios[1]

	31/12/19	30/06/20
Return on equity (ROE)	7.4%	0.5%
Return on assets (ROA)	0.40%	0.02%
Cost-income ratio (C/I ratio)	58.4%	62.8%
Asset quality ratio	1.96%	1.97%
Coverage ratio	62.3%	61.3%
Liquidity Coverage Ratio (LCR)	129%	134%
Net Stable Funding Ratio (NSFR)	116%	122%

(1) Unaudited.

Solvency ratios

	31/12/19	30/06/20
CET 1-ratio[1]	15.9%	15.5%
Tier 1-ratio[1]	16.7%	16.4%
Total capital ratio[1]	19.2%	19.0%
Leverage ratio	6.0%	5.6%
Solvency II-ratio (before dividend)	212%	215%
Solvency II-ratio (after dividend)	212%	215%

(1) For the determination of the Capital ratios under Basel III, the regulatory authority asks Belfius Bank to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on that participation. This is commonly known as "Danish compromise".

Ratings of Belfius Bank as at 6 August 2020

	Stand-alone rating[1]	Long-term rating	Outlook	Short-term rating
Fitch	a-	A-	Negative	F1
Moody's	baa1	A1	Stable	Prime-1
Standard & Poor's	a-	A-	Stable	A-2

(1) Intrinsic creditworthiness

Highlights

The 1H 2020 results are impacted by the Covid-19 crisis, which led, among others, to a significant increase of credit spreads in a context of still very low interest rates, a heavy drop in the stock markets, as well as a sharp economic downturn.

The **consolidated net income** 1H 2020 stands at EUR 21 million, much lower than in 1H 2019 (EUR 304 million). The main drivers for this material decrease were the cost of risk (increasing by EUR 363 million vs 1H 2019), alongside the negative impact on fair values through P&L (accounted for in other income and in life insurance income), while net interest income, fee & commission income and non-life insurance income remained solid. Operating costs were kept at approximately the same level as in 1H 2019, despite continued investments in our data and digital transformation journey.

Commercial activity proved very resilient in 1H 2020 both in RC and PC.

→ Excellent **New LT-loan production** in 1H 2020 (EUR 9.3 billion), only marginally lower than in 1H 2019 (EUR 9.4 billion). The new production in mortgage loans in 1H 2020 decreased with 4.3%, while the new production in corporate loans increased by 6.8%. The long-term business and public sector loan activity also proved resilient, with the new loan production remaining for those segments in line with 1H 2019. The continued strong discipline on yield pricing has enabled to materially increase loan production margins vs last year, and this across all segments.

- **Savings and Investments** also performed strongly despite the difficult financial market context, reaching an outstanding stock of EUR 155.9 billion, with a growth of 3% compared to December 2019. This growth was driven by the on-balance sheet products (+EUR 5.9 billion in 1H 2020), in a context of high uncertainty, economic turmoil and low interest rates environment. The off-balance sheet investments were negatively impacted by the market evolution, however enjoying also positive organic growth, and decreased all together by EUR 0.8 billion. Likewise, the life insurance reserves for investment products decreased by EUR 0.7 billion, as Branch 23 reserves were also impacted by negative market evolutions.
- **Non-Life GWP** continued to grow (+0.9%), driven by RCI (+4.3%), especially in the Bancassurance channel (+11.4%). The Non-Life GWP in PCI continued to reduce (-15%), in line with our run-off strategy.
- Total **Life Production** (GWP + transfers) decreased strongly (-18.4%), essentially in Branch 23 and Financial products, as a consequence of the Covid-19 crisis impact on equity markets and the persistent low interest rates environment.
- Continued success of our digital strategy, with the number of **Active mobile users** reaching EUR 1,495 million at the end of 1H 2020, up 5.6% compared to year end 2019.

Economic turmoil resulting from the Covid-19 pandemic has impacted the financial performance in 1H 2020.

Consolidated **net income** 1H 2020 reached EUR 21 million, much lower than in 1H 2019 (EUR 304 million), mainly due to impact of the Covid-19 crisis on cost of risk and on fair values through P&L (accounted for in other income and in life insurance income), while net interest income, fee & commission income as well as non-life insurance income remained solid. The operational costs ended up in line with 1H 2019 level. The contribution to the profit 1H 2020 of Belfius Bank and Belfius Insurance is EUR -68 million and EUR +89 million respectively.

1H 2020 **total income** amounted to EUR 1,132 million, EUR 23 million lower than 1H 2019.

- Still growing **net interest income bank** (EUR 779 million in 1H 2020 vs EUR 738 million in 1H 2019) thanks to higher outstanding loans with, on average, a higher margin more than offsetting the negative impact from lower interest rates and higher non-maturing deposits in 1H 2020. The negative impact (upfront modification loss) from the moratorium on mortgage loans amounted to EUR 9.5 million in 1H 2020. The net interest income bank was also supported by the large restructuring of a specific corporate leasing file.
- Higher **net fee and commission income bank** (EUR 302 million in 1H 2020 vs EUR 268 million in 1H 2019), mainly due to higher management fees and entry fees.
- Strong increase of **non-life insurance income** (EUR 129 million in 1H 2020 vs EUR 90 million in 1H 2019) thanks to a better NCR as a consequence of the Covid-19 lockdown period and related lower claims frequencies in some branches.
- Lower **life insurance income** (EUR 115 million in 1H 2020 vs EUR 171 million in 1H 2019), due to the negative impact on financial results on life insurance reserves' investments, particularly from financial instruments accounted for in fair value through P&L.
- **Other income** amounted to EUR -193 million in 1H 2020, a strong decrease from the level in1H 2019 (EUR -112 million). Although other income includes the capital gain for the bank on the (partial) sale of buildings (EUR 23 million), this was more

than offset by the bank levies for the year (EUR 222 million in 1H 2020 versus EUR 205 million in 1H 2019) and the negative impact of items booked at fair value through P&L due to the widening of the credit and funding spreads in 1Q 2020.

Costs are broadly stable (EUR 711 million in 1H 2020 vs EUR 710 million in 1H 2019), despite increasing investments in data and digitalization innovation efforts, thanks to lower FTE and costs savings from operations impacted by the Covid-19 crisis.

Cost-income ratio stood at 63% in 1H 2020, compared to 61% in 1H 2019.

Overall, in current challenging macro-economic context, Belfius is still able to further grow its net interest income, net fee and commission income and non-life insurance income, and to contain its operating costs, leading to an overall resilient **pre-provision income** (before credit cost risk) of EUR 421 million in 1H 2020 (vs EUR 445 million in 1H 2019), even considering the negative impacts from the financial markets' turmoil (especially in 1Q 2020), impacting negatively fair value of financial instruments accounted in fair value through P&L.

In light of the Covid-19 crisis, Belfius made a detailed analysis of its credit risk portfolio and increased its IFRS 9 provisions materially in line with the strongly deteriorated economical environment, leading to a **cost of risk** through P&L strongly increasing from EUR 30 million in 1H 2019 to EUR 393 million in 1H 2020 (or approximately 30 bps of the outstandings[(1)]), of which EUR 311 million (24 bps) can economically be labeled as our current best estimate "ex-ante provisioning" of expected losses due to the effects of the Covid-19 crisis.

As a result, the **net income before taxes** amounted to EUR 26 million in 1H 2020, compared to EUR 414 million in 1H 2019.

The **tax expenses** amounted to EUR 5 million in 1H 2020 compared to EUR 110 million in 1H 2019, mainly due to lower taxable profit in entities of Belfius. The ETR in 1H 2020 stood at 19%.

As a consequence, **consolidated net income** 1H 2020 reached EUR 21 million, much lower than in 1H 2019 (EUR 304 million).

Still solid solvency ratios and sound liquidity position.

→ **CET 1-ratio** amounted to 15.5% end of June 2020, down 33 bps compared to end 2019. This evolution is explained by a decrease of the CET 1 capital (-26 bps) and a limited increase of the regulatory risk exposures (-7 bps).
→ **Total capital ratio** amounted to 19.0% end of June 2020, compared to 19.2% end 2019.
→ **Leverage ratio** amounted to 5.6% end of June 2020, slightly lower than end 2019 (6.0%).
→ **LCR** and **NSFR** stand at 134% and 122% respectively.
→ **Solvency II-ratio** for Belfius Insurance equals a solid 215% at the end of June 2020.

Total shareholders' equity (Net Asset Value) amounted to EUR 9.7 billion at the end of June 2020 (versus close to EUR 10 billion at the end of December 2019).

(1) Calculated as the 1H 2020 YTD cost of risk divided by average
→ Loans and advances due from credit institutions (excl. cash collateral) and from customers measured at amortized costs,
→ Debt securities and equity instruments measured at amortized costs and at FV through OCI (excl. participations and equity) and
→ Guarantees granted.

Covid-19 crisis

Since the first months of 2020, the Covid-19 pandemic has massively disrupted the world in many respects, including from a social and economic point of view, on top of its dramatic sanitary impacts.

Belgium has also been severely affected by the Covid-19. The authorities announced on 17 March a nationwide lockdown, requesting individuals to stay at home and companies to implement homeworking whenever possible. This lockdown was maintained until 4 May. Since then, the authorities have regularly adapted the measures and restrictions, depending on the evolution of the situation.

Belfius reacted very early on to the Covid-19 situation by first designing a crisis governance, with daily and weekly crisis Management Board meeting since February 2020, in order to address all key aspects of Belfius' general functioning, including:

- the operational risks, especially for safeguarding the health of our staff and the business continuity of our services towards our customers,
- and the financial risks, including the impacts on the financial markets, on liquidity and solvency, on credit risks and profit & loss accounts.

With regard to the operational aspects, Belfius was fully ready for the lockdown and the subsequent homeworking mode, including from an IT viewpoint. The branch network remained open, although direct interactions were carried out under strict conditions. As expected, the incoming calls (either to the branches or to our call center Belfius Connect) significantly increased during the lockdown. In addition, customers also shifted a lot of their banking interactions to the digital channels. As an example, the number of investment transactions signed digitally more than doubled from former levels during the Covid-19 crisis.

The Covid-19 pandemic and the subsequent lockdown measures are also having a far-reaching impact on the financial situation of the businesses and individuals across the country. To help mitigate these impacts, the Belgian federal government quickly installed an economic task force responsible for reducing the economic consequences of the Covid-19 virus pandemic leading to two different programmes designed to support the individuals, self-employed and businesses affected by the Covid-19 crisis : a Payment Holiday scheme for different loan types and two Guarantee Schemes for certain new loans.

Since the beginning of the Covid-19 crisis, Belfius has played a prominent role in these schemes. During 1H 2020:

- Support to customers through deferment of payment on 16,166 mortgage loans (total portfolio of EUR 1.6 billion). In addition, contractual payment deferments were also granted to customers on 8,331 mortgage loans (total portfolio of EUR 918 million);
- Support to business and corporate customers through deferment of payment on 24,261 loans and 14,483 leasing contracts (total portfolio of EUR 4.3 billion and EUR 818 million respectively);
- In addition, 491 of so-called Covid-19 loans – under the Guarantee Schemes – were granted to business and corporate customers (for a total of EUR 329 million).

On the insurance side, Belfius Insurance also executed support to its customers, including through the delay of premium payments (especially on insurance policies related to mortgage loans) and extended covers (a.o. for health care facility volunteers and for the delivery / take away activity).

For more detailed information on impacts of Covid-19 we refer to the dedicated Financial Results and Risk Management chapters.

As explained in detail further in this report, Belfius was of course not immune to the sharp decline in economic activity, the volatility of the financial markets, the widening of credit spreads and the increased cost of risk. Its 1H 2020 financials have been materially impacted, a.o. with following specifically Covid-19 related(1) elements:

- A credit cost of EUR 393 million based on the IFRS 9 expected credit losses analysis. The underlying macro-economic factors and scenarios led to a cost of risk of EUR 145 million. The management overlays on expected credit losses for certain risk pockets that were particularly hit by the Covid-19 pandemic added a further EUR 167 million. Finally, EUR 81 million were booked for a limited number of corporate clients that migrated to stage 3 in 1H 2020.
- A modification loss of EUR 9.5 million was accounted for as a result of the payments deferments granted on mortgages loans for so-called "vulnerable clients", following the moratorium granted on mortgage loans.
- The net income from financial instruments measured at fair value through profit or loss was negatively impacted, following the negative impact of the Covid-19 outbreak on credit spreads as well as equity markets.

(1) This list does not intend to be complete, but to give a first high level summary. Moreover, some elements mentioned could be directly linked to other factors than the Covid-19 crisis, as for instance some migration of loan files to stage 3.

Financial results

Preliminary notes to the condensed consolidated interim financial statements

1. Changes to the scope of consolidation

Belfius continuously looks for opportunities to extend its ecosystem and services beyond banking and insurance.

In June 2020, Belfius acquired 32.63% in Skipr, a mobility software solution for professionals which enables its users to manage, plan, book and pay for their mobility requirements. The investment is consolidated using the equity method as from June 2020. Belfius also announced it will become a reference shareholder of Immovlan, an innovative real estate platform, by acquiring a 30% equity stake, to become effective towards the end of the third quarter of 2020. These investments enable Belfius to create partnerships around two of its major strategic focus areas, namely Mobility and Home.

Belfius Insurance injected an additional EUR 3 million into Jane on 22 January 2020, which increased its shareholding to 87.97%. Belfius Insurance also increased its shareholding in Jaimy to 79.95% with a capital injection of EUR 0.5 million on 16 June 2020. Note that Belfius Insurance injected an additional EUR 2.5 million into Jaimy on 15 July 2020 which increased its shareholding to 89.19%. The capital increases ensure that these entities can further develop and commercially expand in their respective markets.

The real estate company Immo Saint Michel was purchased by Belfius Insurance and is fully consolidated since March 2020.

The real estate company Philadelphus was purchased by Belfius Insurance and is fully consolidated since June 2020.

The investment company Auxipar changed its name to Capline on 4 February 2020.

2. Fundamentals of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements of Belfius are prepared in accordance with IAS 34 Interim Reporting as adopted by the EU. The condensed consolidated interim financial statements are prepared on a going-concern basis.

Analysis of the condensed consolidated interim balance sheet

Summarised condensed consolidated interim balance sheet

(In millions of EUR)	31/12/19	*Contribution Bank into group[1]*	*Contribution Insurance into group[1]*	30/06/20	*Contribution Bank into group[1]*	*Contribution Insurance into group[1]*	Evolution
TOTAL ASSETS	172,439	*154,215*	*18,225*	188,471	*170,906*	*17,565*	+16,032
Of which							
Cash and balances with central banks	6,716	*6,716*	*0*	18,708	*18,708*	*0*	+11,992
Loans and advances due from credit institutions	16,208	*16,169*	*39*	14,405	*14,361*	*44*	-1,803
A. Measured at amortised cost	16,208	*16,169*	*39*	14,405	*14,361*	*44*	-1,803
Loans and advances	94,944	*90,440*	*4,504*	98,748	*94,158*	*4,590*	+3,803
A. Measured at amortised cost	93,391	*88,913*	*4,479*	97,275	*92,711*	*4,564*	+3,883
C. Measured at fair value through profit or loss	1,553	*1,528*	*25*	1,473	*1,447*	*26*	-80
Debt securities & equity instruments	29,490	*17,591*	*11,898*	30,095	*18,497*	*11,597*	+605
A. Measured at amortised cost	22,476	*16,443*	*6,034*	23,472	*17,341*	*6,131*	+996
B. Measured at fair value through other comprehensive income	5,257	*216*	*5,041*	4,948	*193*	*4,756*	-309
C. Measured at fair value through profit or loss	1,756	*933*	*823*	1,674	*964*	*710*	-82
Unit linked products insurance activities	3,671	*0*	*3,671*	3,829	*0*	*3,829*	+157
Derivatives	13,305	*13,304*	*1*	14,335	*14,327*	*8*	+1,030
TOTAL LIABILITIES	161,933	*144,515*	*17,419*	178,201	*161,343*	*16,858*	+16,268
Of which							
Cash and balances from central banks	4,017	*4,017*	*0*	13,079	*13,079*	*0*	+9,062
Credit institutions borrowings and deposits	5,819	*5,802*	*18*	7,122	*7,111*	*11*	+1,303
A. Measured at amortised cost	5,819	*5,802*	*18*	7,122	*7,111*	*11*	+1,303
Customer borrowings and deposits	85,450	*85,450*	*0*	92,494	*92,494*	*0*	+7,045
A. Measured at amortised cost	85,397	*85,397*	*0*	92,441	*92,441*	*0*	+7,044
B. Measured at fair value through profit or loss	53	*53*	*0*	53	*53*	*0*	+1
Debt securities issued and other financial liabilities	27,655	*27,654*	*1*	25,155	*25,155*	*1*	-2,499
A. Measured at amortised cost	19,342	*19,341*	*1*	17,107	*17,106*	*1*	-2,235
B. Measured at fair value through profit or loss	8,313	*8,313*	*0*	8,048	*8,048*	*0*	-264
Unit linked products insurance activities	3,671	*0*	*3,671*	3,829	*0*	*3,829*	+157
Derivatives	18,630	*18,626*	*4*	20,502	*20,484*	*18*	+1,872
Provisions for insurance activities	13,180	*0*	*13,180*	12,496	*0*	*12,496*	-684
Subordinated debts	1,157	*1,157*	*0*	1,148	*1,148*	*0*	-9
A. Measured at amortised cost	1,157	*1,157*	*0*	1,148	*1,148*	*0*	-9
TOTAL SHAREHOLDERS' EQUITY	9,984	*9,203*	*781*	9,746	*9,066*	*680*	-238
Of which							
Shareholders' core equity	9,348	*9,141*	*208*	9,320	*9,049*	*271*	-29
Gains and losses not recognised in the statement of income	636	*62*	*573*	426	*18*	*408*	-209
TOTAL EQUITY	10,506	*9,700*	*806*	10,270	*9,564*	*706*	-236
of which							
Total shareholders' equity	9,984	*9,203*	*781*	9,746	*9,066*	*680*	-238
Additional Tier-1 instruments included in equity	497	*497*	*0*	497	*497*	*0*	0
Non-controlling interests	25	*0*	*25*	27	*0*	*27*	+2

(1) Information based on non-audited figures

Total assets increased by EUR 16.0 billion, or 9.3%, from EUR 172.4 billion for the year ended 31 December 2019 to EUR 188.5 billion as at 30 June 2020. The total assets are composed of EUR 170.9 billion for the Belfius Banking Group (compared to EUR 154.2 billion at 31 December 2019) and EUR 17.6 billion for the Belfius Insurance Group (compared to EUR 18.2 billion at 31 December 2019). These amounts represent the contribution of the Banking and Insurance Groups to the consolidation scope and do not reflect their respective stand alone total assets.

The increase in assets primarily stems from the increase in cash deposit with central banks, as well as higher volumes in corporate and mortgage loans. Derivatives also increased as a result of lower interest rates compared to the 2019 year-end, with a corresponding increase in the related collaterals in "Loans and advances due from credit institutions". From a liability perspective our funding increased mainly due to additional TLTRO-funding and the organic growth of sight and savings accounts.

1. Assets

1.1. Cash and balances with central banks

Cash and balances with central banks increased by EUR 12.0 billion to EUR 18.7 billion (31 December 2019: EUR 6.7 billion). Belfius deposits part of the cash at the National Bank of Belgium, taking into account its liquidity management requirements.

1.2. Loans and advances due from credit institutions

Loans and advances due from credit institutions decreased with EUR 1.8 billion, 11.1%, to EUR 14.4 billion (31 December 2019: EUR 16.2 billion). The decrease in reverse repurchase agreements of EUR 2.9 billion due to money market movements was partially offset by an increase of cash collateral paid of EUR 1.0 billion, in line with the fair value changes of derivatives.

1.3. Loans and advances

Loans and advances increased by EUR 3.8 billion, 4.0%, to EUR 98.7 billion (31 December 2019: EUR 94.9 billion), stemming from an increase in commercial assets of EUR 2.5 billion (mainly term and mortgage loans) in line with our strategy to further develop our commercial franchise and to support the Belgian economy. Reverse repurchase agreements also increased with EUR 1.4 billion during this period to support the public sector during the Covid-19 crisis

Certain loans do not pass the SPPI-test and are therefore measured at fair value through profit or loss, and mostly relate to loans to the public and social sector with specifically structured interest rate features.

The asset quality ratio, indicating the ratio between impaired (stage 3) loans and advances and the gross outstanding loans and advances, increased slightly from 1.96% at 31 December 2019 to 1.97 % at 30 June 2020 (see chapter on Risk for additional information).

1.4. Debt securities and equity instruments

The Belfius Banking Group contributed EUR 18.5 billion (31 December 2019: EUR 17.6 billion) to the debt securities and equity instruments portfolio and the Belfius Insurance group contributed EUR 11.6 billion (31 December 2019: EUR 11.9 billion).

The debt securities measured at amortised cost increased with EUR 1.0 billion, 4.4%, to EUR 23.5 billion (31 December 2019: EUR 22.5 billion) following investments in Belgian short-term treasury bonds at Belfius Bank as well as reinvestments in government bonds at Belfius Insurance.

The financial assets measured at fair value through other comprehensive income decreased by EUR 0.3 billion, 5.9%, to EUR 4.9 billion (31 December 2019: EUR 5.3 billion), and this is ascribed to the disposal of some equity instruments as well as to negative fair value adjustments on debt and equity instruments following higher credit spreads and declining stock markets compared to the 2019 year-end.

The debt securities measured at fair value through profit or loss decreased by EUR 0.1 billion, 4.6%, to EUR 1.7 billion (31 December 2019: EUR 1.8 billion) due to some disposals out of the portfolio and to negative fair value adjustments.

1.5. Unit linked products insurance activities

Unit linked products within our insurance activities (Branch 23) increased with EUR 0.2 billion, 4.3%, to EUR 3.8 billion (31 December 2019: EUR 3.7 billion), resulting from new cash and from transfers of client investments from Branch 21 contracts coming to maturity, partially offset by negative fair value movements.

1.6. Derivatives

Derivatives increased by EUR 1.0 billion, 7.7%, to EUR 14.3 billion, (31 December 2019: EUR 13.3 billion), stemming from the lower interest rate environment compared to the 2019 year end. The total LCH offsetting amounted to EUR 8.4 billion end June 2020, compared to EUR 7.2 billion end 2019.

2. Liabilities

Total liabilities increased by EUR 16.3 billion, 10.0%, to EUR 178.2 billion (31 December 2019: EUR 161.9 billion), resulting from an increase in funding sources in "Deposits", as well as a shift from "Debt securities issued" towards "Deposits". "Derivatives" also increased following the lower interest rate environment compared to year end 2019.

2.1. Cash and balances from central banks

Cash and balances from central banks increased by EUR 9.1 billion to EUR 13.1 billion (31 December 2019: EUR 4.0 billion). At the end of 2019, Belfius had an outstanding TLTRO II and TLTRO III participation of respectively EUR 1.2 billion and EUR 2.8 billion. Belfius drew an additional EUR 10.2 billion TLTRO III in 2020 and repaid the outstanding TLTRO II, resulting in a total TLTRO III participation of EUR 13.0 billion as at 30 June 2020.

2.2. Credit Institutions borrowings and deposits

Credit Institutions borrowings and deposits increased with EUR 1.3 billion, 22.4%, to EUR 7.1 billion (31 December 2019: EUR 5.8 billion), resulting from an increase in repurchase agreements due to money market movements, and demand deposits.

2.3. Borrowings and deposits

Borrowings and deposits increased by EUR 7.0 billion, 8.2%, to EUR 92.5 billion (31 December 2019: EUR 85.4 billion), mainly due to strong organic growth of sight and savings accounts, partly as results of Covid-19 related increase in the savings rate in the Belgian market.

2.4. Debt securities issued and other financial liabilities

Debt securities issued and other financial liabilities decreased with EUR 2.5 billion, 9.0%, to EUR 25.2 billion (31 December 2019: EUR 27.7 billion).

The debt securities measured at amortised cost decreased by EUR 2.2 billion, 11.6%, to EUR 17.1 billion (31 December 2019: EUR 19.3 billion), mainly due to the maturity of EUR 1.4 billion certificates of deposit and EUR 0.5 billion customer saving certificates. Covered bonds to the value of EUR 0.8 billion matured in 2020, partially compensated by the issuance of EUR 0.5 billion covered bonds in January 2020.

The debt securities measured at fair value through profit or loss decreased with EUR 0.3 billion, 3.2%, to EUR 8.0 billion (31 December 2019: EUR 8.3 billion), following maturities in the portfolio as well as negative fair value adjustments.

2.5. Derivatives

Derivatives increased by EUR 1.9 billion, 10.0%, to EUR 20.5 billion (31 December 2019: EUR 18.6 billion) stemming from the low interest rate environment compared to year end 2019. The total LCH offsetting amounted to EUR 8.4 billion end June 2020, compared to EUR 7.2 billion end 2019.

2.6. Provisions for insurance activities

The gross technical reserves for Life decreased with EUR 691 million, 5.8%, to EUR 11.2 billion (31 December 2019: EUR 11.9 billion). In the current low interest rate environment, a continued shift can be noted from Branch 21 products towards alternative investment forms such as Branch 23 or Branch 44 products. As a result, a substantial part of the Branch 21 investment contracts coming at maturity are not reinvested in new Branch 21 investment contracts.

The profit sharing reserve decreased by EUR 16 million to EUR 111 million (31 December 2019: EUR 127 million) following the incorporation of the provision of previous year into the mathematical reserves. For the current year, the dotation has been limited to what is contractually foreseen (mainly segregated funds) in line with the guidance of the NBB.

The dedicated reserves due to shadow accounting adjustments increased by EUR 87 million, mainly explained by the decrease in the fair value of the loans and debt instruments following the Covid-19 pandemic and the duration gap between reserves and covering assets.

Belfius Insurance has used the results of the liability adequacy test (LAT) to assess the adequacy of its technical provisions for low interest rates and other risks which demonstrated that the technical provisions were sufficient.

The technical provision for non-life products increased with EUR 7 million, 0.5%, to EUR 1.3 billion (31 December 2019: EUR 1.3 billion) mainly due to an increase in provisions for unearned premiums as the first semester of the year is characterised by important due dates within Belfius Insurance. A decrease in the claims provisions can be observed related to the confinement period following the Covid-19 crisis which positively impacted the loss results. In 1H 2020, Belfius recorded a release of EUR 13 million of claims provisions in line with the risk appetite framework.

2.7. Subordinated debts

Subordinated debts decreased by EUR 9 million, 0.8%, to EUR 1.1 billion (31 December 2019: EUR 1.2 billion).

3. Equity

Total equity decreased by EUR 236 million, 2.2%, to EUR 10.3 billion (31 December 2019: EUR 10.5 billion). This is mainly attributable to the decrease of EUR 209 million in gains and losses not recognised in the statement of income due to higher credit spreads and declining equity markets, partially offset by the low interest rate environment. A total of EUR 44 million (after tax) of realised losses on equity instruments was accounted for in 1H 2020 (mainly at Belfius Insurance). The profit for the period amounts to EUR 21 million.

3.1. Shareholders' core equity

Shareholders' core equity decreased with EUR 29 million, 0.3%, to EUR 9.3 billion (31 December 2019: EUR 9.3 billion). The decrease was mainly due to the realised results on equity instruments that are accounted for directly in retained earnings. A total of EUR 44 million (after tax) of realised losses on such transactions was reported in June 2020 (mainly at Belfius Insurance), partially offset by the profit for the period of EUR 21 million. The payment on Additional Tier 1 amounted to EUR 6 million (after tax).

3.2. Gains and losses not recognised in the statement of income

Gains and losses not recognised in the statement of income decreased by EUR 209 million, 32.9%, to EUR 426 million (31 December 2019: EUR 636 million). The contribution of the Belfius Banking Group amounted to EUR 18 million (decrease of EUR 44 million) and the Belfius Insurance Group to EUR 408 million (decrease of EUR 165 million).

The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 72 million, 21.5%, to EUR 264 million (31 December 2019: EUR 337 million) and stems from higher credit spreads and realised gains resulting from disposals by Belfius Insurance as well as the recognition in application of shadow accounting of EUR 59 million (after tax), partially offset by lower interest rates compared to last year.

The fair value of equity instruments measured at fair value through other comprehensive income decreased with EUR 115 million, 43.9%, to EUR 147 million (31 December 2019: EUR 263 million), due to declining stock markets following the Covid-19 pandemic and the recognition in application of shadow accounting of EUR 7 million (after tax), balanced by some disposals.

Gains (losses) on cash flow hedges decreased with EUR 14 million to EUR -96 million (31 December 2019: EUR -82 million), mainly due to the changes in basis spreads on derivative positions in GBP and USD.

The remeasurement of defined benefit plans decreased with EUR 7 million, 8.9%, to EUR 77 million (31 December 2019: EUR 84 million), due to the negative return on plan assets, partially compensated by a slight increase in the discount rate.

The discretionary participation feature of insurance contracts increased with EUR 1 million, 1.6%, to EUR 34 million (31 December 2019: EUR 33 million). The total amount of future profit sharing amounts to EUR 149 million. An amount of EUR 102 million was recorded through the statement of income compared to EUR 103 million at year-end 2019. The remaining EUR 34 million (after tax) is accounted via equity.

3.3. Additional Tier-1 instruments included in equity

There is no variation in the value of the additional Tier 1 issue.

Analysis of the condensed consolidated interim statement of income

Summarised condensed consolidated interim statement of income

(In millions of EUR)	30/06/19	Contribution Bank into group[1]	Contribution Insurance into group[1]	30/06/20	Contribution Bank into group[1]	Contribution Insurance into group[1]	Evolution
INCOME	1,155	*872*	*283*	1,132	*872*	*259*	-2.0%
Of which							
Net interest income	945	*738*	*207*	982	*779*	*203*	+3.9%
Net income from financial instruments at fair value through profit or loss	58	*54*	*4*	(52)	*(15)*	*(36)*	-
Net income on investments and liabilities	54	*(2)*	*56*	59	*20*	*39*	+7.9%
Net fee and commission income	276	*268*	*8*	311	*302*	*10*	+12.8%
Technical result from insurance activities	(26)	*0*	*(26)*	30	*0*	*30*	-
Other income and expense	(200)	*(197)*	*(3)*	(231)	*(222)*	*(9)*	-15.5%
EXPENSES	(710)	*(589)*	*(121)*	(711)	*(586)*	*(124)*	+0.1%
GROSS INCOME	445	*284*	*162*	421	*286*	*135*	-5.5%
Impairments on financial instruments and provisions for credit commitments	(30)	*(34)*	*4*	(393)	*(387)*	*(5)*	-
Impairments on tangible and intangible assets	0	*0*	*0*	(2)	*0*	*(2)*	-
NET INCOME BEFORE TAX	414	*249*	*166*	26	*(101)*	*127*	-93.8%
Tax (expense) income	(110)	*(70)*	*(40)*	(5)	*34*	*(39)*	-95.5%
Attributable to non-controlling interests	0	*0*	*0*	(1)	*0*	*(1)*	-
NET INCOME GROUP SHARE	304	*179*	*126*	21	*(68)*	*89*	-92.9%

(1) Information based on non-audited figures

1. Income

Total income decreased with EUR 23.5 million, 2.0%, to EUR 1,132 million (30 June 2019: EUR 1,155 million). Belfius Banking Group contributed EUR 872 million (30 June 2019: EUR 872 million), and Belfius Insurance Group contributed EUR 259 million (30 June 2019: EUR 283 million).

1.1. Net interest income

Net interest income increased by EUR 37.0 million, 3.9%, to EUR 982 million (30 June 2019: EUR 945 million), mainly due to higher volumes in commercial assets combined with a strict pricing discipline despite the pressure of the lower interest rate environment (especially on non maturing deposits interest margins), lower outstandings in Branch 21, and also reinvestments at lower market yields. 1H 2020 was also positively impacted by a large restructuring of a specific corporate leasing file. Finally, a modification loss of EUR 9.5 million was recognised in 1H 2020 as a result of the relief granted to vulnerable clients, following the moratorium granted on mortgage loans. The mortgage loans of vulnerable clients are merely extended with the deferred period without make whole for lost value. As a result, the present value of the lost time value needs to be recognised upfront for these loans.

1.2. Net income from financial instruments measured at fair value through profit or loss

Net income from financial instruments measured at fair value through profit or loss decreased with EUR 109.4 million to EUR -52 million (30 June 2019: EUR 58 million), following the negative impact of the Covid-19 outbreak on credit spreads as well as equity markets.

Belfius is managing basis risks through additional derivatives (economic hedges for basis risks) for which no hedge accounting is set up.

1.3. Net income on investments and liabilities

Net income on investments and liabilities increased by EUR 4.3 million, 7.9%, to EUR 59 million (30 June 2019: EUR 54 million).

In 1H 2020, Belfius Insurance realised EUR 22 million from the sale of bonds in order to manage its duration gap. In 1H 2019, EUR 56 million realised gains were recorded at Belfius Insurance.

In 1H 2020, Belfius realised EUR 40 million of capital gains on the sale of tangible fixed assets, mainly on the partial sale of the Galilee building.

1.4. Net fee and commission income

Net fee and commission income increased with EUR 35.3 million, 12.8%, to EUR 311 million (30 June 2019: EUR 276 million). The increase was principally attributed to an increase in commission income on asset management fees resulting from higher entry and management fees and higher average outstanding volumes, as well as on the insurance activity due to higher fees in Life and Non-Life.

1.5. Technical result from insurance activities

Technical result from insurance activities Life and Non-Life improved with EUR 56.5 million to a profit of EUR 30 million (30 June 2019: a loss of EUR 26 million).

The technical result from insurance activities Life improved with EUR 15 million. The interest guarantees decreased with EUR 22 million due to the declining outstanding in Life Branch 21 and a decreasing average guaranteed interest rate on the remaining volumes offset by lower mortality results.

In Non-Life, the technical margin improved with EUR 42 million mainly resulting from lower claims charges especially in Car and Worker's Compensation insurance lines relating to the Covid-19 confinement period and some boni on existing claims provisions, especially in Public and Corporate Insurance. Separately the cost for natural catastrophes slightly increased over 2020. Following the reassessment of the technical provisions Non-Life, and in line with the decrease of uncertainties above our Non-Life Risk Appetite Framework, EUR 13 million release of claims provisions was booked in 1H 2020 compared to EUR 5 million in 1H 2019.

1.6. Net other income and expenses

Net other income and expenses decreased with EUR 31.0 million, 15.5%, to a loss of EUR 231 million (30 June 2019: a loss of EUR 200 million).

Belfius has recognised an expense of EUR 237 million in 1H 2020 as sector levies (including the contribution to the Single Resolution Board), an increase of EUR 15 million compared to 1H 2019. Belfius has opted in the past to pay part of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment. This payment commitment was fully covered by cash collateral.

2. Expenses

Expenses increased by EUR 0.8 million, 0.1%, to EUR 711 million (30 June 2019: EUR 710 million), stemming from further investments in human capital, digitalisation and innovation efforts. Belfius combines this with a strict cost control in other domains, leading to an overall controlled increase of expenses, whereby the increase in the costs of depreciations related to our investments is almost fully offset by decreasing operational expenses and network costs.

2.1. Staff expense

Staff expense decreased by EUR 4.4 million, 1.4%, to EUR 301 million (30 June 2019: EUR 305 million), driven by lower full-time equivalent (FTE).

2.2. General and administrative expense

General and administrative expense decreased by EUR 1.2 million, 0.5%, to EUR 245 million (30 June 2019: EUR 247 million), driven by strict cost control notwithstanding the new strategic initiatives which impact the IT expenses.

2.3. Network costs

Network costs decreased by EUR 0.8 million, 0.7%, to EUR 103 million (30 June 2019: EUR 104 million), in line with our continuous decreasing network footprint.

2.4. Depreciation and amortisation of fixed assets

Depreciation and amortisation of fixed assets increased by EUR 7.2 million, 13.3%, to EUR 61 million (30 June 2019: EUR 54 million) following continuous investments in digitalisation and innovation, and the renewal of the core banking and insurance applications. This lead to more own-development costs being capitalised, resulting in increased amortisation of intangible assets.

3. Gross income

Gross income decreased with EUR 24.3 million, 5.5%, to EUR 421 million (30 June 2019: EUR 445 million). Belfius Banking Group contributed EUR 286 million (30 June 2019: EUR 284 million) and Belfius Insurance Group contributed EUR 135 million (30 June 2019: EUR 162 million).

4. Impairments on financial instruments and provision for credit commitments

Impairments on financial instruments and provision for credit commitments increased materially by EUR 362.2 million to EUR 393 million (30 June 2019: EUR 30 million). The evolution of the stage 1 and 2 impairments reflects the update of the underlying macro-economic scenarios and their weights, also in line with EBA guidance, to reflect the changes in the economic environment and perspectives following the Covid-19 crisis. Furthermore, Belfius has applied management overlays on expected credit losses for certain risk pockets in the loan portfolios that were also particularly hit by the Covid-19 pandemic. Additional impairments were also recognised on a limited number of corporate clients that entered stage 3 during 1H 2020.

Belfius reassessed its intangible and tangible assets for the Covid-19 impacts, whereby an impairment of EUR 2 million was enacted on the intangible assets of Jaimy. No other impairments were required.

5. Net income before tax

Net income before tax decreased with EUR 388.5 million, 93.8%, to EUR 26 million (30 June 2019: EUR 414 million). Belfius Banking Group contributed EUR -101 million (30 June 2019: EUR 249 million) and Belfius Insurance Group contributed EUR 127 million (30 June 2019: EUR 166 million).

6. Tax expense

The tax expense, including deferred taxes, decreased with EUR 104.8 million, 95.5%, to EUR 5 million (30 June 2019: EUR 110 million), mainly due to lower taxable profit in entities of Belfius.

A decrease of the effective tax rate to 19.2% can be observed in 1H 2020, compared to 26.5% in 1H 2019.

The net deferred tax income increased by EUR 77.1 million to EUR 70 million (30 June 2019: EUR -7 million), mainly due to temporary differences for fair value adjustments and forward looking impairments.

7. Net income group share

Total net income amounted to EUR 20.8 million and the share attributable to the non-controlling interests amounted to EUR -0.7 million. As a result, the net income attributable to Belfius amounted to EUR 21.5 million (30 June 2019: EUR 304.4 million).

8. Solvency

8.1. Solvency at Bank level

At the end of June 2020, the CET 1-ratio amounted to 15.5%, a decrease of 33 bps compared to the end of 2019. The CET 1-ratio takes into account the positive effects of the Covid-19 regulatory relief measures estimated at 86 bps.

The decrease in CET 1-ratio to 15.5% is the result of negative effects from lower CET 1 capital (-26 bps) and higher total risk exposure (-7 bps).

CET 1 capital amounted to EUR 8,793 million compared with the CET 1 capital of EUR 8,941 million at the end of 2019. The decrease in CET 1 capital of EUR 148 million mainly results from

- the prudential result (EUR -88 million) of the period,
- the decrease of the fair value of the bank's equity portfolio measured at fair value through other comprehensive income of EUR 21 million related to declining stock markets following the Covid-19 pandemic, as well as
- an increase of the additional valuation adjustment of EUR 19 million, mainly due to the increase of model risks partially offset by the Covid-19 regulatory relief measures. The correction for the foreseeable dividend related to the Additional Tier 1 cost remained stable at EUR 3 million (accounting wise to be treated as dividend).

At the end of June 2020, regulatory risk exposure[1] of Belfius amounted to EUR 56,643 million, an increase of EUR 245 million compared to EUR 56,398 million at the end of 2019.

The regulatory credit risk exposure increased by EUR 1,779 million to EUR 44,322 million. New loan production remained strong during the period, mainly in the business banking and corporate segments, while mortgage loan production remained vigorous but was lower than in 2019 which was a record year, also linked to the 2019 decision of the Flemish government to lower the tax benefits on mortgage loans which was concluded after 31 December 2019.

Overall, the volume impact on the whole credit portfolio caused an RWA increase of EUR 2.0 billion in 1H 2020. Since Q1 2020, Belfius is subject to a regulatory add-on due to the new definition of default which was however offset by the extension of the SME supporting factor linked to the entry into force of the regulation EU 2020/873 of 24 June 2020. The impact of the Covid-19 on the credit quality has not materialised so far in RWA. Specific and detailed guidelines have been given to the credit analysts in the renotation or re-rating process to ensure the Covid-19 crisis is adequately taken into account in a harmonised manner within Belfius.

The regulatory risk exposure for Belfius Insurance under the Danish Compromise, decreased by EUR 9 million to EUR 6,859 million.

The regulatory CVA exposure decreased with EUR 627 million due to active management of counterparty credit risk including additional CVA hedges, unwind of uncollateralised swaps with financial counterparts and an increased use of CCP clearing.

The regulatory market risk exposure increased with EUR 252 million to EUR 1,567 million. This increase is mainly due to the volatility on the financial markets caused by the outbreak of the Covid-19 pandemic. However, this increase was mitigated by ECB measures regarding VaR overshootings.

More detailed information is provided in the Capital management chapter.

The regulatory operational risk exposure – based on the standardised approach – remained stable at EUR 3,140 million.

In anticipation of a more stringent regulatory framework, applicable from 2020 onwards, Belfius had included in its 4Q 2019 solvency requirements an additional RWA charge of EUR 1,150 million. This anticipation is no longer relevant as the policy response to the Covid-19 - including the ECB postponement of the issuance of TRIM decisions – have so far relaxed these constraints.

At the end of June 2020, the Tier 1 capital ratio amounted to 16.4%, a decrease of 33 bps compared to the end of 2019. This decrease is following the evolution of the CET 1-ratio since there are no new AT 1 elements.

The total capital ratio amounted to 19.0%, a decrease of 22 bps compared to the end of 2019.

8.2. Solvency at Insurer level

The Solvency II–ratio at 30 June 2020 amounted to 215%, relatively stable compared to year-end 2019 (212%). It remains strong and above the risk appetite trigger of 160%.

Although volatile caused by the Covid-19, the Solvency II-ratio remained in green zone all along the first semester of 2020 thanks to strict management of the financial risks and the liability change (mainly on assumption).

(1) Regulatory Risk Exposure (RRE) also known as Risk Weighted Assets (RWA).

Segment reporting

Analytically, Belfius splits its activities and accounts in three segments: Retail and Commercial (RC), Public and Corporate (PC) and Group Center (GC); with RC and PC containing the key commercial activities of Belfius.

- **Retail and Commercial (RC)**, managing the commercial relationships with individual customers and with small & medium sized enterprises both at bank and insurance level.
- **Public and Corporate (PC)**, managing the commercial relationships with public sector, social sector and corporate clients both at bank and insurance level.
- **Group Center (GC)**, containing the residual results not allocated to the two commercial segments. This mainly consists of results from Bond and Derivative portfolio management.

Please refer also to the operating segment reporting in the Financial Statements. Some figures may not add up due to rounding.

Belfius

BANK & INSURANCE

RETAIL & COMMERCIAL

PUBLIC & CORPORATE

GROUP CENTER

Key figures of the segment reporting (unaudited)

Balance Sheet

(In billions of EUR)	31/12/19		
	Assets	Liabilities	Equity
Retail and Commercial	63.3	84.3	2.8
Public and Corporate	43.4	25.7	2.7
Group Center	65.7	51.9	5.0
TOTAL	**172.4**	**161.9**	**10.5**
of which banking group(1)	154.2	144.5	9.7
of which insurance group(1)	18.2	17.4	0.8

(In billions of EUR)	30/06/20		
Retail and Commercial	64.3	88.1	2.9
Public and Corporate	45.8	27.3	2.8
Group Center	78.4	62.8	4.6
TOTAL	**188.5**	**178.2**	**10.3**
of which banking group(1)	170.9	161.3	9.6
of which insurance group(1)	17.6	16.9	0.7

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

The assets and liabilities allocated to Retail and Commercial (RC) and Public and Corporate (PC) reflect the commercial activities of those business lines. Where RC shows an excess of funding, PC is more asset driven. As a whole, the commercial balance sheet shows a funding excess with a sound 92% loan to deposit ratio at the end of June 2020.

The equity allocated to Retail and Commercial and Public and Corporate is a normative regulatory equity. The normative regulatory equity of the business line is calibrated. The business line's CET 1-ratio is brought at 13.5% taking into account the regulatory risk exposures allocated to the business line and some CET 1 capital deductions allocated to the business line (to a very limited extent, since the most important part of CET 1 capital deductions are allocated to GC).

Key figures of the segment reporting (unaudited)

Statement of income

(In millions of EUR)	1H 2019 Retail and Commercial	Public and Corporate	Group Center	Total
INCOME	864	292	(1)	1,155
EXPENSES	(525)	(116)	(69)	(710)
GROSS OPERATING INCOME	339	176	(70)	445
Cost of risk	(19)	(15)	3	(30)
Impairments on (in)tangible assets	(1)	0	0	0
NET INCOME BEFORE TAX	319	162	(66)	414
Tax (expense) income	(83)	(45)	18	(110)
NET INCOME AFTER TAX	236	117	(48)	305
Non-controlling interests	0	0	0	0
NET INCOME GROUP SHARE	236	117	(49)	304
of which banking group	134	102	(58)	179
of which insurance group(1)	101	15	9	126

(In millions of EUR)	1H 2020 Retail and Commercial	Public and Corporate	Group Center	Total
INCOME	859	287	(14)	1,132
EXPENSES	(526)	(120)	(65)	(711)
GROSS OPERATING INCOME	333	167	(79)	421
Cost of risk	(139)	(278)	24	(393)
Impairments on (in)tangible assets	(2)	0	0	(2)
NET INCOME BEFORE TAX	191	(111)	(55)	26
Tax (expense) income	(50)	28	17	(5)
NET INCOME AFTER TAX	141	(83)	(38)	21
Non-controlling interests	(1)	0	1	(1)
NET INCOME GROUP SHARE	143	(83)	(38)	21
of which banking group	66	(92)	(41)	(68)
of which insurance group(1)	77	9	3	89

(1) Note that the statement of income represents the contribution of the Belfius Insurance group to the consolidated statement of income.

Retail and Commercial (RC)

1. Commercial performance RC in 1H 2020

The commercial activity continues to show excellent dynamics. In this Covid-19 crisis environment, we saw a very strong increase in Savings and Investments' outstandings of RC customers reaching EUR 117.0 billion with a growth of EUR 2.8 billion in 1H 2020, stemming as expected during such uncertain crisis-times from the large increase in Non Maturing Deposits (saving and sight accounts).

On-balance sheet deposits amounted EUR 76.1 billion on 30 June 2020, up +6.0% from the end of 2019. This was driven by good growth in the funds deposited in current and savings accounts, which reached EUR 18.0 billion (+17.1%) and EUR 49.6 billion (+5.3%) respectively at the end of June 2020. The investments in term products continued to decrease: -35.8% for savings certificates and -34.0% for term accounts.

Off-balance sheet investments have held up well and amounted to EUR 30.7 million on 30 June 2020, with a limited decrease of 2.8% over 1H 2020, despite the economic turmoil, unfavourable market conditions and market volatility.

Life insurance reserves for investment products amounted to EUR 10.2 billion, down 6.3% compared to the end of 2019. Investments in Branch 21 life insurance guaranteed products decreased due to the low interest rates environment, but that drop was partially offset by an increase in Branch 23 unit-linked products.

Total loans to RC customers rose strongly to EUR 54.8 billion at the end of June 2020. The increase occurred mainly in mortgage loans (+2.8% vs end of 2019) and business loans (+4.0%). Mortgage loans, which account for two thirds of all loans, amounted to EUR 36.5 billion at the end of June 2020, while consumer loans and business loans stood at EUR 1.7 billion and EUR 16.1 billion respectively.

New long term loans granted to retail and commercial clients during 1H 2020 amounted to EUR 5.4 billion compared to EUR 5.8 billion in 1H 2019. In 1H 2020, the

Retail and Commercial (Unaudited)

(in billions of EUR)	31/12/19	30/06/20	Evolution
TOTAL SAVINGS AND INVESTMENTS	114.2	117.0	+2.4%
DEPOSITS	71.8	76.1	+6.0%
Savings accounts	47.1	49.6	+5.3%
Savings certificates	1.3	0.8	-35.8%
Bonds issued by Belfius	7.6	7.4	-3.1%
Current accounts	15.4	18.0	+17.1%
Term accounts	0.3	0.2	-34.0%
OFF-BALANCE SHEET INVESTMENTS	31.6	30.7	-2.8%
LIFE INSURANCE RESERVES(1)	10.9	10.2	-6.3%
Capital guaranteed products (Branch 21)	5.9	5.0	-14.6%
Unit-linked products (Branch 23)	2.6	2.8	+7.4%
Combination of capital guaranteed and unit-linked products (Branch 44)	2.4	2.4	-0.6%
o.w. capital guaranteed products	1.4	1.4	+1.5%
o.w. unit-linked products	1.0	1.0	-3.4%

(1) Investment products.

Retail and Commercial (Unaudited)

(in billions of EUR)	31/12/19	30/06/20	Evolution
TOTAL LOANS TO CUSTOMERS	53.2	54.8	+3.0%
Mortgage loans	35.5	36.5	+2.8%
Consumer loans	1.8	1.7	-1.4%
Business loans	15.4	16.1	+4.0%
Other retail loans	0.4	0.4	+0.2%

Retail and Commercial (Unaudited)

(in billions of EUR)	31/12/19	30/06/20	Evolution
TOTAL LIFE INSURANCE RESERVES[1]	13.0	12.3	-5.1%
Guaranteed products (Branch 21/26)	9.3	8.5	-8.8%
Unit-Linked (Branch 23)	3.6	3.8	+4.3%

(1) Investment products and insurance products.

new production of mortgage loans slightly decreased from EUR 3.1 billion in 1H 2019 to EUR 2.9 billion. During the same period, EUR 2.2 billion in new long-term business loans were granted, in line with 1H 2019.

Total insurance gross written premiums from customers in the Retail and Commercial segment amounted to EUR 661 million in 1H 2020, compared to EUR 770 million in 1H 2019, a decrease of 14%.

Life insurance production[1] stood at EUR 809 million in 1H 2020[2], a decrease of 20% compared to 1H 2019[3]. The Covid-19 crisis and low interest rates (guaranteed rates at a historical low level) have weighted on the sales of investment products (including on Branch 21, on Branch 44 and 23). 1H 2019 had also benefited from a record production in Branch 23 products investing in Belfius Bank (structured) bond issuances.

Non-life insurance gross written premiums in 1H 2020 stood at EUR 329 million, up 4.3% compared to 1H 2019, mainly thanks to the bank distribution channel (increase by more than 11.4%).

The "one-stop-shopping" concept of Belfius continued to work effectively. The mortgage loan cross-sell ratio for property insurance stood at 84.7% in 1H 2020 stable comparted to 1H 2019. With a ratio of 134% in 1H 2020 Belfius also continued to show a solid mortgage loan cross-sell ratio for credit balance insurance (although slightly decreasing compared to 1H 2019 at 138%).

Total Life insurance reserves in the Retail and Commercial segment amounted to EUR 12.3 billion, a decrease of 5.1% since the end of 2019 at EUR 13.0 billion. Unit-linked reserves (Branch 23) increased by 4.3% (however impacted by negative market effect due to Covid-19 crisis), while traditional guaranteed life reserves (Life Branch 21/26) decreased by 8.8%, demonstrating the ongoing life product mix transformation from guaranteed products to unit-linked products.

Belfius continues to set the pace in **mobile banking** in Belgium and further developed its **digitally supported business model**. On 30 June 2020, Belfius apps for smartphones and tablets had 1,495,000 users (+5.6% compared to end of 2019) and were consulted by these customers on average (slightly more than) once a day. The very high satisfaction figures show that continuous innovation, combined with our focus on user-friendliness and usefulness for the customer pays off.

Belfius continues to extend the functionalities of its direct channels. In 1H 2020, 70% of the new pension saving contracts, 45% of the new credit cards and 37% of the new savings accounts were subscribed via direct channels.

(1) Gross Written Premiums and transfers.
(2) Of which EUR 331 million Gross Written Premiums and EUR 477 million transfers.
(3) Of which EUR 454 million Gross Written Premiums and EUR 552 million transfers.

2. Financial results RC in 1H 2020

RC net income after tax decreased strongly from EUR 236 million in 1H 2019 to EUR 143 million in 1H 2020.

In 1H 2020, **total income** amounted to EUR 859 million, down -0.6% compared to 1H 2019, demonstrating the resilience of Belfius RC's business model in the context of the Covid-19 crisis and adverse interest rate environment.

- Net interest income of RC at the bank amounted to EUR 415 million, a slight decrease of -2%, driven by margin pressure on non-maturing deposits, partially compensated by strong RC loan volume growth at margins still slightly above margins in the RC loan stock.
- Net fee and commission of RC strongly increased by 14.4% and amounted to EUR 279 million in 1H 2020. Fees from payment products increased mainly thanks to higher volumes, as well as fees on insurance products sold through bancassurance channels and fees from savings & investments following higher entry and management fees (in bps) and on average higher outstanding volumes of first half of the year.
- Life insurance contribution amounted to EUR 105 million, down -29% compared to 1H 2019. This decrease results mainly from a negative evolution of the fair-value through P&L on the Covid-19 crisis and the related financial markets movements. Realized capital gains are also lower than in 1H 2019 in order to protect the future income.
- Non-life insurance contribution increased by 34% and amounted to EUR 120 million in 1H 2020. The positive evolution of the non-life results is a consequence of the lock-down period. The claims frequency in some branches like car insurance and workers' compensation dropped by about 30% leading to an important decrease of the claims charge.

- The consolidated other income amounted to EUR -59 million compared to EUR -39 million in 1H 2019, mainly due to higher cost of the sector levies and very low trading and fair value result, on financial market activities conducted to the benefit of RC, stemming from market-driven factors (high volatility of the stock markets, general lower level of dividend pay outs in the equity markets and widened credit spreads).

In 1H 2020 **total costs** amounted to EUR 526 million, in line with 1H 2019, showing material cost control efforts despite the Belfius' strategic development, digital and human investment programs.

As a result, **gross income** decreased to EUR 333 million in 1H 2020, down EUR 6 million or -2% compared to 1H 2019.

The **cost of risk** amounted to EUR 139 million in 1H 2020 compared to EUR 19 million in 1H 2019, heavily impacted by the Covid-19 crisis.

The **impairments on (in)tangible assets** amounted to EUR 2 million as a consequence of an impairment on the intangible assets in the subsidiary Jaimy.

Pre-tax income stood at EUR 191 million, down EUR 128 million or -40% compared to 1H 2019.

Tax expenses amounted to EUR 50 million in 1H 2020 compared to EUR 83 million in 1H 2019. This decrease is mainly due to lower profit before taxes.

Due to the strong negative impact of the Covid-19 crisis mainly on the cost of risk, Belfius' RC **net income group share** decreases strongly by 39.5% and amounts to EUR 143 million in 1H 2020.

The **RC adjusted net income**[1] amounts to EUR 143 million in 1H 2020, down 39.5% compared to 1H 2019.

RC cost-income ratio amounted to 61.3%, compared to 60.8% in 1H 2019. The Return on Normative Regulatory Equity (RoNRE) stood at 9.9%.

(1) Adjusted Results and Special items are Alternative Performance Measures and are defined and reconciled in the APM – document on the website : www.belfius.com/results.

Financial Results RC

(in millions of EUR)	1H 2019	1H 2020
INCOME	864	859
Net interest income bank	423	415
Net fee and commissions bank	244	279
Life insurance contribution	147	105
Non-life insurance contribution	89	120
Other	(39)	(59)
COSTS	(525)	(526)
GROSS INCOME	339	333
Cost of risk	(19)	(139)
Impairments on (in)tangible assets	(1)	(2)
NET INCOME BEFORE TAXES	319	191
Tax (expense) income	(83)	(50)
NET INCOME AFTER TAXES	236	141
Non controlling interests	0	(1)
NET INCOME GROUP SHARE	236	143
ADJUSTED NET INCOME[1]	236	143

(1) Adjusted results are Alternative Performance Measures and are defined and reconciled in the APM-document on the website: *www.belfius.com*.

Ratios

(in %)	1H 2019	1H 2020
Cost-income ratio[1]	60.8%	61.3%
RoNRE[2]	17.9%	9.9%

(1) Expenses relative to income.
(2) Return on Normative regulatory equity (RoNRE) is calculated by Belfius as the net income as a percentage of the average Normative regulatory equity.

Normative regulatory equity & risk exposures

(in millions of EUR)	31/12/19	30/06/20
Normative regulatory equity[1]	2,819	2,907
Regulatory risk exposures	21,076	21,657

(1) The Normative regulatory equity of the business line is calibrated with a business line's CET 1 ratio at 13.5% taking into account the regulatory risk exposures allocated to the business line and some CET 1 capital deductions allocated to the business line (to a very limited extent, since the most important part of CET 1 capital deductions are allocated to GC).

Public and Corporate (PC)

1. Commercial performance PC in 1H 2020

On 30 June 2020, **total savings and investments** of PC customers stood at EUR 38.9 billion, an increase of 4.6% compared with the end of 2019. **On-balance sheet deposits** increased by EUR 1.6 billion (+7.0%), to EUR 24.8 billion. The **off-balance sheet investments** of PC customers stayed steady at EUR 13.6 billion, still enjoying a satisfactory organic growth compensating the negative markets effects observed during the Covid-19 crisis. **Life insurance reserves for investment products** amounted to EUR 0.5 billion.

Public and Corporate (Unaudited)

(in billions of EUR)	31/12/19	30/06/20	Evolution
TOTAL SAVINGS AND INVESTMENTS	37.2	38.9	+4.6%
Deposits	23.2	24.8	+7.0%
Off-balance sheet investments(1)	13.6	13.6	+0.6%
Life insurance reserves(1)	0.5	0.5	-1.1%

(1) Investment products.

Total loans to PC customers increased by EUR 2.5 billion (+6.1%) to EUR 43.1 billion. Outstanding loans in Public and Social banking increased by 3.6% in a context where Public Authorities had to face a sanitary crisis and associated increase of (temporary) unemployment. The Corporate outstanding loans recorded a growth of 10.5% compared to December 2019. This increase was particularly strong in May-June following the Covid-19 crisis. The Off-balance sheet commitments stayed stable at EUR 20.8 billion.

Public and Corporate (Unaudited)

(in billions of EUR)	31/12/19	30/06/20	Evolution
OUTSTANDING LOANS	40.6	43.1	+6.1%
Public and Social	25.7	26.6	+3.6%
Corporate	14.9	16.5	+10.5%
OFF-BALANCE SHEET COMMITMENTS	20.7	20.8	+0.4%

Belfius granted EUR 3.9 billion of new long-term loans to Corporate customers and the Public sector in 1H 2020. Long-term loan production for Corporate customers still further increased by 7% to EUR 2.7 billion. This increase was not only the result of our growth ambition in this corporate segment but also the testimony that Belfius intends to be "Meaningful" for the Belgian Society by supporting (also) the Corporate sector in the Covid-19 crisis context.

Moreover, Belfius granted EUR 1.1 billion in new long-term funding to the Public sector. The bank is and remains undisputable market leader and responds to every loan request tender from Public sector entities. Belfius services the management of the treasury of practically all local authorities.

Belfius also confirmed its position as leader in Debt Capital Markets (DCM) for (semi-) Public and Corporate customers by offering diversified financing solutions. During 1H 2020, the bank has placed a total funding amount of EUR 4.7 billion short term and

EUR 1.1 billion long term notes (allocated amount). This further increase in comparison to 2019 confirms the position of Belfius as leader in bond issues for Belgian corporate clients.

Belfius also structured and placed capital market transactions within Equity Capital Markets (ECM), such as IPO's, capital increases and private placement of shares for various corporate clients in 1H 2020. These mandates were executed in close cooperation with Kepler Cheuvreux, Europe's leading independent equity broker, with whom Belfius forms a strategic partnership since end 2017 creating a solid and innovative equity franchise with strong local presence in Belgium.

With regard to **insurance activities**, total gross written premiums in the Public and Corporate segment amounted to EUR 193 million in 1H 2020. Gross written premiums in the life segment amounted to EUR 135 million in 1H 2020, a decrease of 9.9% compared to 1H 2019, due to the management decision (driven by low interest rates) not to offer Branch 26 investment products in 2020. Production of pension products increased by approximately 3%. Gross written premiums in the non-life segment amounted to EUR 58 million in 1H 2020, a decrease of EUR 10 million or -15.1% compared to 1H 2019. As a reminder, this decrease reflects the decision of Belfius Insurance (since 2Q 2018) to focus its non-life insurance business on the segment of social sector through direct distribution and to put in run-off the non-life activities towards other institutional and corporate customers through the brokerage and bank channel. This decision enabled to reallocate freed-up resources to its strong development in non-life insurance business with SME customers through its own (bank and DVV) distribution channels.

Public and Corporate (Unaudited)

(in millions of EUR)	1H2019	1H2020	Evolution
TOTAL PREMIUMS RECEIVED	218	193	-11.5%
Life	150	135	-9.9%
Non-life	68	58	-15.1%

Financial results PC in 1H 2020

Total income slightly decreased by EUR 5 million in 1H 2020 compared to 1H 2019 and amounted to EUR 287 million:

- Net interest income of PC at the bank amounted to EUR 247 million, up 14% compared to 1H 2019, thanks to a specific corporate leasing file (leading to prepayment interests paid and booked in 1Q 2020), higher loan volumes, disciplined control of the margins and pricing of loans and deposits in a negative rate environment.
- Net fee and commission income of PC bank slightly increased in 1H 2020 and amounted to EUR 27 million.
- Income from Life insurance contribution amounted to EUR 18 million, down EUR 14 million compared to 1H 2019. This decrease results mainly from a negative evolution on the fair-value through P&L on the Covid-19 crisis and the related financial market movements. Higher income from non-life insurance thanks to positive results from claims from the past and lower current year claims charge as a consequence of the lock-down.
- The consolidated other income was negative in 1H 2020 amounting to EUR -15 million vs EUR +16 million in 1H 2019. This negative result is mainly explained by the Financial Markets impact on derivatives and corresponding fair-value adjustments (XVA).

The **total costs** increased by 4% compared to 1H 2019 mainly due to investments in digital but the increase was limited thanks to good control on the staff and general expenses.

As a result, the **gross income** decreased with EUR 9 million compared to 1H 2019, to EUR 167 million in 1H 2020.

The **cost of risk** amounted to EUR 278 million in 1H 2020 mainly on the Corporate segment. The steep increase of EUR 263 million compared to 1H 2019 is explained by the strong macro-economic deterioration linked to the Covid-19 crisis.

Pre-tax income stood at EUR -111 million.

Belfius' **PC net income group share** amounted to EUR -83 million in 1H 2020, compared to EUR +117 million in the same period of last year.

In the absence of any special items in 1H 2020, the **PC total adjusted net income** also amounts to EUR -83 million in 1H 2020, EUR 200 million lower in comparison to 1H 2019.

The cost-income ratio of the Public & Corporate segment is 41.8% in 1H 2020. The Return on Normative Regulatory Equity (RoNRE) stood at -6.0%.

Financial Results PC

(in millions of EUR)	1H 2019	1H 2020
INCOME	292	287
Net interest income bank	218	247
Net fee and commissions bank	25	27
Life insurance contribution	32	18
Non-life insurance contribution	1	9
Other	16	(15)
COSTS	(116)	(120)
GROSS INCOME	176	167
Cost of risk	(15)	(278)
Impairments on (in)tangible assets	0	0
NET INCOME BEFORE TAXES	162	(111)
Tax (expense) income	(45)	28
NET INCOME AFTER TAXES	117	(83)
Non controlling interests	0	0
NET INCOME GROUP SHARE	117	(83)
ADJUSTED NET INCOME(1)	117	(83)

(1) Adjusted results are Alternative Performance Measures and are defined and reconciled in the APM(document on the website: *www.belfius.com*.

Ratios

(in %)	1H 2019	1H 2020
Cost-income ratio(1)	39.6%	41.8%
RoNRE(2)	9.5%	-6.0%

(1) Expenses relative to income.
(2) Return on Normative regulatory equity (RoNRE) is calculated by Belfius as the net income as a percentage of the average Normative regulatory equity.

Normative regulatory equity & risk exposures

(in millions of EUR)	31/12/19	30/06/20
Normative regulatory equity(1)	2,676	2,792
Regulatory risk exposures	20,019	20,800

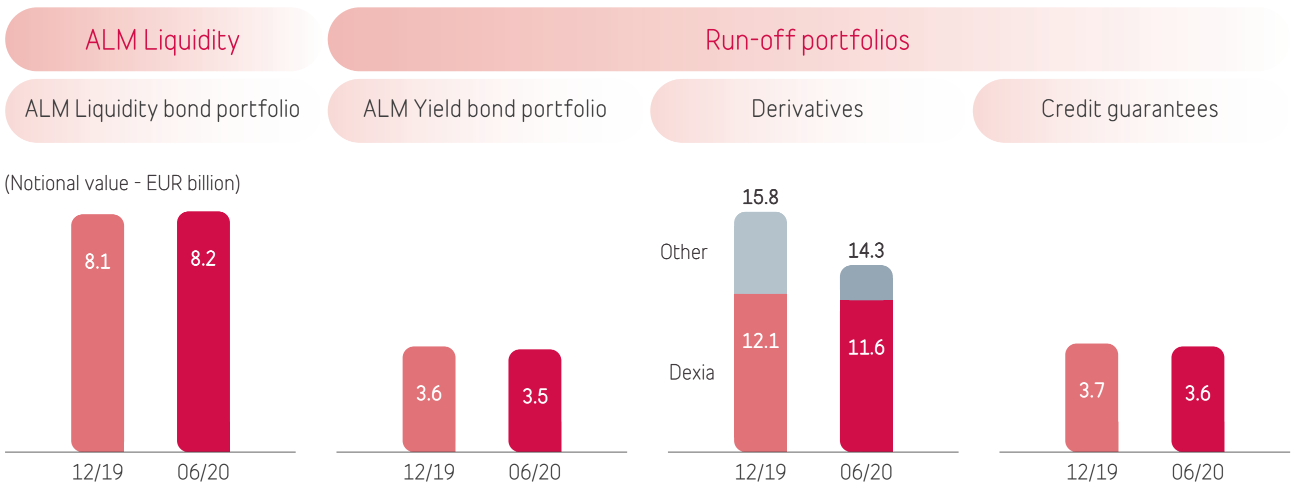
(1) The Normative regulatory equity of the business line is calibrated with a business line's CET 1 ratio at 13.5% taking into account the regulatory risk exposures allocated to the business line and some CET 1 capital deductions allocated to the business line (to a very limited extent, since the most important part of CET 1 capital deductions are allocated to GC).

Group center (GC)

Group Center operates through two sub-segments:

- Run-off portfolios, inherited from the Dexia era, which are mainly comprised of:
  - a portfolio of bonds issued by international issuers, especially active in the public and regulated utilities sector (which includes UK inflation-linked bonds), covered bonds and ABS/RMBS, the so-called ALM Yield bond portfolio;
  - a portfolio of credit guarantees, comprising credit default swaps and financial guarantees written on underlying bonds issued by international issuers, and partially hedged by Belfius with monoline insurers (mostly Assured Guaranty); and
  - a portfolio of derivatives with Dexia entities as counterparty and with other foreign counterparties.
- ALM liquidity and rate management and other Group Center activities, composed of liquidity and rate management of Belfius (including its ALM Liquidity bond portfolio, derivatives used for ALM management and the management of central assets) and other activities not allocated to commercial activities, such as corporate and financial market support services (e.g., Treasury), the management of two former specific loan files inherited from the Dexia era (loans to Gemeentelijke Holding/Holding Communal and Arco entities), and the Group Center of Belfius Insurance.

These portfolios and activities are further described below.



1. ALM Liquidity bond portfolio

The ALM Liquidity bond portfolio is part of Belfius Bank's total LCR liquidity buffer and is well diversified with high credit and liquidity quality.

At the end of June 2020, the ALM Liquidity bond portfolio stood at EUR 8.2 billion(1), up EUR 0.1 billion or +1.8% compared to December 2019. At the end of June 2020, the portfolio was composed of sovereign and public sector bonds (63%), covered bonds (30%), corporates bonds (4%) and asset-backed securities (2%). The Belgian and the Italian government bonds in the ALM Liquidity bond portfolio amounted both to EUR 1.5 billion(1).

At the end of June 2020, the ALM Liquidity bond portfolio had an average life of 7.5 years, and an average rating of A- (100% of the portfolio being investment grade (IG)) compared to BBB+ at the year end 2019.

(1) Nominal amount

2. ALM Yield bond portfolio

The ALM Yield bond portfolio of Belfius Bank was used to manage excess liquidity (after optimal commercial use in the business lines) and consisted mainly of high quality bonds of international issuers.

At the end of June 2020, the ALM Yield bond portfolio stood at EUR 3.5 billion[(1)], down EUR 0.1 billion or -2.9% compared to December 2019. At the end of June 2020, the portfolio was composed of corporates (71%), sovereign and public sector (12%), asset-backed securities (11%), and financial institutions (6%). Almost 85% of the corporate bonds, mainly composed of long-term inflation linked bonds, are issued by highly-regulated UK hospitals, infrastructure companies and utilities such as water and electricity distribution companies. These bonds are of satisfactory credit quality, and the majority of these bonds are covered with a credit protection by a credit insurer (monoline insurer) that is independent from the bond issuer.

At the end of June 2020, the ALM Yield bond portfolio had an average life of 19.2 years and the average rating remained at A. 97% of the portfolio was investment grade (IG).

3. Derivatives with Dexia-entities and foreign counterparties

During the period during which it was part of the Dexia Group, former Dexia Bank Belgium (now Belfius Bank) was Dexia Group's "competence center" for derivatives (mainly interest rate swaps): this meant that all Dexia entities were able to cover their market risks with derivatives with Dexia Bank Belgium, mainly under standard contractual terms related to cash collateral. Former Dexia Bank Belgium systematically rehedged these derivative positions externally, as a result of which these derivatives broadly appear twice in Belfius' accounts: once in relation to Dexia entities and once for hedging.

The total outstanding notional amount of derivatives with Dexia entities and interest rate derivatives with international counterparties amounted to EUR 14.3 billion at the end of June 2020, down EUR 1.6 billion or -10% compared to EUR 15.8 billion at the end of December 2019[(2)].

The derivatives with Dexia entities decreased by 4% (or EUR -0.5 billion) to EUR 11.6 billion at the end of June 2020. This decrease is mainly due to amortizations. The derivatives with international counterparties decreased by EUR 1.1 billion (or -29%) to EUR 2.7 billion at the end of June 2020. This strong decrease of the non-collateralised foreign counterparty derivatives is the result of the novation in June 2020 of derivatives with counterparty CAFFIL (Caisse Française de Financement Local) to its holding SFIL and subsequently cleared by LCH.

The fair value of the Dexia and international counterparties' derivatives amounted to EUR 3.3 billion at the end of June 2020. After collateralisation the Exposure At Default (EAD) amounted to EUR 1.0 billion.

At the end of June 2020, the average rating of the total portfolio stood at BBB and the average residual life of the portfolio stood at 12.2 years[(3)].

4. Credit guarantees

At the end of June 2020, the credit guarantees portfolio amounted to EUR 3.6 billion[(1)], down EUR 0.1 billion or -2.4% compared to December 2019. It related essentially to Financial Guarantees, and Credit Default Swaps issued on corporate/public issuer bonds (85%) and ABS (15%). The good credit quality of the underlying reference bond portfolio, additional protection against credit risk incorporated in the bond itself and the protections purchased by Belfius mainly from various monoline insurers (US reinsurance companies, essentially Assured Guaranty) result in a portfolio that is 100% investment grade (IG) in terms of credit risk profile. This portfolio also contains Total Return Swaps for an amount of EUR 0.4 billion[(1)].

At the end of June 2020, the average rating of the portfolio stood at A- (compared to A at year end 2019) and the average residual life of the portfolio stood at 9.2 years.

(1) Nominal amount.
(2) Pro forma figure- Please note that Kofiba (ex-Dexia Kommunalbank Deutschland / DKD) bought in 2Q 2019 by Helaba and therefore out of Dexia Group is now a collateralized derivative on a foreign counterparty and therefore not more reported here.
(3) Calculated on EAD.

5. Other Group Center activities

The other activities allocated to Group Center include:

- the interest rate and liquidity transformation activity performed within ALM, after internal transfer pricing with commercial business lines, including the use of derivatives for global ALM management;
- the management of two legacy loan files inherited from the Dexia era, i.e. the investment loans to two groups in liquidation, namely Gemeentelijke Holding/Holding Communal and some Arco entities;
- the flow management, among others. hedge management, of internal and external interest rate derivative flows given that Group Center is Belfius' Competence Center for interest rate derivatives;
- treasury activities (money market activities); and
- the results including revenues and costs on assets and liabilities not allocated to a specific business line.

The Group Center of Belfius Insurance is also fully allocated to these other Group Center activities. The Belfius Insurance Group Center contains income from assets not allocated to a specific business line, the cost of Belfius Insurance's subordinated debt, the results of certain of its subsidiaries and costs that are not allocated to a specific business line.

6. Financial results GC in 1H 2020

GC net income after tax stood at EUR -38 million in 1H 2020, compared to EUR -48 million in 1H 2019.

In 1H 2020, **total income** amounted to EUR -14 million, which is EUR 14 million lower than in 1H 2019. Total income decreased following the impact of the Covid-19 crisis on financial markets. However, the net interest income increased due to better transformation results and better money market margins.

Total costs decreased from EUR 69 million in 1H 2019 to EUR 65 million in 1H 2020.

The **gross operating income** lowered from EUR -70 million in 1H 2019 to EUR -79 million in 1H 2020.

The **cost of risk** stood at EUR +24 million in 1H 2020, compared to EUR +3 million in 1H 2019. This increase is mainly related to the reversal of some credit risk provisions.

There is no **impairment on (in)tangible assets** in both 1H 2020 and in 1H 2019.

Pre-tax income stood at EUR -55 million in 1H 2020 compared to EUR -66 million in 1H 2019.

Taxes amounted to EUR +17 million in 1H 2020 compared to EUR +18 million in 1H 2019.

As a result, Belfius' **GC net income group share** amounted to EUR -38 million in 1H 2020, compared to EUR -49 million in 1H 2019.

Excluding special items, the **GC adjusted net income** stood at EUR +30 million both in 1H 2020 as in 1H 2019.

Financial Results GC

(in millions of EUR)	1H 2019	1H 2020
INCOME	**(1)**	**(14)**
Net interest income bank	97	117
Net fee and commissions bank	(1)	(4)
Life insurance contribution	(8)	(8)
Non-life insurance contribution	0	0
Other	(88)	(120)
COSTS	**(69)**	**(65)**
GROSS INCOME	**(70)**	**(79)**
Cost of risk	3	24
Impairments on (in)tangible assets	0	0
NET INCOME BEFORE TAXES	**(66)**	**(55)**
Tax (expense) income	18	17
NET INCOME AFTER TAXES	**(48)**	**(38)**
Non controlling interests	0	1
NET INCOME GROUP SHARE	**(49)**	**(38)**
ADJUSTED NET INCOME(1)	**30**	**30**

(1) Adjusted results are Alternative Performance Measures and are defined and reconciled in the APM(document on the website: *www.belfius.com*.

Capital management

Capital management at the bank

1. Prudential supervision

1.1 Minimum Requirement

Belfius Bank reports on its solvency position on consolidated level and on statutory level in line with CRR/CRD IV regulations:

- the minimum capital requirements ("Pillar 1 requirements") as defined by Article 92 of Regulation (EU) No 575/2013 (CRR);
- the capital requirements that are imposed by the decision following the SREP in application of 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 2013/36/EU (CRD IV).

As a result of the annual "Supervisory Review and Evaluation Process" (SREP) finalized by the ECB in the beginning of 2019, Belfius had to comply for 2019 with a minimum CET 1-ratio of 10.82% (including the countercyclical capital buffer), composed of:

- a Pillar 1 minimum of 4.5%;
- a Pillar 2 Requirement (P2R) of 2.25%;
- a capital conservation buffer (CCB) of 2.5%;
- a buffer for (other) domestic systemically important institutions (O-SII buffer) of 1.5% (imposed by the National Bank of Belgium) and
- a countercyclical capital buffer (CCyB) of 0.07%

Belfius has to respect the full combined buffer requirements (capital conservation buffer, countercyclical capital buffer, buffer for systemically important institutions and systemic risk buffer) and the Pillar 2 buffer requirements. Note that the ECB also notified Belfius of a Pillar 2 Guidance (P2G) of 1% CET 1-ratio for 2019, a recommended buffer to be held over the minimum requirements set forth above.

The consolidated CET 1-ratio of Belfius stood at 15,6% at the end of 2019, well above the abovementioned 2019 applicable CET 1 capital requirement.

As a result of the annual "Supervisory Review and Evaluation Process" (SREP) finalized by the ECB at the end of 2019, Belfius must comply for 2020 with a minimum CET 1-ratio of 10.57% (including the countercyclical capital buffer) from 1 January 2020 onwards, down 0.25% following the lowering of the P2R requirement from 2.25% to 2%.

On 11 March 2020, the Financial Policy Committee (FPC) of the Bank of England has reduced the UK countercyclical buffer rate to 0% of banks' exposures to UK borrowers with immediate effect, to support further the ability of banks to supply the credit needed to bridge a potentially challenging period due to the economic shock from Covid-19.

For similar reasons, and on the same day, the National Bank of Belgium decided to set the Belgian countercyclical buffer rate of banks' exposures to Belgian borrowers at 0% (vs 0.5% previously). And on 18 March 2020, the French Haut Comité de Stabilité Financière followed suit and set its countercyclical buffer at 0%.

Following these measures, the countercyclical capital buffer requirement for Belfius is now below 0.5bp, relating to Belfius' very limited exposures under the countercyclical buffer requirements of Luxembourg, Hongkong, Slovakia, Norway, Bulgaria and Czech Republic.

Due to ECB measures, notified to Belfius on 8 April 2020, banks are able to use capital instruments that not qualify as Common Equity Tier 1 (such as Additional Tier 1 or Tier 2 instruments) to partially meet Pillar 2 Requirements (P2R – Article 104-a of CRD IV). Thus the P2R total capital buffer of 2% can be split into 1,125% to meet with CET 1 instruments, 0,375% to meet with Additional Tier 1 instruments and 0.5% to meet with Tier 2 instruments.

Since 2Q 2020, Belfius must thus comply with a minimum CET 1-ratio of 9.625%, that is composed of:

- a Pillar 1 minimum of 4.5%;
- a Pillar 2 Requirement (P2R) of 1,125%;
- a capital conservation buffer (CCB) of 2.5%;
- a O-SII buffer of 1.5% and
- a total countercyclical capital buffer of 0%.

The ECB has also confirmed the Pillar 2 Guidance (P2G) for Belfius of 1% CET 1-ratio for 2020.

Minimum CET 1 Requirement

(In %)	2019	1H 2020
Pillar I minimum	4.5%	4.5%
Pillar II requirement	2.25%	1.125%
Capital conservation buffer	2.5%	2.5%
Buffer for (other) domestic systemically important institutions	1.5%	1.5%
MINIMUM CET 1 - RATIO REQUIREMENT	**10.75%**	**9.625%**
Countercyclical buffer	0.07%	0.00%
MINIMUM CET 1 - RATIO REQUIREMENT (incl. CCyB)	**10.82%**	**9.625%**

Further to these regulatory requirements, before the Covid-19 crisis, Belfius defined in its Risk Appetite Framework that, in normal market circumstances and under stable regulations, whereby it would strive to respect a minimum operational CET 1-ratio of 13.5%, on solo and consolidated levels.

Following the Covid-19 crisis, and policymakers' request to and Belfius' intention and strategy to continue to support the Belgian economy in these circumstances, the Board of Directors of Belfius of 28/05/2020 decided to allow Belfius to operate, if need be, during this crisis, on a temporarily basis and for credit risk deterioration, provisioning and/or loss absorption purposes only, within a CET 1 ratio range of 12.5% to 13.5%. If that situation were to occur during Covid-19 crisis times, Belfius would still intend to revert in a timely way to the former minimum operational CET 1 ratio level of 13.5% once the economical and financial context would normalize again.

Please also refer to the condensed consolidated interim statement of changes in equity in the Financial Statements.

1.2 Applied methodology

In line with CRR/CRD IV regulations part X, Belfius was authorised to apply transitory measures in the calculation of its regulatory own funds with limited impact on the regulatory risk exposure. The Belgian application of these measures is described in the Royal Decree of 10 April 2014 (published on 15 May 2014) and was referenced as the "phased in" calculation. The measures impacting the CET 1 capital ended on 31 December 2017, moreover Belfius Bank has no Tier 2 Instruments anymore subject to the transitional measures applicable till 31 December 2021. Seeing the non-application of these transitory measures on CET 1 capital, on regulatory own funds and on regulatory risk exposure for Belfius, since 2019, the solvency metrics are not referenced anymore as "phased in" or "fully loaded".

The regulator has authorised Belfius to apply article 49 of the CRR and to monitor and report solvency on the prudential scope, where Belfius Insurance is equity-accounted for (hence not fully consolidated but treated as a third party), and as such, to include the capital instruments of Belfius Insurance subscribed by Belfius Bank in the total regulatory risk exposure by applying a weighting of 370% (the so-called "Danish Compromise").

In addition to the CRR/CRD IV regulations, Belfius is considered as a financial conglomerate with significant banking and insurance activities and has to comply with the Financial Conglomerate Directive (FICO 2002/87/EC). For this purpose, specific reporting requirements with financial statements, regulatory capital, risk concentration and leverage ratio are sent to the regulator. These calculations and reportings are done on the consolidated position of the bank and insurance group.

At the end of June 2020, Belfius also complies with all requirements requested from a financial conglomerate point of view.

2. Regulatory own funds on consolidated level

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

(in millions of EUR)	31/12/19	30/06/20	Evolution
ACCOUNTING CORE SHAREHOLDERS' EQUITY	9,348	9,320	-29
Transformation of the insurance group in a third party exposure	(198)	(263)	-65
STARTING POINT FOR THE REGULATORY CORE OWN FUNDS	9,150	9,057	-93

At the end of June 2020, the starting point for the regulatory core own funds amounted to EUR 9,057 million, a decrease of EUR 93 million mainly stemming from Belfius' net result on the regulatory consolidation scope of -88 million for 1H 2020 and the AT1 cost of EUR 7 million during the first semester of 2020 (considered as dividend under IFRS).

Please note that the regulatory net income (EUR -88 million) differs from the consolidated net result (EUR 22 million) due to the "prudential" consolidation scope, as described above. The scope change adjustments can be detailed as follows:

(in millions of EUR)	31/12/19	30/06/20
CONSOLIDATED NET INCOME	668	22
Elimination of Belfius Insurance	(206)	(89)
Scope changes:		
dividend (Belfius Insurance)	160	0
other	31	(20)
REGULATORY NET INCOME	653	(88)

Regulatory own funds

(in millions of EUR)	31/12/19	30/06/20
STARTING POINT FOR THE REGULATORY CORE OWN FUNDS	9,150	9,057
DEDUCTION OF FORESEEABLE DIVIDEND	(3)	(3)
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	144	114
Remeasurement defined benefit plans	90	81
OCI reserves (portfolios measured at FVTOCI)	54	33
Other reserves	(82)	(96)
Prudential filter on the fair value reserves related to gains and losses on cash flow hedges on financial instruments	82	96
DEDUCTIONS AND PRUDENTIAL FILTERS	(350)	(375)
Investments in securitisation positions	0	0
Deferred tax assets on losses carried forward	(1)	(1)
Changes in the value of own credit standing	(2)	(2)
Value adjustments due to the requirements for regulatory prudent valuation	(71)	(89)
Intangible fixed assets	(153)	(160)
Goodwill	(104)	(104)
Shortfall of provisions over expected losses for IRB portfolios	(2)	(2)
Defined Benefit Pension Plan assets	0	0
Payment Commitments IPC	(17)	(17)
COMMON EQUITY TIER 1 CAPITAL (CET 1 CAPITAL)	8,941	8,793
Additional Tier 1 capital instruments	497	497
TIER 1 CAPITAL	9,438	9,290
Tier 2 capital instruments	1,098	1,091
Excess of provisions over expected losses for IRB portfolios	189	190
General credit risk adjustments SA (standard approach)	105	178
TIER 2 CAPITAL	1,391	1,460
REGULATORY OWN FUNDS (AFTER APPROBATION OF RESULT)	10,830	10,750

CET 1 capital amounted to EUR 8,793 million, compared to the CET 1 capital of EUR 8,941 million at the end of 2019. The decrease in CET 1 capital of EUR 148 million results mainly from

- the prudential result (EUR -88 million) of the period,
- the decrease of the fair value of the bank's equity portfolio measured in FV through OCI of EUR 21 million, related to declining stock markets following the Covid-19 pandemic, as well as
- an increase of the additional valuation adjustment of EUR 19 million, mainly due to increase of model risks partially offset by the Covid-19 relief measures. The correction for foreseeable dividend related to the Additional Tier 1 cost remained stable at 3 million EUR (accounting wise to be treated as dividend).

Please note that the CET 1 capital of H1 2020 has benefitted from the decision of the Board of Directors of 2 April 2020 that there would not be any "residual" dividend for the year 2019 (beyond the interim dividend of EUR 100 million already paid in August 2019), in light of the Covid-19 crisis that was already starting to hit hard at that time, and in respect of the recommendation of the ECB issued on 27 March 2020, stating a.o. "... the ECB recommends that at least until 1 October 2020 no dividends are paid out and no irrevocable commitment to pay out dividends is undertaken by the credit institutions for the financial year 2019 and 2020 and that credit institutions refrain from share buy-backs aimed at remunerating shareholders...".

The decrease of "gains and losses not recognised in the statement of income" of EUR 30 million is mainly related to the decrease of the fair value of the equity portfolio of EUR 21 million related to declining stock markets following the Covid-19 pandemic and the remeasurement of defined benefit plans (decrease of EUR 9 million) due to the negative return on plan assets, partially compensated by a slight increase of the discount rate.

The deductions and prudential filters have increased with EUR 25 million mainly following

- a negative evolution of EUR 19 million in the additional valuation adjustment due to market movements partially offset by the Covid-19 relief measures and
- the higher deduction for software and intangible assets of EUR 7 million due to the further investments in digitalisation.

Tier 1 capital amounted to EUR 9,290 million, compared to EUR 9,438 million at the end of 2019 as it includes the additional Tier 1 issue of EUR 500 million (nominal value) dated February 2018.

Tier 2 capital increased to EUR 1,460 million compared to EUR 1,391 million at the end of 2019. The increase of EUR 68 million is mainly related to the integration of credit risk adjustments determined by standardised approach (EUR 73 million) partially offset by the decrease of EUR 6 million of the useful prudential value of subordinated Tier 2 instruments.

At the end of June 2020, the total regulatory own funds amounted to EUR 10,750 million, compared to EUR 10,830 million at the end of 2019.

3. Regulatory risk exposure on consolidated level

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

(in millions of EUR)	31/12/19	30/06/20	Evolution
Regulatory credit risk exposure	42,543	44,322	1,779
Regulatory CVA exposure	1,382	755	-627
Regulatory market risk exposure	1,315	1,567	252
Regulatory operational risk exposure	3,140	3,140	0
Danish Compromise	6,868	6,859	-9
Additional risk exposure (Art 3 CRR)	1,150	0	-1,150
REGULATORY RISK EXPOSURE	**56,398**	**56,643**	**245**

At the end of June 2020, regulatory risk exposure of Belfius amounted to EUR 56,643 million, an increase with EUR 245 million compared to EUR 56,398 million at the end of 2019.

The regulatory credit risk exposure increased by EUR 1,779 million to EUR 44,322 million. New loan production remained strong during the period, mainly in the business banking and corporate segments, while mortgage loan production remained vigorous but was lower than in 2019 which was a record year, also linked to the 2019 decision of the Flemish government to lower the tax benefits on mortgage loans concluded after December 2019.

Overall, the volume impact on the whole credit portfolio caused an RWA increase of 2.0 billion EUR over 1H 2020. Since Q1 2020, Belfius is subject to a regulatory add-on due to the new definition of default which was however offset by the extension of the SME supporting factor linked to the entry into force of the regulation EU 2020/873 of 24 June 2020. The impact of the Covid-19 on the credit quality did so far not materialise in increasing RWA. Specific and detailed guidelines have been given to the credit analysts in the renotation or re-rating process to ensure the Covid-19 crisis is adequately taken into account in an harmonised manner within Belfius.

The regulatory CVA exposure decreased with EUR 627 million due to active management of counterparty credit risk including additional CVA hedges, unwind of uncollateralised swaps with financial counterparts and an increased use of CCP clearing.

The regulatory market risk exposure increased with EUR 252 million to EUR 1,567 million. This increase is mainly due to the volatility on the financial markets caused by the outbreak of the Covid-19. However, this increase was mitigated by ECB measures regarding VaR overshootings. The regulatory operational risk exposure – based on the standardized approach – remained stable at EUR 3,140 million

The regulatory risk exposure for Belfius Insurance under the Danish Compromise, decreased by EUR 9 million to EUR 6,859 million.

In anticipation of a more stringent regulatory framework applicable from 2020 onwards, Belfius had included in its 2019 Q4 solvency requirements an additional RWA charge of 1,150 million. This anticipation is no longer relevant as the policy response to the Covid-19 - including the ECB postponement of the issuance of TRIM decisions – have so far relaxed these constraints.

4. Solvency ratios for Belfius Bank on consolidated level

At the end of June 2020, CET 1-ratio amounted to 15.5%, a decrease of 33 bps compared to end 2019. Note that this CET 1-ratio takes into account the positive effects of the Covid-19 relief measures estimated at 86 bps.

The decrease in CET 1-ratio to 15.5% is the result of negative effects from lower CET 1 capital (-26 bps) and higher total risk exposure (-7 bps). We refer to the comments above for further information.

At the end of June 2020, Tier 1 capital ratio amounted to 16.4%, a decrease of 33 bps compared to end 2019. This decrease is following the evolution of the CET 1-ratio since there are no new AT 1 elements.

The total capital ratio amounted to 19.0%, a decrease of 22 bps compared to end 2019.

Applying the "Danish Compromise" compared to the deduction method for capital instruments of Belfius Insurance (equity deducted from CET 1 capital and subordinated debt instruments deducted from Tier 2 capital) has the following impacts: using the deduction method would result in an increase of 53 bps on the CET 1-ratio and a decrease of 21 bps on the Total Capital ratio.

(in %)	31/12/19	31/12/19	30/06/20	30/06/20
CRR/CRD IV	Danish Compromise	Deduction method	Danish Compromise	Deduction method
Common Equity Tier 1 ratio (CET 1-ratio)	15.9%	16.4%	15.5%	16.1%
Tier 1-capital ratio (T1-ratio)	16.7%	17.1%	16.4%	16.7%
Total capital ratio	19.2%	19.0%	19.0%	18.8%

5. Solvency ratios for Belfius Bank on statutory level

At the end of June 2020, CET 1 ratio on Belfius Bank statutory level amounts to 15.7% compared to 14.9% end 2019, an increase especially thanks to the incorporation of non distributed 2019 net result into the prudential capital at statutory level.

At the end of June 2020, the available distributable items on statutory level amounted to EUR 4,058 million, unchanged compared to end 2019.

6. Leverage ratios for Belfius Bank on consolidated level

In December 2010, the Basel Committee on Banking Supervision (BCBS) published guidelines for calculating the leverage ratio as a non-risk based ratio which primarily intends to restrict the size of the bank's balance sheets and consequently the use of excessive leverage.

The leverage requirement became a binding requirement with CRR 2, published in the EU Official Journal on 7 June 2019 and will be applicable from June 2021. The CRR 2 integrates the leverage ratio in the Pillar I requirement and sets the level of minimum requirement at 3%, a surcharge for banks considered as G-SIB or O-SIB has also been introduced, the EBA has fixed this surcharge for G-SIB and has a mandate to analyse whether some O-SIB (like Belfius) should get a 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 equity-accounted for (hence not fully consolidated but treated as a third party).

Policies have been put in place at Belfius to manage this leverage, including a description of the main sensitivity drivers of the denominator.

At the end of June 2020, the Belfius leverage ratio – based on the current CRR/CRD IV legislation - stood at 5.6%, an decrease of 38 bps compared to end 2019 and well above the minimum pillar 1 requirement of 3%, applicable from June 2021 onwards.

The decrease is the result of negative effects (-9 bps) from the lower level of Tier 1 capital (see above) and negative effects (-29 bps) from the higher total leverage exposure measure, mainly from higher volumes of loans to customers and an increase in securities financing transactions exposures due to increased off balance commitments, partially offset by a Covid-19 relief measure allowing banks to partially exclude Central Bank exposures from the total leverage exposure measure(1).

(in millions of EUR)	31/12/19	30/06/20
TIER 1 CAPITAL	9,438	9,290
Total assets	172,440	188,471
Deconsolidation of Belfius Insurance	(17,797)	(17,331)
Adjustment for derivatives	(16,880)	(18,464)
Adjustment for securities financing transactions exposures	4,259	8,719
Adjustment for Central Banks reserves	0	(9,572)
Adjustment for prudential corrections in calculation of Tier 1 capital	(260)	(267)
Off-balance sheet exposures	17,072	15,513
LEVERAGE RATIO EXPOSURE	158,834	167,069
LEVERAGE RATIO (in%)	6.0%	5.6%

(1) Note that the leverage ratio without the allowed Covid-19 relief measure to exclude part of the exposures to Central Banks amounts to 5.3%.

7. Minimum requirement for own funds and eligible liabilities (MREL)

On 17 April 2019, the National Bank of Belgium (NBB) notified Belfius Bank of the MREL requirement imposed by the Single Resolution Board (SRB), setting the consolidated MREL requirement for Belfius Group at 10.56% of Total Liabilities and Own Funds (TLOF), to be met at all times.

Based upon data as of 30 June 2020 and according to the current Banking Recovery and Resolution Directive (BRRD), Belfius' eligible own funds and liabilities for MREL purpose stood at EUR 17.0 billion, in excess of the MREL requirements of EUR 15.9 billion.

To remind, and according to the current SRB methodology, Belfius Group already exceeded the MREL requirement based on data as of 31 December 2017, and hence no transitional period was defined by the SRB for Belfius at that time.

Following the publication of the RRM Package in the Official Journal of the EU on 7 June 2019, the BRRD framework is set to evolve (towards what is commonly referred as "BRRD2"), with full effect in March 2021, with a transition period until January 1st, 2022 whereby Belfius will be subject to a binding intermediate target. By January 1st, 2024, Belfius will be subject to the final binding target.

It is to note that Belfius is to be impacted by a change in MREL eligibility whereby "liabilities should be directly issued and should not be owned by an undertaking in which the institution has a participation of more than 20%". As a consequence, the liabilities issued by Belfius Financing Company (Belfius' Luxembourg-based issuance vehicle for CP and Retail Bonds) cease to be MREL-eligible and are to be excluded.

SRB will communicate new MREL target requirements to banks under the new banking packaged before the end of 2020, with full effect from March 2021 onwards. In the meantime, Belfius and SRB are in contact to anticipate the expected impacts, although SRB MREL decisions continue to be based on SRMR1/BRRD1.

Capital management at Belfius Insurance

1. Prudential supervision

Belfius Insurance reports to its regulator, the NBB. Amongst others a quarterly report concerning its solvency margin and liquidity is required, both at a consolidated and at a statutory level.

As part of prudential supervision on systemic insurers, highly detailed information is also provided to the NBB about the company's strategy, its ALM policy and the sufficiency of its technical provisions.

2. Regulatory own funds

The own funds of Belfius Insurance are determined according to the valuation and eligibility principles defined in the Solvency II regulation, Directive 2009/38/EU, implemented in order to better protect insurance clients and to restore the confidence in the financial sector.

Within Belfius Insurance, the capital management process is a key management process and aims at reaching an optimal balance between regulatory requirements, market expectations and management ambitions.

The regulatory own funds of Belfius Insurance amounted to EUR 2,264 million at the end of June 2020. It was composed for 80% of the highest quality capital (Tier 1).

Regulatory own funds Belfius Insurance

(in millions of EUR)	31/12/19	30/06/20
AVAILABLE FINANCIAL RESOURCES BEFORE FORESEEABLE DIVIDEND	2,466	2,264
Tier 1	1,925	1,633
IFRS Equity	2,144	2,049
Valuation difference (after tax)	(219)	(416)
Restricted Tier 1	171	171
Tier 2	371	379
Subordinated debt	360	368
Others	11	11
Tier 3		81
DTA		81
AVAILABLE FINANCIAL RESOURCES AFTER FORESEEABLE DIVIDEND	2,466	2,264
AFR before foreseeable dividend	2,466	2,264
Foreseeable dividend	0	0

Tier 2 capital equalled EUR 379 million and consisted mainly of two subordinated loans. Tier 3 (Deferred tax assets) amounts to EUR 81 million.

Compared to December 2019 (EUR 2,466 million), the regulatory own funds of Belfius Insurance decreased due to the significant drop in the yield curve, the negative return of the stock market and spread changes. The annual review of the non-economic liability projection assumptions led to a small increase of the own funds.

3. Solvency requirement

The Solvency II Capital Requirement (SCR) is calculated based on the consolidated asset and liability portfolio of Belfius Insurance, Corona and those investment entities that are fully consolidated for Solvency II purposes.

The SCR for Belfius Insurance is determined using the "Standard Formula" as defined in the Solvency II regulation, taking into account a volatility adjustment and making use of the transitional measure for equities and it includes the application of the restriction on the use of Loss Absorbing Capacity of Deferred Taxes as prescribed by the NBB.

Belfius Insurance's required capital amounted to EUR 1,053 million at the end of June 2020, lower compared to the end of 2019 (EUR 1,162 million). The SCR decreased thanks to the de-risking of the balance sheet occurred during the first quarter of 2020. Market Risk remains the main contributor to the required capital due to the spread and equity risk. The SCR linked to the interest rate risk is rather limited thanks to the ALM management of Belfius Insurance, targeting a limited global duration mismatch between the assets and liabilities.

(in millions of EUR)	31/12/19	30/06/20
SOLVENCY CAPITAL REQUIREMENT	**1,162**	**1,053**
Market risk	917	728
Counterparty Risk	188	188
Insurance Risk	667	667
Operational Risk	97	95
Diversification	(528)	(508)
Loss absorbing capacity of deferred taxes	(178)	(117)

4. Solvency ratios for Belfius Insurance

The Solvency II-ratio at 30 June 2020 amounted to 215% in line with the Solvency II-ratio compared to year-end 2019 (212%), and remains strong and above the risk appetite trigger of 160%.

The volatility caused by the Covid-19 is still present, although the SII ratio remained in green zone all along the first semester of 2020, thanks to strict management of the financial risks.

The impact on the Solvency II-ratio of several sensitivity analyses applied to financial parameters are shown in the table below.

Solvency II-ratio

(in %)	31/12/19	30/06/20
Solvency II-ratio (before dividend)	212%	215%
Solvency II-ratio (after dividend)	212%	215%

	Shock	Solvency II-ratio (in %)
Base case (after dividend)		215%
Stress scenarios		
Interest rate	-50 bps	205%
Equity	-30%	200%
Credit Spread	+50 bps	180%
Real Estate	-15%	204%
Volatily Adjustment (VA)	no	185%
Ultimate forward rate (UFR)	3%	206%

Solvency II regulations also require a yearly self- assessment. As a component of this process an integrated forward looking plan in which the strategy, finance, treasury and risk perspectives are collectively taken into account is estimated. The resulting future capital buffers are highlighted and a number of sensitivities are performed. This analysis shows that Belfius Insurance, under the assumptions used in such plan, disposes of adequate capital margins required to absorb shocks, as stated in the risk appetite approved by the Board of Directors.

Capital adequacy

As required by Pillar 2 of the Basel regulation, Belfius disposes of an internal mechanism for the quarterly monitoring of main risk appetite and capital adequacy ratios. This quarterly reporting is completed with a monthly monitoring addressing some of the key risk appetite and capital adequacy ratios.

1. Economic capital

The economic capital is defined as the potential deviation of Belfius' economic value from its expected economic value, and this within a given interval of confidence and time horizon. The confidence threshold (99.94%) chosen for scenarios involving losses in value corresponds to the Bank's targeted senior unsecured debt rating at a horizon of one year (A- rating for 2019).

The economic capital quantification process is organised 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) and aggregating the risks based on an interrisk correlation matrix.

Most risks are capitalised 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 capitalised.

The economic capital is central in the context of Belfius' risk appetite and is also complementary to the Stress Tests framework for Internal Capital Adequacy Assessment Process (ICAAP) purposes.

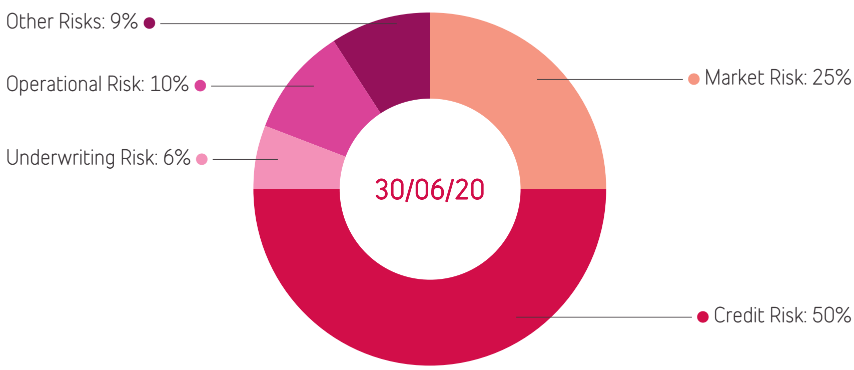
2. Economic capital adequacy

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

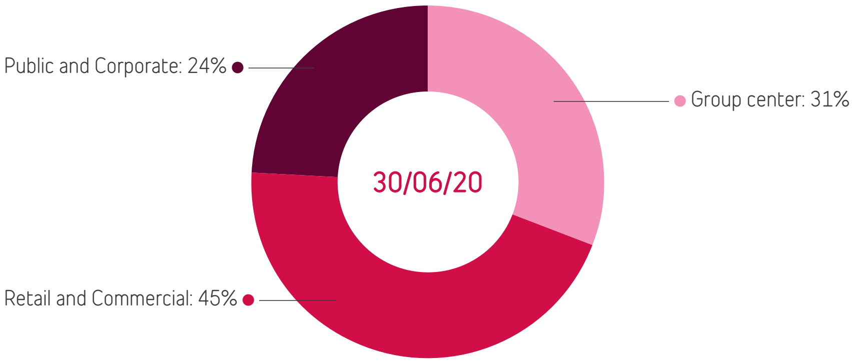
Belfius economic capital was EUR 5,506 million at the end of June 2020 (against EUR 5,486 million at the end of 2019).

Credit risk represented approximately 50% of the economic capital and was the main contributor; market risk (inter alia including interest rate risk, foreign-exchange rate risk, spread risk and equity risk) was 25%, underwriting risk 10%, operational risk 6% and other risks (prepayment, funding,…) 9%.

Breakdown of economic capital by type of risk



Breakdown of economic capital by business line



By business line, the economic capital was allocated as follows: Retail and Commercial and Public and Corporate represented 45% and 24% respectively of Belfius' economic capital; the balance was made up of 31% allocated to the Group Center (mainly for the 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).

Normative regulatory equity

The total normative regulatory equity is derived from the starting point of the regulatory core own funds adjusted for the deduction of foreseeable dividend, and further without any other prudential filter or deduction and amounts to EUR 9,057 million at the end of June 2020 compared to EUR 9,150 million end 2019.

The normative regulatory equity of each business line is calibrated. The business line's CET 1 ratio is brought at 13.5% taking into account the regulatory risk exposures and some CET 1 capital deductions allocated to the business line (the latter to a very limited extent, since the most important part of CET 1 capital deductions are allocated to GC). The delta with the total normative regulatory equity is allocated to Group Center.

(in millions of EUR)	31/12/19	30/06/20
REGULATORY CORE OWN FUNDS	9,150	9,057
Deduction of foreseeable dividend	(3)	(3)
TOTAL NORMATIVE REGULATORY EQUITY	9,147	9,054
of which allocated to		
Retail and Commercial Banking	2,819	2,907
Public and Corporate Banking	2,676	2,792
Group Center	3,652	3,355

Risk management

This chapter is an integrated part of the condensed consolidated interim financial statements.

Risk management governance and data are more in detail described in Belfius' risk report which is available at www.belfius.com

Introduction

Belfius' activities are exposed to a number of risks such as - but not exclusively - credit risks, market risks, liquidity risk, operational risk, insurance risk, changes in regulations, the macro-economic environment and geopolitical risks in general, that may also have a negative impact on the bank's balance sheet and profit and loss accounts.

To manage adequately these risks, Belfius has put in place a strict governance, including a robust risk framework and a clear risk culture.

Belfius reacted quickly to Covid-19 by first designing a crisis governance, with a daily crisis Management Board meeting, as early as from the end of February 2020 onwards in order to address all risks:

- the operational risks, especially for safeguarding the health of our staff and our business continuity,
- and the financial risks, including the impacts on the financial markets, on liquidity and solvency.

This Crisis Management Board has been established in order to closely monitor the potential impacts of the Covid-19 crisis for the Belfius Group and to take necessary measures if needed and possible. The management teams of Belfius Bank and Belfius Insurance meet to discuss and handle all matters related to the situation.

As for all banks supervised by the ECB, there are regular updates with the ECB and NBB on the Covid-19 situation and its possible impacts. Belfius monitors closely the communications of the authorities, in order to take these into account in its crisis management.

The Board of Directors, the Audit Committee and the Risk Committee of the bank are informed about the Covid-19 situation on a frequent basis, with numerous ad-hoc Committees.

1. Macroeconomic environment in the first half of 2020

The Covid-19 crisis has sent most economies worldwide into the worst and fastest economic slump since World War II. The crisis is generating disruptions and uncertainties at an unprecedented speed and scale. It might take years before most developed economies return to pre-Covid levels. Further Covid-19 pandemic outbursts in 2020/2021 could still worsen the economic situation.

The Belgian economy is currently estimated to drop by a whopping 10.6% in 2020 (real GDP 2020 vs 2019), according to our own forecasts. The second quarter of 2020 will witness a strong rebound, triggered by the lifting of most lockdown measures. Belfius is since end of May witnessing some clear signs of improvement in many sectors. Yet, the pandemic is likely to carry its own set of consequences and uncertainties going forward. Belfius therefore expects a modest rebound in 2021, currently estimated at an increase of 8.2% compared to 2020 GDP.

1.1. Firms and investment

Entire segments of the economy have been shut down during the peak of the crisis. According to a NBB survey during the month of April, Belgian firms estimated that their revenues would drop by up to 31% on average at the time. The situation shows some clear signs of improvement at the end of June 2020, with firms currently reporting on average a 17% drop in revenues compared with their pre-Covid-19 situation.

Nevertheless, investments are currently expected to remain depressed. Companies remain worried about the uncertainties and half of them report as of 9 June 2020that they intend to either postpone or cancel altogether their investment plans. This context is likely to weigh heavily on the recovery going forward.

1.2. Private Consumption

Belfius expects private consumption to become the main driver of the recovery. Purchasing power is currently expected to remain broadly stable compared to 2019 and to provide a strong support to the retail sector. Though, unemployment will rise, its impact on purchasing power is expected to be compensated by the decline in inflation. Furthermore, part of the demand which has been withheld during the lockdown should materialise in the second quarter of 2020.

1.3. Inflation

The inflation context is likely to remain particularly subdued. Inflation has been caught up within some conflicting forces recently. On the one hand, some supply bottlenecks are lifting some intermediate prices. On the other hand, the drop in final demand and petrol prices are sending prices down. This extreme situation of price volatility is also causing some temporary delay in statistical reporting. Belfius currently expects some additional drop in core inflation levels going forward. The road towards a full normalisation of inflation towards its pre-Covid level is currently expected to be a lengthy process.

1.4. International context

The international context is likely to be plagued with similar uncertainties, and this will weigh on the for Belgium very important export levels. While the pandemic is having its own set of restrictions on international demand, new geopolitical tensions are again rising between the US and China. On top of that,, the modalities of the Brexit are still being negociated. Divergence of opinions are hampering the debate, and the likelihood of a hard Brexit is still lingering around the corner.

1.5. Fiscal response

This pandemic crisis is unprecedented. Policies are being tailored to deal with both the direct consequences of the lockdowns and the lasting repercussions of the uncertainties. The EU's ambitious EUR 750 billion recovery plan is certainly a step in the right direction. The plan was approved by the EU-leaders on 21 July and will provide EUR 390 billion in grants to countries hit hardest by the pandemic and EUR 360 billion in loans.

National initiatives have also been launched since the beginning of the crisis in order to dampen the consequences of the crisis. The German recovery package stands out as the most ambitious. An additional EUR 130 billion of economic measures has been added in June 2020 to an initial set of emergency measures. It sets a positive perspective for the EU as a whole, as a recovery of its biggest economy will undoubtedly provide a support to its neighbouring partners.

In Belgium, the crisis responses implemented on both the regional and federal levels will have a long lasting impact on the country's financial stance. The public deficit is expected to sharply deteriorate towards -11% of GDP in 2020, while the public debt should rise to approximately 120% of GDP for a longer period in time.

1.6. Monetary response

Like other major central banks, the ECB has taken unprecedented measures to dampen the impact of the crisis. On top of its 50bp negative rate policy, a EUR 1,350 billion pandemic emergency purchase programme (PEPP) enveloppe has been added to the existing asset purchase programme (APP). Additionally, the ECB has fueled the money market liquidity with pandemic emergency longer-term refinancing operations (PELTROs) instruments, an additional layer of long term open market liquidity operations. The ECB's abundant purchases have provided ample liquidity to the Euro zone sovereign primary market. The combined impact of ECB buying programs and the investors' hunt for yield have allowed for sovereign spreads to head back to their pre-crisis levels. States thereby have the opportunity to fund their recovery plans at a historically low cost. Going forward, Belfius currently expects the context of low interest rates to prevail as policy rates are likely to remain unchanged for a protracted period, while low inflation is likely to cap long term rates.

2. Ratings

Between 1 January 2020 rating agencies took the following decisions:

- on 30 March 2020, Fitch affirmed the long term rating of Belfius Bank at A- and revised the outlook from Stable to Negative;
- on 23 April 2020, S&P affirmed the long term rating of Belfius Bank at A-.

Ratings of Belfius Bank as at 6 August 2020

	Stand-alone rating[1]	Long-term rating	Outlook	Short-term rating
Fitch	a-	A-	Negative	F1
Moody's	baa1	A1	Stable	Prime-1
Standard & Poor's	a-	A-	Stable	A-2

(1) Intrinsic creditworthness

Credit risk

In view of the current economic crisis, credit risks have increased substantially. Cost of risk, Non performing loans assessment and forbearance / watchlist have been and will be an important point of attention during this crisis and are putting downward pressure on bottom-line P&L. It is important to highlight the still very material uncertainties in view of the unprecedented impact and nature of this crisis.

At Belfius, a specific approach has been put in place to assess the current best estimate of the cost of risk and to implement risk mitigation actions (line reductions, additional collateral, etc) in close cooperation amongst front office bankers, the loan department and risk. A weekly dedicated management Board (Credit Committee) has been installed to monitor and follow-up the estimated and unfolding credit risks. The impact on asset quality of Covid-19 is more elaborated in section 3 of the chapter..

Belfius also developed a more detailed credit risk reporting and dash boarding, including on early warning signals, in line with the unprecedented situation.

Although regulatory credit risk exposures increased (see also Capital management chapter in this report), the full impact of the Covid-19 on the credit quality has not materialized so far in significant downgrades impacting materially regulatory credit risk exposures.

1. Measures in Covid-19 crisis to support the Belgian Society

The economic shock caused by the Covid-19 pandemic and the exceptional lockdown measures are having a far-reaching impact on businesses and consumers. In particular, material numbers of households are facing temporary or permanent unemployment and falling income, while enterprises are facing closures, disruptions in supply chains, or productivity declines due to other sanitary measures and reduced demand. All this could have resulted in significant (but mostly temporary) difficulties in paying loan instalments or suppliers.

To help to mitigate these impacts, the Belgian federal government quickly installed an economic task force responsible for combating the economic consequences of the Covid-19 virus pandemic, which includes the Ministry of Finance, the NBB and Febelfin. The aim of the task force is to implement a program to support individuals, the self-employed and businesses affected by the Covid-19 crisis.

The program, that was put in place from March 2020, has two pillars:

→ **Pillar 1: The Payment Holiday.** This is applicable to loans to viable non-financial companies and self-employed people as well as to mortgage loans for individuals who are financially affected by the Covid-19 outbreak.
- for **mortgage loans** borrowers who suffered an income loss because of the Covid-19 crisis and who have limited financial resources, a moratorium was granted by the banks. Both the capital and the interest are deferred, so there is no repayment at all during the period of the moratorium for these borrowers. After this period, payments are restarted, including the interest due for the moratorium period. Only for "vulnerable" borrowers, i.e. customers who have a remaining Net Available Income[(1)] less then EUR 1,700 there is no recovery of the interest due for the moratorium period.
- a moratorium for non-financial companies and self-employed people is applicable for viable companies. During the moratorium period, companies must not make any repayments of principal amounts due. However, the interest payments remain due.
- in addition, a legal moratorium for consumer loans (i.e. a payment suspension) has been put in place from mid-May onwards and consists of a payment break for a maximum period of three months (postponement of resetting to zero for the credit lines) and renewable once where the recovery of interest is due over the remaining term of the loan without NPV impact. In these cases, the request has to be initiated by the customer (no pro-activity from the banks) and the customer has to prove to have been financially affected by the Covid-19 crisis.

The deferral of payments for mortgages and non-financial companies has been in place since April and had initially been expected to last until 31 October 2020 for a maximum of six months. Recently, it has been decided to prolong the support measures until the end of the year 2020, at the request of the borrower.

→ **Pillar 2: The Guarantee Scheme.** The (first) guarantee scheme consists of a total allowance of EUR 50 billion for all new loans and loan commitments up to 12 months maturity granted by banks to viable non-financial companies and self-employed people until 30 September 2020. Banks are entitled to a part of the overall amount of the state guarantee based on their market share. At the end of the guarantee scheme period the losses on the guaranteed loans incurred by each bank will be distributed as follows:
- first 3% to be covered by the bank itself;
- between 3% and 5% to be equally shared by the Belgian state and the bank;
- above 5%, 80% of the losses to be covered by the Belgian state.

In view of the need for longer maturities, the Government decided to introduce a (second) EUR 10 billion guarantee scheme for loans to SME (following the Belgian/European definition) with a minimum duration of >12 months and a maximum of 36 months, part of the former EUR 50 billion scheme. It was approved by the Belgian Parliament on 16 July 2020. In contrast to the first guarantee scheme, this second version is optional for the participating bank: banks can choose whether or not an eligible SME credit will be brought under the guarantee mechanism. This guarantee scheme covers 80% of all loan losses under this scheme, which also differs from the first scheme.

(1) We use the following definitions for net monthly household income:
→ For salaried workers: the monthly income in February 2020, including recurring incoming payments such as maintenance and rental income but not including child allowance payments and after the deduction of consumer loan and mortgage repayments for the primary residence.
→ For self-employed: the monthly income before the coronavirus crisis (calculated as follows: income earned in 2019 divided by 12 months), including recurring income such as maintenance repayments and rental income but not including child allowance payments and after the deduction of consumer loan repayments, mortgage repayments for the primary residence and repayments for any business loans in your own name.

The EBA has further clarified that only moratorium programs which fulfil the requirements for the General Payment Moratorium (for instance those under the Federal public moratorium) can benefit from flexible treatment. For instance, the EBA Guideline clarifies that the payment moratoria do not trigger classification as forbearance or distressed restructuring in case of legislative or non-legislative moratoria. However, the Guideline clearly highlights the need for adequate identification of situations where borrowers may face longer-term financial difficulties and requires to classify exposures in accordance with the existing regulations To note that, in addition to these public moratoria, Belfius also executed some 'Belfius-specific' moratoria (which do not fall under the definition of General Payment Moratorium) to the customers of its leasing or factoring entities.

A similar package of support measures has been taken by the insurance sector in March and April 2020:

- interest and capital repayments on mortgage loans contracted with insurance companies, as well as payment of premiums on mortgage protection insurance, are suspended until 30 September 2020, provided that insurance policyholders can prove that they are facing financial difficulties because of the Ciovid-19 crisis. This agreement is fully in line with that concluded by the government with the banks. In addition, a payment deferral until 30 September is possible for home insurance premiums linked to mortgage loans falling due between 30 March and 30 September 2020. This last provision only applies to persons in unemployment;
- concerning loans granted to corporates, the insurers also apply the conditions already set for the banking sector, namely a loan repayment delay (capital repayments only) until 30 September 2020;
- the insurance sector also committed to extend cover, with no further formalities, for pension, death, disability and hospitalisation under group insurance (contracted by employers) for all persons in temporary unemployment The payment of premiums due by employers in this context is deferred until 30 September 2020. It is up to the employers to decide whether or not to use this possibility;
- recently it has been decided to prolong these support measures until the end of 2020

Refer to Note 7.1. Interest income – Interest expense for the quantitative impacts and Note 8.2. Guarantees in the Financial Statements.

2. Exposure to credit risk

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 fair value of derivatives after netting, increased with the potential future exposure calculated under the current exposure method (add-on);
- for Securities Financing Transactions (repo's and reverse repo's): 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. Belfius credit risks are of course based on a consolidation scope that includes its fully consolidated subsidiaries, Belfius Insurance included.

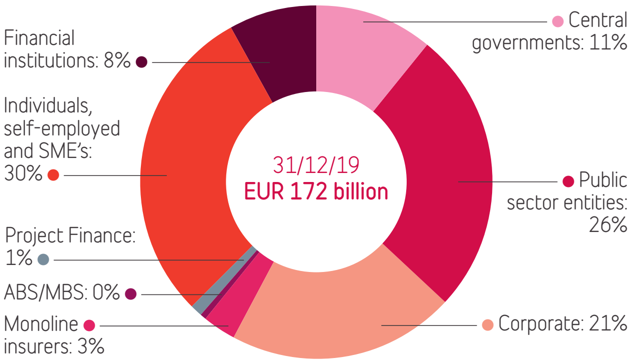
At 30 June 2020, the total credit risk exposure within Belfius reached EUR 188.9 billion, an increase of EUR 16.5 billion or 9.6 % compared to the end of 2019.

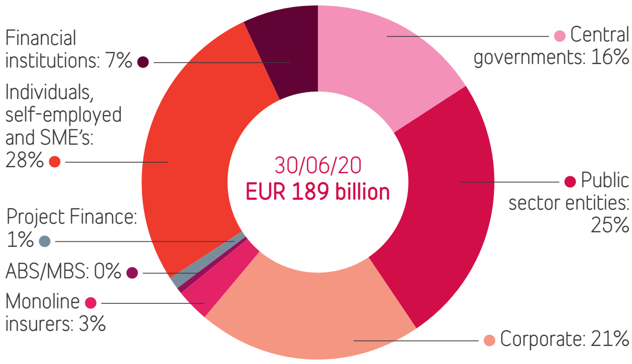
At bank level the credit risk exposure increased with 10.3 % to EUR 174.3 billion. At the level of Belfius Insurance, the credit risk exposure went up by 1.5% to EUR 14.6 billion at 30 June 2020.

Breakdown of credit risk by counterparty

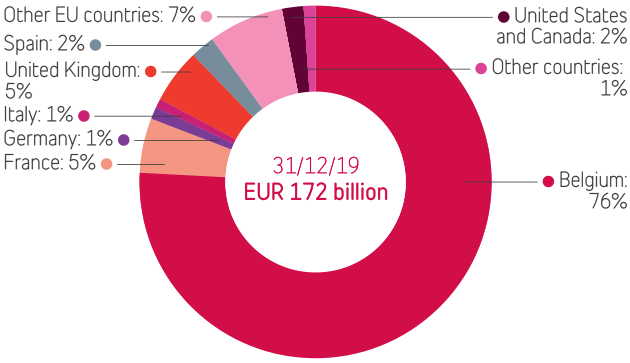
			Of which	
(FEAD, in millions of EUR)	31/12/19	30/06/20	Bank	Insurer
Central governments	18,094	30,455	24,145	6,311
of which government bonds	9,967	10,347	4,245	6,102
Public sector entities	44,342	46,311	44,529	1,782
Corporate	36,438	38,858	37,543	1,315
Monoline insurers	4,718	4,744	4,744	0
ABS/MBS	749	564	476	88
Project Finance	2,426	2,530	2,530	0
Individuals, self-employed and SME's	52,220	52,803	48,689	4,114
Financial institutions	13,415	12,626	11,621	1,005
Other	0	0	0	0
TOTAL	172,401	188,891	174,276	14,615

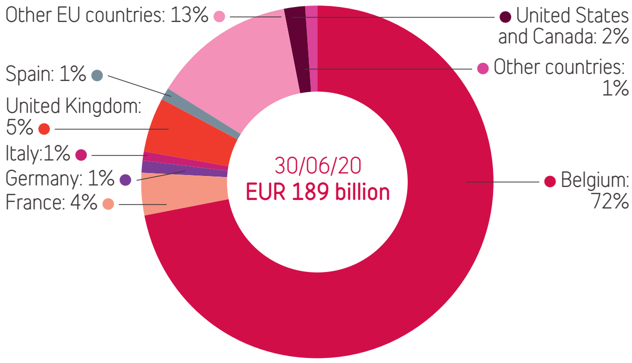
Breakdown of credit risk by counterpart





Breakdown of credit risk by geographical region





The increase by EUR 12.4 billion observed on the segment central governments is mostly due to the additional liquidity reserve taken up by Belfius and deposited at the NBB in light of the adjusted TLTRO III scheme implemented by the ECB. Nearly half (47%) of the government bonds portfolio is invested in Belgian government bonds at the Group level. While at bank level the Belgian government bonds represents 38% of the total government bond portfolio, the relative proportion at Belfius Insurance stood at 53%.

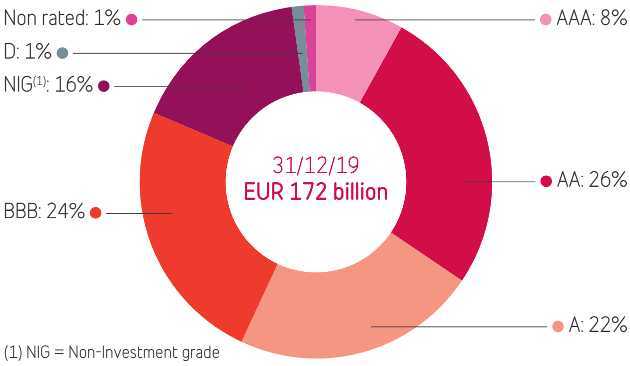
The credit risk exposure on public sector entities and institutions that receive guarantees of these public sector entities (25% of the total) and on individuals, self-employed and SMEs (28% of the total) constitute the two main categories. The credit risk exposure on public sector entities increased by EUR 2.0 billion, boosted by transactions on short term maturities while the credit risk exposure on individuals, self-employed and SMEs increased by EUR 0.6 billion in line with commercial activities. The third main commercial category is the one of the (Belgian) corporates, for which the increase (+ EUR 2.4 billion) reflects Belfius' strategy to support Belgian economy.

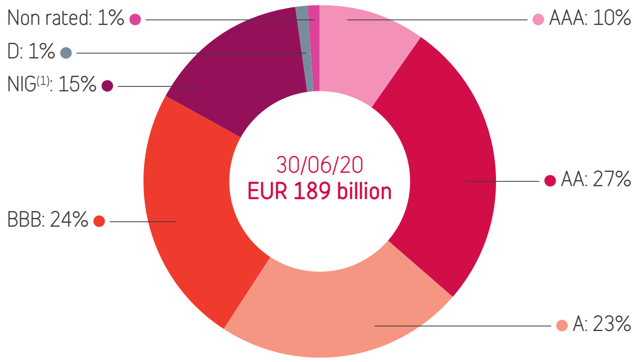
The credit risk exposure on financial institutions declined slightly during the first half of 2020 (at 7% on 30 June 2020). The credit risk on monoline insurers on bonds issued by issuers principally active in infrastructure and public utilities projects is predominantly an indirect risk arising from credit guarantees written by Belfius Bank and reinsured with monoline insurers. During the first half of 2020, their relative proportion was stable at 2.5%.

Belfius' positions are mainly concentrated in the European Union: 90% or EUR 156.9 billion at bank level and 95% or EUR 13.9 billion for Belfius Insurance. The total relative credit risk exposure on counterparties situated in Belgium is 72%, 5% in the United Kingdom, 4% in France, 2.2% in the United States and Canada, 1.4% in Italy and 1.2% in Spain.

The credit risk exposure to counterparties in the United Kingdom amounted to EUR 9.7 billion as of end June 2020. About half of this credit risk exposure concerns bonds, of which close to two-third are inflation-linked, issued by utilities and infrastructure companies in the United Kingdom that operate in regulated sectors such as water, gas and electricity distribution. These bonds are of satisfactory credit quality (100% investment grade), and moreover the majority of the outstanding bonds are covered with a credit protection issued by a credit insurer that is independent from the bond issuer. The remainder concerns the bond portfolio of Belfius Insurance, a short-term credit portfolio for treasury management of Belfius Bank and receivables on clearing houses. The credit risks on those portfolios are also of good credit quality.

Breakdown of credit risk by rating





(1) NIG = Non-Investment grade

At 30 June 2020, 83% of the total credit risk exposure had an internal credit rating of investment grade (IG).

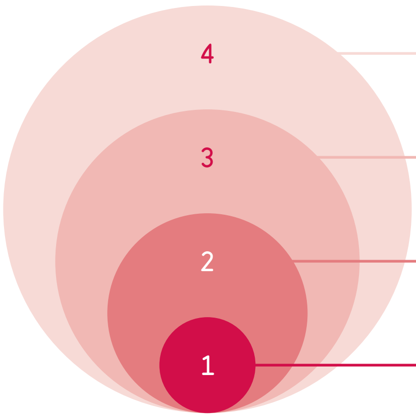
3. Asset quality

3.1. Covid-19 sensitive sectors

The global economy is experiencing an unprecedented simultaneous (demand and supply) shock from the Covid-19 virus pandemic. Gradually it has become clear that the Covid-19 crisis is now a global crisis affecting both health and the economy: given the huge wave of contamination and the lockdown measures, the impact on operations of companies and institutions has increased rapidly since the beginning of the crisis. The impact has now spread economy-wide through all economic sectors, individuals and, ultimately, with an adverse effect on public finances. Nevertheless, economic sectors are hit with different degrees of severity.

Belfius has mapped the impacts of the Covid-19 crisis and established four categories of different estimated impact level.

- the sectors actually suffering the most are those which have been obliged to cease the major part of their activities due to the Government's decision (such as horeca, arts, events and retail trade(excluding food)).
- the second most affected sectors are those which are heavily impacted by social distancing measures. The businesses and market players active in the sector categories 1 and 2 are being severely hit financially as it is extremely difficult for them in the short term to offset the turnover they have lost or to return swiftly to the same level of turnover as before the crisis when the economy rebounds (such as travel, transport, airlines, automotive and wholesale trade).
- global trade has weakened across all regions. Disruption to trade flows and supply chains are further amplifying the negative effects, especially for the sectors delivering goods and services to directly impacted counterparts belonging to the sectors 1 and 2 (such as construction, shipping, warehousing, non-residential real estate and service companies).
- finally, the effects of the Covid-19 virus on the economy, i.e. the uncertainty created by the potential return of (local) lockdowns and renewed restrictions on movement, result in falling consumer demand and production disruptions. This macro-economic impact is placing an extra burden on practically all economic actors.



		% of Total portfolio
4	Sectors that will be suffering from the global economical impact of the crisis (macro-economic effect with demand and production disruptions)	15.3%
3	Other sectors delivering services to directly impacted sectors at category 1 and 2 (such as construction, shipping, warehousing, non-residential real estate and service companies	6.7%
2	Other sectors with activities heavily impacted by the social distancing measures (such as travel, transport, airlines, automotive and wholesale trade)	4%
1	Sectors directly forced to stop the major part of their activities due to Government's decision (such as horeca, arts, events and retail trade excluding food)	1.4%

So far, our analyses have revealed that only a small fraction of our outstanding exposure is in the highly impacted sectors 1 & 2.

In addition to our existing risk monitoring before the crisis and as part of the management of the Covid-19 situation, Belfius has put in place a robust risk mitigation strategy with specific action plans, reporting and monitoring activities. These reporting and monitoring activities have been developed to allow Belfius to monitor the Covid-19 impact and to mitigate risks.

3.2. Expected credit losses

3.2.1. IFRS 9 impairment methodology at Belfius

Reference is made to the Risk Report 2019 for a full description of the Belfius process to compute IFRS 9 expected credit losses (ECL).

Please allow us to recall, the basic principles thereof:

- Belfius Bank, and its subsidiaries, recognise loss allowances for ECL on financial instruments at amortised cost or at fair value through 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 under-performing 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.
- 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. PD are point-in-time PD that inter alia incorporate forward-looking macroeconomic information through the use of four different macro-economic scenarios. These scenarios are built upon internal information delivered by Belfius' chief economist, 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 macro-economic 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 and statistical analysis of historical data.
- given that ECL estimations are complex and to a certain extent judgmental, the afore-mentioned mechanical approach is completed by management judgment through "management call" layers. 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.

3.2.2. Covid-19 adjustments to the impairment methodology

The current crisis is unprecedented with very unusual features such as its speed and scale, a widespread lockdown of activities, uncertainties about the timing and shape of recovery, the impact of the measures taken by the Federal State, the Regions, central banks and regulators, etc.

In this context, Belfius' basic principles for ECL computations have remained largely unchanged, however some material adjustments to the afore-mentioned approach were required in order (1) to maintain adequate coverage ratios on estimated increased risk profiles and (2) to comply with updated regulations, for instance on forbearance and guidelines to avoid pro-cyclicality.

Therefore, the following adjustments were made:

- → to calculate ECL, Belfius still defines four probability weighted forward-looking scenarios each with their own macro-economic parameters to build optimistic, neutral, pessimistic and stress cases. Yet, the scenarios have been adapted to the current circumstances and more probability weight has been put on the pessimistic and stress scenarios.
- → crisis dampening measures have been implemented by national and regulatory authorities. These have been included in the ECL calculations. They refer, inter alia
  - to changes to avoid, to some extent, pro-cyclicality in ECL calculations by giving a greater weight to long-term normalized outlook evidenced by past experience when estimating long-term ECL (giving weight to through-the-cycle approach),
  - to account for moratoria and guarantee schemes: regulatory guidance was given with respect to the treatment of exposures covered by public and private moratoria related to Covid-19, both from a prudential (forbearance as unlikely-to-pay classification) and an accounting perspective (as an indication of significantly increased credit risk).
- → Belfius still combines the as such Covid-19 adjusted mechanical calculations with expert overlays. Due to the unusual situation and the sectoral impact of Covid-19, these overlays have gained further scale and importance in recent quarters. The layers are designed to result, overall, in best estimate total coverage of ECL in some specifically identified risk pockets (defined in terms of sectors, groups of companies or individual exposures) when the credit risk is estimated (potentially) insufficiently covered by the mechanical provisions. This analysis is performed starting with the sectors, portfolios and companies considered most at risk. As of end 1H 2020, Belfius screened on a line by line basis, and focused on the most vulnerable sectors, 40% of its total exposure on corporates, SME's and self-employed (at bank level). This approach was combined with the mechanical calculations & standard risk policies like rating renotation, watchlist, and/or default assessment.

The governance process did not change fundamentally, with the same teams responsible for providing the macroeconomic parameters and scenarios, the same computation engines (enhanced for increased flexibility and simulation power) and the same validation committees as before the crisis. However, more frequent reporting to the Management Board and Board of Directors was established to ensure proper guidance and decision-making process in view of the increased materiality of the impact and its unprecedented nature.

The current approach is deemed to reflect the expected credit losses in a best estimate way. Yet, the evolution of the pandemic and its economic impacts remain uncertain meaning that figures are subject to upwards or downwards adjustments in coming quarters.

Some sensitivities to downside scenarios are provided below. Note that the sensitivity is not linear and cannot be simply extrapolated.

Finally, please allow us to recall that stage 1 & 2 provisions constitute protection against future effective credit losses on files that effectively enter into default status. If there would be a significant improvement in macroeconomic environments and/or even more successful government support measures allowing that such currently anticipated transitions to default will not occur, part of the impairments could be reversed over time.

3.2.3. Drivers of the cost of risk in the first half of 2020

The cost of risk approach follows a waterfall principle :

- the provisions for stage 1 & 2 are calculated in a mechanical mode, based on a view on the macro-economic conditions (past and future) (pillar 1),
- if Belfius considers that certain risk pockets, defined in terms of sectors or groups of companies, are not sufficiently covered by the mechanical provisions, certain expert overlays are added (pillar 2),
- if, additionally, the assessment of certain individual counterparts indicates that they present a significantly increased credit risk, but are not yet in default, the provisions constituted could be insufficient. For these cases, an individual management adjustment on the expected credit loss in stage 2 is added (pillar 3),
- for counterparts in default status (stage 3), the normal impairment process is run and specific provisions are calculated and booked (Pillar 4). Provision levels are based on an individual assessment of exposure and collateral. A number of corporate loans, that were already showing increased risk profiles pre-crisis, have shifted to default in 1H 2020, requiring additional specific impairments (stage 3). Some other loans resulted in release of impairments. We note however, that one single corporate file explains about 60% of the observed increase in stage 3 Cost of Risk component.

The Cost of Risk 1 H 2020 of EUR 393 million is composed of an increase of ECL's in stages 1 and 2 for a net amount of EUR 312 million and a provision for defaulted loans of EUR 81 million.

The net increase of EUR 312 million in stages 1 and 2 reflects the importance of the Covid-19 ECL overlays that were accounted for, in particular in the Business and Corporate segments. In order to cover for the increase of credit risk, linked to certain risk pockets in these segments, significant exposures were shifted from stage 1 to stage 2, inducing a net reduction of the ECL in stage 1 and an increase in stage 2 for which life time expected losses are calculated.

Cost of risk 1H 2020

(in millions of EUR)	Stage 1	Stage 2	Stage 3	TOTAL
Pillar 1	(57)	(88)		(145)
Pillar 2 & 3	116	(283)		(167)
Pillar 4			(81)	(81)
TOTAL	**59**	**(371)**	**(81)**	**(393)**

	GDP (% YoY)			CPI (% YoY)		Unemployment (%)	
	2020	2021	2022	2020	2021	2020	2021
Belgium	-10.6	8.2	2.1	0.2	1.3	7.9	8.4
Eurozone	-10.9	8.1	3.5	-	-	10.4	9.6
United States	-8.0	4.8	3.5	-	-	-	-

Macroeconomic factors (pillar 1)

Belfius' neutral scenario assumes a strong recession in 2020 (Belgian GDP -10.6%) followed by a strong, though still partial, rebound in 2021 and 2022 (Belgian GDP +8.2% in 2021 and +2.1% in 2022), thus a kind of recovery underpinned by the assumption that the major lockdown effect is behind us in the European Union and that additional lockdowns to contain the Covid-19 virus' spread will be more local and of limited duration. In terms of unemployment, our neutral scenario assumes an increase from 5.4% in 2019 to 7.9% in 2020 and 8.4% in 2021

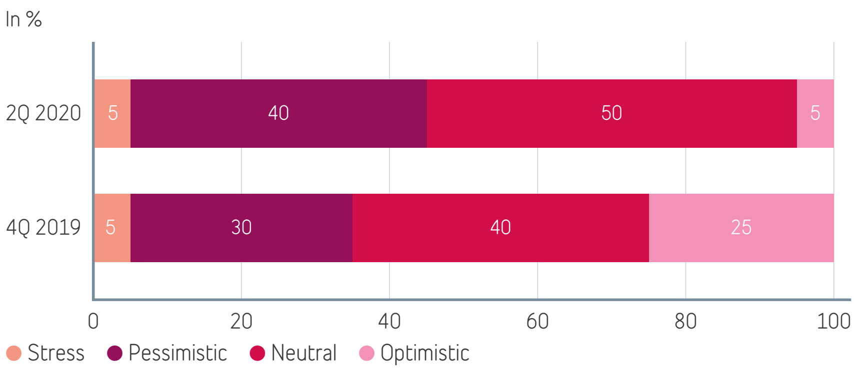
The neutral case is completed with one optimistic and two pessimistic scenarios. The table above illustrates some of the key macroeconomic forecasts underlying the neutral scenario used in 2Q20.

The table (below) illustrates the Belgian GDP Growth assumptions, as of 2Q 2020, under the four scenarios. Please note, that for the credit provisioning as of end 2019 other, pre-Covid 19 assumptions were used.

	GDP Belgium (% YoY)		
Scenarios	As of end 2019	As of 2Q 2020	
For year	2020	2020	2021
Optimstic	1.5	-6.0	5.0
Neutral	1.1	-10.6	8.2
Pessimistic	0.8	-12.5	6.0
Stress	-0.5	-13.9	6.4

As such, Belfius materially deteriorated its scenarios.

As can be seen from the following graph, a weight of 50% has been assigned to the neutral scenario. The probability of more severe scenarios has also been increased for the Covid-19 crisis, bringing the probability of such scenarios to 45% in 2Q 2020. The more optimistic scenario is only given a 5% probability in 2Q 2020.



These macro-economic factors and scenarios, combined with increasing loan volumes and some (though limited) portfolio rating downgrade migrations, led to a cost of risk of EUR -145 million in 1H 2020.

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

The following table gives an overview of the stage 1 & 2 impairments sensitivity to macroeconomic scenarios assuming the current Covid-19 IFRS-9 method is maintained. Only the scenario weight is modified, not the macroeconomic parameters behind each scenario.

(In millions of EUR)	What if 85% optimistic[(1)]	Weighted average scenario 2Q 2020	What if 85% pessimistic[(1)]	What if 85% stress[(1)]
Impairment stock stage 1&2	827	959	1,000	1,144
% change vs WA scenario	-14%	0%	4%	19%
		Optimistic 5% Neutral 50% Pessimistic 40% Stress 5%		

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

Risk pockets and overlays (pillar 2 & 3)

The risk mitigation strategy for corporates, SME and self-employed defined in the context of the Covid-19 is based on two complementary approaches: a bottom-up approach analysing individual clients identified as "at risk" and continuous credit risk monitoring.

The bottom-up approach is executed by screening the portfolio with pluri-disciplinary teams. This in-depth analysis of the loan portfolio is conducted in waves in order to prioritize on most Covid-19 impacted sectors and companies with the lowest estimated resilience.

This review feeds the formal quarterly impairment process and is entitled to shift individual files or risk pockets from stage 1 to 2 and to increase the coverage ratio.

2Q 2020 Covid-19 overlays

Mortgages	Loans at risk: to borrowers using moratorium and/or loans with indicators pointing out to potentially higher risk pockets (buy to let loans, loans to borrowers with low ratings)
Commercial real estate	Sensitive market segments (e.g. retail, leisure, hospitality)
Vulnerable companies	Companies with low ratings belonging to sectors identified as very much impacted by Covid-19 and flagged as having lower resilience
Individual names	Expert analysis pointing to potential increased credit risk (not dedected by the mechanical approach) or potential increased risk of default companies (but not yet unlikely to pay)

For these risk pockets, one or more IFRS 9 parameters have been stressed when computing the ECLs. For mortgages a stressed LGD value was applied, for commercial real estate and vulnerable companies an add-on was applied on the mechanically calculated expected credit loss, reflecting the characteristic of the risk pocket.

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

3.3.1. 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 IFRS9.

Due to the unprecedented situation, which customers and institutions face today with the Covid-19 pandemic and given that authorities have fully acknowledged that payment moratoria are effective tools to address short-term liquidity difficulties caused by the limited operations of many enterprises or by short-term unemployment for households, the EBA has provided flexibility and guidance to the banks with regard to forbearance reclassification.

According to the new EBA Guidelines on legislative and non-legislative moratoria(1), institutions are allowed to grant payment holidays for a pre-defined set of obligors, for which there need not be an automatic regulatory reclassification as forbearance. However, the EBA clearly clarifies that banks are required to continue to correctly identify those situations where borrowers may face longer-term financial difficulties and classify exposures in accordance with the regulation. In addition, the EBA clarifies that the existence of any credit risk mitigation (including state guarantees due to Covid-19) should not exempt the banks from performing the assessment of the obligor's unlikeliness to pay or affect the results of such an analysis.

Belfius reviewed its forbearance criteria established within this purpose. In line with the EBA guidance, there is no automatic change in the forbearance classification towards borrowers only due to new loan granted under the state guarantee scheme or requested moratoria. Clients which were granted legislative, non-legislative and other moratoria during the Covid-19 pandemic continued however to be assessed on an individual basis, taking into consideration the existing forbearance criteria and longer-term capacity to repay. In this context, the most vulnerable clients associated with high PD's and, with potentially longer-term use of moratoria are recognized as forborne.

At the end of June 2020, an amount of EUR 965 million of loans at Belfius complied with the forbearance definition, of which EUR 74 million related to Belfius Insurance. EUR 618 million or 64% of these forborne exposures are still performing. The most relevant contributors to the Forbearance are Corporate (EUR 364 million) and Business customers (EUR 368 million).

More details on forborne exposures are provided in the note 9.2.2 forbearance in the Financial Statements.

3.3.2. 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.

3.3.3. Default

A transversal default definition is applied within the entire Belfius Group and on all market segments in line with the EBA Guideline(2).

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.

Based on regulatory evolutions, Belfius has implemented the EBA updated definition of default as of mid March 2020(3). Its internal guidelines are updated accordingly. The aim of the EBA guideline is to harmonize the definition of default across the EU prudential framework.

Main impacts 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.

(1) EBA/GL/2020/02
(2) EBA/GL/2016/07
(3) EBA/GL/2016/07

3.3.4. Impairments

At the end of June 2020, the total impairment stock amounted EUR 2,170 million compared to EUR 1,827 million to the end of 2019. This increase of EUR 343 million is mainly explained by the impact of the Covid-19 crisis.

The decrease of expected credit losses in stage 1 is explained by the shifts to stage 2 and stage 3 resulting from the Covid-19 related general economic environment deterioration, transferring more exposures to stage 2 and 3. This stage 1 decrease is more than counterbalanced by an increase of expected credit losses in stage 2 and 3 mostly driven by the overlays and name based expected credit losses adjustments for the stage 2.

	31/12/19	30/06/20			Evolution
(In millions of EUR)	Total	Total	Bank	Insurer	
TOTAL IMPAIRMENTS	1,827	2,170	2,101	69	343
Stage 1	243	183	175	7	(60)
Stage 2	414	776	749	27	362
Stage 3	1,170	1,211	1,177	34	41

For more information we refer to Note 9.2. Credit risk exposure in the Financial Statements.

3.4. Asset quality ratio

At the end of June 2020, the amount of impaired loans was EUR 1,952 million, an increase of 5.1% compared to year-end 2019, mainly driven by a limited number of specific customers in default. During the same period, the gross outstanding loans to customers increased by 4.4% and amounted to EUR 99,068 million as the end of June 2020. As a consequence, the asset quality ratio remained stable at 1.97% at the end of June 2020. The stage 3 impairments on impaired loans increased by 3.3%. As a consequence, the coverage ratio slightly decreased to 61.3% at the end of June 2020 compared to 62.3% at the end of 2019. The evolution of the stage 1 & 2 impairments was impacted by the growth of the portfolio and the Covid-19 crisis. As a consequence, we noticed a more than doubling of the stage 2 impairments on loans and advances to customers to EUR 453 million as the end of June 2020, explained by additional expected credit losses in the Covid-19 context and a partial shift of exposures from stage 1 to stage 2. At the end of June 2020 the stage 1 impairments amount to EUR 144 million, down EUR 54 million compared to December 2019.

Asset Quality(1)

(in millions of EUR, except where indicated)	31/12/19	30/06/20
Gross outstanding loans and advances to customers (measured at amortised cost)	94,907	99,068
Impaired loans and advances to customers (measured at amortised cost)	1,859	1,952
Stage 1 impairments on loans and advances to customers	198	144
Stage 2 impairments on loans and advances to customers	159	453
Stage 3 impairments on loans and advances to customers	1,158	1,197
Asset quality ratio(2)	1.96%	1.97%
Coverage ratio(3)	62.3%	61.3%

(1) Belfius Insurance included.
(2) The ratio between impaired loans and advances to customers and the gross outstanding loans and advances to customers.
(3) The ratio between the Stage 3 impairments and impaired loans and advances to customers.

Market risk

1. Overview

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.

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

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

In view of the intensified volatilities on the financial markets the market risks due to the Covid-19 crisis, have increased in 1H 2020, resulting in downwards pressures on the P&L mainly related to fair values accounted for in P&L (like CVA and FVA), remaining hedge inefficiencies and Non basic financial instruments' fair values booked in P&L. To mitigate market risk impact, important management actions have been taken, such as additional hedges and reduction of open positions. This has a.o. led to reduced credit spread sensitivities.

Market risk RWA have also increased since end 2019. This increase is mainly due to the volatility on the financial markets caused by the outbreak of the Covid-19. However, this increase was mitigated by some hedging, some opportunistic derisking in the derivatives book and a softening regulation on VaR over-shootings during Covid-19 crisis.

For more information we refer to Note 9.3. Market risk and ALM in the Financial Statements.

2. Structural & ALM risk

2.1. Interest rate risk of the banking activities

In respect to the interest rate risk, Belfius Bank pursues a 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 deposits (such as sight and savings accounts) and non-interest-bearing products use portfolio replication techniques. The underlying hypotheses concerning expected duration, rate-fixing period and tariff evolution are subject to constant monitoring and, if necessary, they are adjusted by the ALCo. Implicit interest rate options like prepayment risk are integrated through behavioural models.

Interest rate risk has two aspects: economic value volatility and earnings volatility. The measurement of both is complementary in understanding the complete scope of interest rate risk in the Banking book.

Banks' ALM objective is to protect the net interest income for downward pressures in current historically low interest rate environment, while respecting the limits on variation of economic value.

Economic value indicators capture the long-term effect of the interest rate changes on the economic value of the Bank. Interest rate sensitivity of economic value measures the net change in the ALM balance sheet's economic value if interest rates move by 10 bps across the entire curve. The long-term sensitivity of the ALM perimeter was EUR -28 million per 10 bps at 30 June 2020 (compared to EUR -50 million per 10 bps at 31 December 2019), excluding interest rate positions of Belfius Insurance and of the pension funds of Belfius Bank.

Earnings at Risk indicators capture the more shorter term effect of the interest rate changes on the earnings of the Bank. Therefore, indirectly through profitability, interest rate changes can also have a shorter term solvency effect. A 50 bps increase of interest rates has an estimated positive impact on net interest income (before tax) of EUR +27 million of the next book year and an estimated cumulative effect of EUR +171 million over a three year period, whereas a 35 bps decrease would lead to an estimated negative impact of EUR -15 million of the next book year and an estimated cumulative effect of EUR -134 million over a three year period (compared to EUR +3 million, resp. EUR +143 million and EUR +1 million, resp. EUR -90 million for similar rate shocks end of last year).

Besides directional interest rate risk also curvature risk, due to steepening or flattening of the interest rate curve, is followed up within a normative framework by the ALCo. The same goes for basis spread risk between Euribor and Eonia and cross-currency spread risk.

The low interest rate environment puts considerable pressure on the Bank's standard transformation model. On the one hand, the interest paid to depositors remains close to zero or is even legally prohibited to go below 11 bps while the interest received on commercial loans is lowering continuously following markets rates and competitive pressures. On the other hand, customers continue to refinance and prepay some mortgages. Furthermore, the negative interest rate policy of the ECB increases the collateral cost for derivative contracts used to hedge the Bank's exposure to interest rate risk.

2.2. Interest rate risk of the insurance activities

For Belfius Insurance, the ALM objective is to limit the volatility of the P&L and the economic value of the company induced by potential changes in the interest rates.

The long-term sensitivity of the Net Asset Value of Belfius Insurance to interest rates was EUR 6.6 million per 10 bps as of 30 June 2020 (against EUR 6.9 million per 10 bps as of 31 December 2019). The earnings have a low sensitivity to interest rates for the next years, thanks to good matching in terms of duration.

2.3. Aggregate interest rate risk for Belfius Group

The figures below show the impact on the Belfius group Net Asset Value and the Earnings at Risk for the next book year of a parallel upward shift of the yield curve of 10 bps, resp. 50 bps.

(in thousands of EUR)	31/12/19	30/06/20
BELFIUS BANK		
Sensitivity (+10 bps)	(50,409)	(28,498)
Earnings at risk (+50 bps)	3,264	26,752
BELFIUS INSURANCE		
Sensitivity (+10 bps)	6,874	6,639
Earnings at risk (+50 bps)	2,178	2,169

3. Trading market risk

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

The financial market activities of Belfius Bank manage both the financial markets services rendered to our two business segments RC and PC, as well as to Group Center portfolios and activities like the ALM of the bank and the non-core portfolios. Within the latter, Belfius Bank P&L remains somewhat sensitive especially for credit spread movement within its derivatives portfolio (both for PC-customers and in the non-core portfolios) and GBP real rate movements within its non-core ALM yield bond portfolio.

3.1. Market risk exposure

At the end of June 2020, the global VaR level of Financial Market activities amounts EUR 17,1 million, an increase of EUR 5.9 million compared to end 2019. This increase is mainly due the volatility on the financial markets following the Covid-19 crisis, and the resulting extreme market movements and volatilities.

The market RWA increased by EUR 253 millions up to EUR 1.6 billion, in line with higher IR VaR in these volatile financial markets.

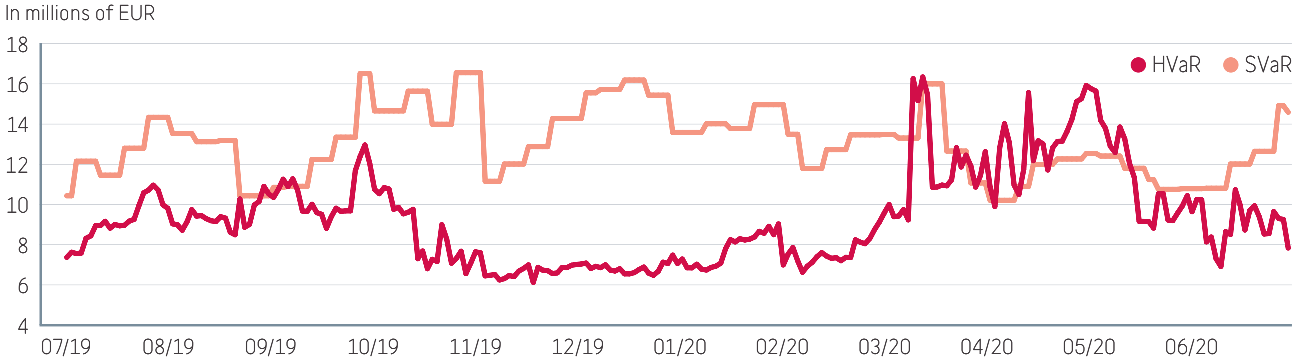
Value-at-risk by activity

VaR(1) (99% 10 days) (in millions of EUR)	31/12/19				30/06/20			
	IR(2) & FX(3)	Equity	Spread	Other risks(4)	IR(2) & FX(3)	Equity	Spread	Other risks(4)
By activity								
Average	6.8	4.8	0.7	0.7	7.0	4.9	0.7	0.5
End of Year	6.0	4.4	0.3	0.4	6.4	7.4	2.8	0.4
Maximum	11.6	7.6	2.2	1.5	12.3	8.4	3.6	1.1
Minimum	3.5	3.7	0.2	0.4	4.1	2.6	0.2	0.3
Global								
Average	12.9				13.2			
End of Year	11.2				17.1			
Maximum	18.4				21.5			
Minimum	9.1				9.1			
Limit	26.5				26.5			

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

Evolution of global VaR in 1H 2020

Evolution of HVaR and SVaR (Internal Model) in 1H 2020



Liquidity risk

1. Liquidity risk at Belfius Bank

1.1. Liquidity management framework

Belfius Bank manages its liquidity with a view to comply with internal and regulatory liquidity ratios. In addition, limits are defined for the balance sheet amount that can be funded over the short term and on the interbank market. These limits are integrated in the Risk Appetite Framework (RAF) approved by the Board of Directors and reported on a quarterly basis. Available liquidity reserves also play a key role: at any time, Belfius Bank ensures it has sufficient quality assets to cover a temporary liquidity shortfall, both in normal markets and under stress scenarios. Belfius Bank defined specific guidelines for the management of LCR eligible bonds and non LCR eligible bonds, both approved by the Management Board. All this is laid down in liquidity guidelines, approved by the ALCo.

Asset and Liability Management (ALM), a division situated within the scope of the Chief Financial and Strategic Officer (CFSO), is the front-line manager for the liquidity requirements of Belfius Bank. ALM analyses and reports on current and future liquidity positions and risks. It defines and coordinates funding plans and actions under the operational responsibility of the CFSO and under the general responsibility of the Management Board. The CFSO also bears final operational responsibility for managing the interest rate risk contained in the banking balance sheet via the ALM department and the ALCo, meaning that total bank balance sheet management lies within its operational responsibility.

ALM organises a weekly Assets and Liabilities Forum (ALF), in presence of the Risk department, the Treasury department and representatives of the commercial business lines. This forum coordinates the implementation of the funding plan validated by ALCo.

ALM monitors the funding plan to guarantee Belfius Bank will continue to comply with its internal and regulatory liquidity ratios.

ALM reports on a daily basis to the CFSO and CRO and on a monthly basis to the Board of Directors about the Bank's liquidity situation.

Second-line controls for monitoring the liquidity risk are performed by the Risk department, which ensures that the reports published are accurate and challenges the retained assumptions and models.

In addition to the RAF-limits, a set of liquidity Key Risk Indicators (KRI) is defined in the liquidity guidelines. Compliance with KRI is monitored and reported on a daily basis. The objective of these KRI is to remain sufficiently liquid and to respect regulatory liquidity ratios in stress situations. Several stress simulations have been defined which take into account action plans with recovery measures. These recovery measures are regularly tested in the market.

Next to that a daily liquidity dashboard allows to detect as early as possible any liquidity tendencies that would start to emerge.

ALF also monitors all aspects relating to asset encumbrance:

- analysis of the potential regulatory and economic impacts of asset encumbrance;
- coordination of all projects that impact asset encumbrance;
- optimisation of the asset allocation.

For more information we refer to condensed consolidated interim cash flow statement in the Financial Statements.

1.2. Exposure to liquidity risk

The liquidity risk at Belfius Bank is mainly stemming from:

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

This first half year was focussed on the management of the liquidity risk under Covid-19 crisis. From the start thereof, Belfius Bank has been aible to maintain its already strong liquidity position, mainly thanks to a strong increase in commercial deposits which compensated

- the temporary general (not Belfius' specific) difficulties on the short-term institutional funding markets and
- the increase of commercial assets also driven by moratoria and increased drawing on credit lines. In June, Belfius Bank participated in the TLTRO III.4 for an additional amount of EUR 10.2 billion, as such reaching a total amount of EUR 13 billion TLTRO III. (TLTRO II has been fully paid back.) A notional amount of EUR 2 billion retained covered bonds has been issued and pledged at the ECB as part of the collateral requirements for TLTRO III purposes.

1.3. Preserving of the liquidity profile

During the first half of 2020, Belfius preserved its diversified liquidity profile by:

- maintaining a funding surplus within the commercial balance sheet;
- continuing to obtain diversified long-term funding from institutional investors
- collecting short and medium-term (CP/CD/EMTN) deposits from institutional investors.

Belfius Bank participated in the ECB TLTRO III funding programme for an amount of EUR 13 billion.

Belfius Bank reached end of June 2020 a 12 month average Liquidity Coverage Ratio (LCR) of 134%, as such continuing to respect internal risk limits.

The Net Stable Funding Ratio (NSFR), based on our current interpretation of current Basel III rules, stood at 122% end of June 2020, an increase also explained by the participation in the TLTRO III.

1.4. Liquidity reserves

At the end of June 2020, Belfius Bank had readily realisable liquidity reserves of EUR 34.8 billion, a material increase from end 2019 levels (EUR 28.6 billion) mainly due to increase of (retained) covered bonds eligible for ECB pledging. These reserves consisted of EUR 18.3 billion in cash, EUR 13.8 billion in ECB eligible bonds (of which EUR 10.5 billion are CCP-eligible), EUR 0.8 billion in other assets also eligible at the ECB and EUR 1.8 billion in other liquid bonds.

These liquidity reserves represent 8.9 times the Bank's institutional funding outstanding end of June 2020 and having a remaining maturity of less than one year.

1.5. Funding diversification at Belfius Bank

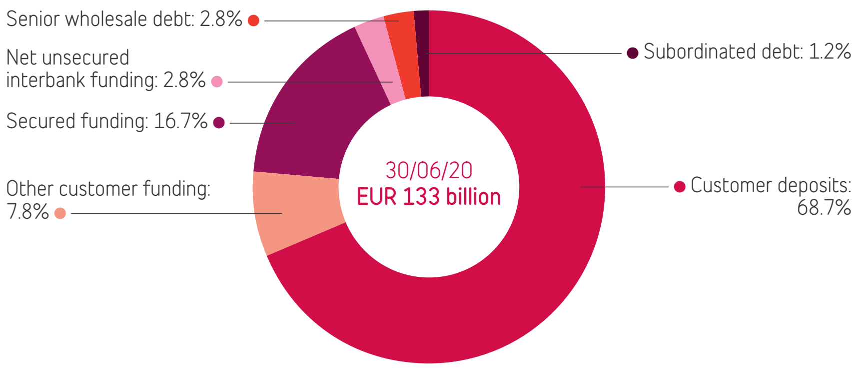
Belfius Bank has a historical stable volume of commercial funding that comes from its RC and PC customers. RC and PC funding equal combined EUR 101.9 billion. The increase of EUR 7 billion commercial funding compared to end of 2019 is mainly used to finance the growth in commercial loans.

The loan-to-deposit ratio, which indicates the proportion between assets and liabilities of the commercial balance sheet, decreased slightly under Covid-19 crisis and stands at 92% at the end of June 2020.

Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 7.7 billion from covered bonds, EUR 3.7 billion from Senior Unsecured, and EUR 13.0 billion in TLTRO funding from ECB as at 30 June 2020.

The Non Preferred Senior Bonds of EUR 1.7 billion enable Belfius to prepare for the regulatory requirement of MREL.

Belfius' main funding sources



The remainder of the Bank's funding sources comes from institutional short-term deposits (Treasury) mainly by issuing Certificates of Deposit and Commercial Paper.

Next to that, Belfius Bank also has a historical bond portfolio, including an ALM portfolio for liquidity management purposes, with highly liquid assets.

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

1.6. Encumbered assets

According to Belfius' current interpretation of the EBA guideline on the matter, the encumbered assets at Belfius Bank level amount to EUR 46 billion in June 2020 and represent 25.7% of total bank balance sheet and collateral received under securities format, which amounts to EUR 178.8 billion (EUR 171.1 billion assets and EUR 7.7 billion collateral received). This represents an increase of the encumbrance ratio of +5.4% compared to end 2019, this increase being entirely explained by the additional withdrawal in June of EUR 10.2 billion under TLTRO III.

Belfius is active on the covered bond market since the set-up of the first covered bond program in 2012. In June 2020, the total amount issued was EUR 7.7 billion. End June 2020, the assets encumbered for this funding source are composed of commercial loans (public sector and mortgage loans) and amount to EUR 9.7 billion (decrease of EUR 0.3 billion compared to end 2019).

The Bank is also collecting funding through repo markets and other collateralized deposits. End June 2020, the total amount of assets used as collateral for this activity amounts to EUR 17.9 billion, of which EUR 16.2 billion linked to the ECB funding. The increase of this amount is explained by the additional withdrawal in June of EUR 10.2 billion under TLTRO III.

The balance of encumbered assets is also linked to collateral pledged (gross of collateral received) for the derivatives exposures for EUR 14.3 billion (increase of EUR 1.3 billion compared to end 2019), under the form of cash or securities. A significant part of collateral pledged is financed through collateral received from other counterparties with whom the Bank concluded derivatives in the opposite direction.

Regarding the "Other assets" (unencumbered) on balance sheet, they are mainly composed of assets not available for encumbrance such as derivatives value, fair value revaluation of portfolio hedge and tax assets.

2. Liquidity risk at Belfius Insurance

As an insurance company in terms of liquidity management,, Belfius Insurance engages mainly in life insurance liabilities at relatively long term that are largely stable and predictable. Consequently, funding requirement is quite limited. The premiums paid by policyholders are placed in long-term investments in order to guarantee the insured capital and committed interests at the contract's maturity date. Several regulatory and internal liquidity indicators demonstrate that Belfius Insurance constantly holds enough liquid assets to cover its commitments on the liability side of the balance sheet.

In order to ensure that all short-term liquidity requirements can be met, Belfius Insurance has embedded liquidity management in its day-to-day activities through:

- investment guidelines that limit investments in illiquid assets;
- Asset Liability Management, ensuring that investment decisions take into account the specific features of the liabilities;
- policies and procedures put in place to assess the liquidity of new investments;
- follow up of the short-term treasury needs.

In addition, Belfius Insurance also holds a significant amount of unencumbered assets that respect ECB eligibility criteria. More specific, the company invests at least 40% of its bond portfolio in government bonds eligible for repos in the context of its liquidity management.

The Investment department of Belfius Insurance is responsible for Belfius Insurance's liquidity and cash-flow management, for which it uses long-term projections of the cash-flows of assets and liabilities. These cash flows are simulated under both normal and stressed situations.

Operational risk – Non financial risks (NFR)

1. General principles

The operational risk framework has been extended into a "Non-Financial Risk" framework. The term Non-Financial Risk (NFR) has to be understood as a broad umbrella covering all risks except "financial risks" (the latter encompassing market, ALM, liquidity, credit and insurance risks). NFR covers among others operational risks (including fraud, HR, IT-functioning, IT-security, business continuity, outsourcing, data-related risks, privacy …) as well as reputational, compliance, legal risks, etc.

The NFR framework determines the principles that ensure an effective management of Belfius' non financial risks. The principles are further elaborated in specific Policies/ Guidelines adapted to the business activities. These general principles are in compliance with the applicable legal requirements.

The framework is based on four axes:

- a risk mapping and taxonomy in order to ensure consistency within the organization, including a regular review of this mapping and taxonomy to identify emerging risks;
- clear roles and responsibilities, as well as a well-defined way of working together for all the risks based on the 3 "Lines of Defence" model (decentralized responsibility);
- a strong governance/committee structure involving the appropriate level of management; and
- transversal risk processes and related policies, such as: self assessment of risks and internal controls, incident management, risk reporting, risk appetite definition and follow up, business continuity and crisis management.

2. Risk appetite

The formal definition of a Risk Appetite Framework (RAF) is the key reference for the group Risk Management practice and it covers both financial and non-financial risks .

The RAF for NFR contains quantitative elements (target values or ratios) and qualitative elements (statements) and is articulated around three concepts on which limits are defined:

- "Risks": What are the risks? How to appreciate the risk level (past and forward looking)?
- "Risk management capacity": What is the capacity to manage the risks?
- "Loss tolerance": What are the potential P&L and future RWA impacts Belfius tolerates?

3. Measuring and managing NFR

Managing NFR is based on the following principles:

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 if incidents occur. Major incidents are also reported to the CRO/Management Board, and these reports include an action plan for avoiding, mitigating or limiting risks in the future. The major operational incidents are investigated thoroughly and are subject to a specific action plan and appropriate follow-up under the responsibility of the relevant line management.

Belfius' losses resulting from operational incidents remain stable and limited. The main areas of operational losses were essentially due to incidents associated with external fraud and incidents in relation to execution, delivery and process management. Other categories remain limited in amount even if material in number of events.

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 in all departments and subsidiaries, using the COSO methodology. These exercises may result in the development of additional action plans to further reduce potential risks and they provide an excellent overview of the main risk areas in the various businesses. These self-assessments are conducted annually and use the same methodology both for the Risk Control Self Assessment (RCSA) and for the yearly reports submitted to the respective Boards of Directors regarding the assessment of internal control. Belfius Bank submits its senior management report on the assessment of the internal control also to its regulator.

3.3. New Product Approval Process

The New Product Approval Process: the process of developing a function (product, service, activity, process or system) which involves a sound (ex-ante) risk assessment. It is purposed at ensuring that all risks related to any new or changed functions are assessed by relevant experts and addressed accordingly and is overseen by a dedicated steering committee.

3.4. Managing insurance policies

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

3.5. Business continuity & crisis management

Belfius is committed to its clients, counterparties and regulators to put in place, maintain and test viable alternative arrangements that, following an incident, allow the continuation or the resumption of critical business activities at the agreed operational level and entirely compliant with the Belgian regulation and beyond.

The supporting process, the business continuity and crisis management, is in a uniform way applied at all Belfius entities and relies on a.o. threat analysis, business impact analysis, reallocation strategies (dual office, remote work, etc.), business continuity plans as well as testing and maintenance programs.

4. Focus on specific risks

4.1. Information Security

For Belfius, the purpose of information security is to protect Belfius' information that has a value for the organization: i.e. the information generated by the business, the information belonging/pertaining to our clients, and also the information, derived from freely accessible or publicly available data, which has acquired a value as a result of the treatment carried out by or on behalf of Belfius. The threats against data and the information are: their loss of integrity; their loss of confidentiality; and their unplanned unavailability. The mission of information security is to safeguard against these threats.

Belfius also considers that the objective regarding information security extends to managing the risks linked to the consequences of these threats if they have materialized in terms of customers' confidence, finance, reputation, peer confidence (regulators, financial markets) and confidence of our business partners. An information security strategy derived from these principles has been approved and is applicable to all actions pertaining to information security.

In order to guarantee the information security within Belfius, the Information Security Steering Committee, hosted by the Chief Information Security Officer (CISO), ensures a well governed and coordinated information security strategy whereby an adequate system of "prevention", "detection", "protection" and "reaction" is put in place, in line with regulatory requirements towards information security.

Also for information security, Belfius follows a risk-based approach. This means that, based upon risk assessments, decisions are made on where improvements are most needed to effectively realize the stated ambitions and to align the actual risk posture with the risk appetite. This approach is used by the individual teams to define priorities and areas that need improvement whilst adhering to a defence in depth principle. Large security projects are grouped together in a security roadmap which typically runs for two years. Of course, the ever-evolving security threat landscape requires organizations to be resilient and anticipate on existing and future threats.

4.2. Data privacy

The respect for privacy and the protection of personal data is a key commitment at Belfius. GDPR conformity is integrated into every process to offer (existing, adapted and new) products, innovative digital tools, services and information sharing to its clients. The regulatory framework relating to personal data continues to evolve and Belfius is closely monitoring these developments.

- in order to guarantee data privacy within Belfius, a dedicated steering related to GDPR regularly meets and a Data Privacy Officer (DPO) has been appointed as part of the 2^{nd} line of defence.
- Belfius published a privacy charter and informed its customers via messages in its online channels, letters, video and radio spots.
- also towards the staff, an HR-privacy charter has been published and the staff has been informed via the internal media.
- Belfius is very committed to avoid breaches and to manage any incident as quickly as possible. All activities treating personal data are obviously centrally documented by the business lines in a privacy register.

4.3. Fraud risk

Together with Internal Audit and Compliance, the NFR Department has formulated a global anti-fraud policy for Belfius.. In line with the overall commitment to deliver value-adding products and services, the qualitative statements of the Belfius Risk Appetite Framework stresses (1) that a zero-tolerance policy line is applicable for all forms of fraud (internal, external as well as mixed frauds) and (2) that Belfius implements an extremely severe policy line to achieve its anti-fraud objectives, taking into account practical capacities. The roles and responsibilities have been clearly defined which implies in a concrete manner that Business / Support lines are the first risk managers. The CRO/Risk NFR team with the Anti-Fraud Officer as expert has a clear 2^{nd} Line of Defence role.

The Anti-Fraud Steering Committee is defining and monitoring the fraud risk management on strategic and tactical level. It is the platform to reflect on and organize a dialogue between the internal control functions and the stakeholders mainly operating in the decentralized expert units. In this context, the processes and internal controls are continuously screened to prevent fraud and to protect the interests of Belfius and its employees, customers, suppliers and other stakeholders.

5. Managing the Covid-19 crisis

5.1 Context

Since March, Belgium, as the rest of the world, has been severely affected by the Covid-19 virus, which has led to the national lockdown and the massive and long-term use of teleworking.

The Covid-19 crisis had an unprecedented impact on the real economy with major disruptions in supply and sharp reduction in demand.

In this context, Belfius, in the context of Febelfin, worked out measures to support the real economy.

In particular, Belfius is committed to providing financial support to structurally creditworthy individuals and companies for getting through the crisis.

The lockdown has led to adapted working methods and processes, but also to a changed environment in which Belfius operates and to which Belfius reacts in line with the following key objectives:

- protecting our own and networks employees' health,
- guaranteeing the continuity of the business activities,
- communicating constantly and in a timely and transparent manner, and
- acting in accordance with the responsibilities Belfius has in the Belgian society.

5.2 Organization of the bank during the Covid-19 crisis

Facing the Covid-19 crisis, Belfius has undertaken several measures to protect the health of staff members and to ensure operational resilience, mainly thanks to:

A proactive approach at the early stages of the pandemic

As soon as the outbreak of Covid-19 cases became critical in China, Belfius decided to establish a task force to monitor the evolution of the pandemic and its impacts. As the virus continued to spread and reached Italy, Belfius took a proactive approach and activated its Strategic Crisis Management Team, the main tasks of which were first to raise awareness about the contamination risk and to manage the return of staff members from risk areas. Daily and weekly crisis management meetings have been organized since then in order to monitor the evolution of the crisis closely and to give timely and appropriate responses to the rapidly evolving situation.

Enabling general teleworking and protecting health of staff

Belfius has made great efforts to ensure a smooth continuity of all activities as well as the well-being of its staff members.

Operational resilience was enhanced as from 16 March, by splitting staff into different populations with weekly rotation between a presence in the office and teleworking and with reallocation to other non central Belfius' buildings.

On 18 March, as the national lockdown was ordered, the general use of teleworking was progressively increased. This strategy is foreseen until the end of mid-September.

This proactive decision to continue general teleworking (with more than 95% of headquarters staff working from home) for a longer period of time enabled to guarantee that only a limited number of staff members would be infected at the same time (if any), but most importantly to honour our duty to protect staff members' well-being and health. For the remaining 5% still working in the office, Belfius undertook several measures to raise awareness and implement safety instructions such as social distancing, mandatory face masks, etc.

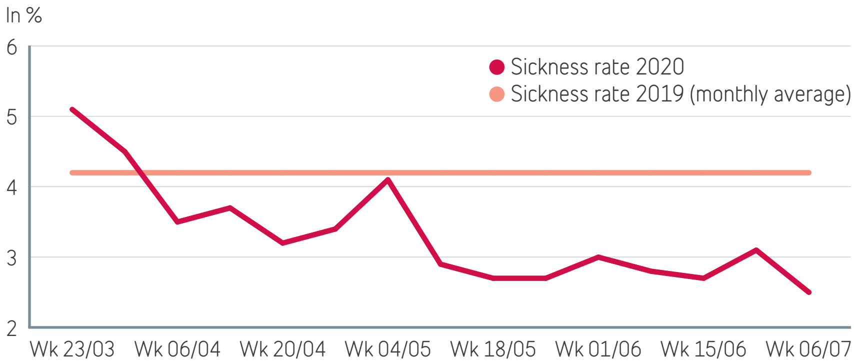
Reviewing business continuity planning accordingly

In a general teleworking strategy, teleworking could suddenly become heavily degraded or even unavailable. As such, the business continuity plan was reviewed accordingly to safeguard business continuity in case of failure of the IT infrastructure. Indeed, the adapted plan aims at an instant reallocation of critical functions (to return) to offices in order to resume activities as well as a right balance between business continuity and health safety, especially by avoiding any unnecessary contamination risk.

Performing close monitoring with regard to staff members, business continuity, IT capacity, fraud, information security or outsourcing, with oversight from dedicated steering committees

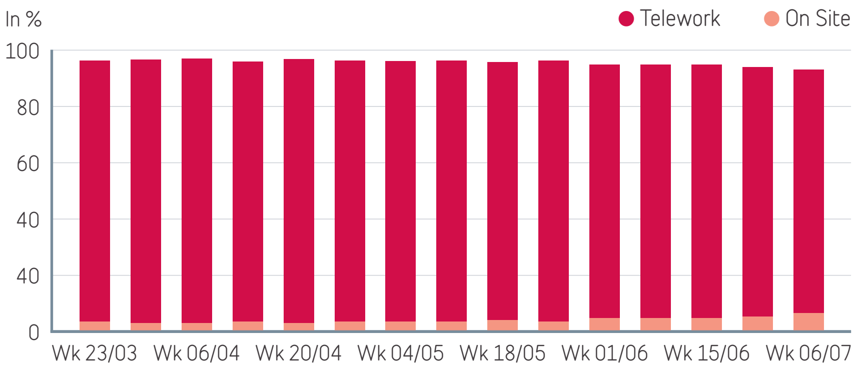
Belfius closely and continuously monitors the rate of absenteeism by type of functions - e.g. critical, systemic (which has not increased compared to the same period in previous years), suspected and confirmed cases (0.65% staff were quarantined due to contact with the virus but not infected and 0.2% tested positive but have all recovered as of end of July), staff well-being (for instance weekly surveys are conducted) and so on, to ensure we continue to protect the physical and mental health of our staff members.

Sickness rate 2020 versus 2019



Belfius put many efforts to ensure a smooth continuity of the activities as well as to ensure the wellbeing of its employees. On the 18th of March, as the national lockdown was decreed, the massive use of telework was successively enabled. Besides, this strategy has been extended until the end of August and has demonstrated our IT resilience as more than 95% headquarters' people are working from home since then.

Resilience: telework during Covid-19 (% telework / % on site)



From the very beginning, Belfius has also kept a watchful eye on any risks resulting from this crisis context or amplified by general teleworking.

Since the risk of fraud has been increasing in the sector and economy as a consequence of increasing fraud attempts, changing customer behaviour and new very intensive fraud schemes with focus on customers (mainly phishing exploitation by cyber criminals of the crisis), more attention was paid to awareness campaigns which targeted not only our customers but also our staff and suppliers, and the control environment was further reinforced. In contrast to the general trend, no real peak has been identified in fraud cases at Belfius. A working group has also been put in place between the major banks and the telecom operators in Belgium to stop Belgian mobile numbers sending fraudulent SMS.

Moreover, risks linked to outsourcing and 3rd party providers have been closely monitored: do our partners do the necessary to continue offering the required level of service and is their financial situation evolving ? A bi-monthly close follow-up of major outsourcing arrangements and other significant providers has been put in place, mainly in terms of business continuity, financial stability and purchase requirements and needs. No major problem has been identified till date.

The impact of this long-term crisis on the organization has also been assessed, in particular the effectiveness of the control environment which allows Belfius to keep its key risks under control. Following a Risk and Control Self Assessment (RCSA) approach, 93% of the key internal controls are not affected by the crisis. For those that where impacted, mitigation measures have been taken, mainly by adapting them or by even more closely monitoring them and their related processes.

Furthermore, due to the adapted way of working during the crisis, multiple processes needed emergency solutions and/or adaptations. These changes were supported using priority handling in the New Product Approval Process where different risk experts advised on the changed processes with binding conditions.

There is a global supervision on a ongoing basis through regular meetings of dedicated steering committees such as the New Product Approval Process Committee, Outsourcing Management Committee, Anti-Fraud Steering and Information Security Steering Committees addressing new risks and monitoring adapted Covid-19 processes which could impact the effectiveness of current internal controls.

Maintaining high quality services to customers

During the crisis, branches remained generally open with strict application of general and gradual prevention measures; only approximately 1.5% of them closed during a limited period of time. Together with our digital channels for our clients, Belfius was able to maintain a high quality level of services.

Belfius has adapted several procedures to continue serving customers efficiently and securely, and for this purpose has launched several commercial campaigns. These principally include adapted payment methods in the Covid-19 environment, product alignment with Febelfin and Government agreements, maximization of digital channel use during the lockdown period and so on.

As a result of all these measures, Belfius could continue to fully operate in a confident, safe and efficient way with a reduced risk of widespread contamination.

Corporate governance

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

1. Management Board

On 30 June 2020 and since 1 January 2019, the Management Board of Belfius Bank consists of five members:

Chairman	Marc Raisière
Members	Marianne Collin
	Dirk Gyselinck
	Olivier Onclin
	Johan Vankelecom

In addition, the Management Board appointed three associated members. They took up their position on 1 January 2019. These are Mr. Patrick Devis, IT manager, Mrs. Camille Gillon, HR & Building Management manager and Mr. Geert Van Mol, Data & Digital manager. The associated members attend the meetings of the Management Board in an advisory capacity.

Within the Management Board of Belfius Bank, the financial conglomerate dimensions will receive a focused attention. To this end the agenda of the Management Board includes since this year, at this least on a quarterly basis, a **Group Financial Conglomerate Review (GFCR)**. This GFCR aims at contributing to enable an optimal integration across the Belfius Group. The GFCR covers the following topics:

- Overview and analysis of operational and financial/risk performance of the subsidiaries;
- Overview and analysis of financial conglomerate solvency, of material risk concentrations, of intercompany deals and conflicts of interests (if any);
- Check of compliance of the strategies, solvency and risk profiles of the subsidiaries with the strategy, solvency and risk profiles of the Belfius Group as defined and validated by the Board of Directors of Belfius Bank.
- Given its size, the GFCR will also pay special attention to Belfius Insurance. As such, a number of additional topics will also be covered, including among others its strategic plan, its capital and dividend policy, and stress tests (integrated in the Group stress tests).

The Chief Corporate Strategy & Deputy Chief Financial Officer participates at the GFCR without voting power.

For topics regarding Belins, the CEO, CFO and CRO of Belins are invited to the Management Board of Belfius Bank without voting power.

For topics regarding other subsidiaries, the CEO of the subsidiary can also be invited to the Management Board of Belfius Bank without voting power.

A **Group Committee** is also established and is composed of the members of the Management Board of Belfius Bank, and the CEO and CFO of Belfius Insurance with voting power.

The objective of the Group Committee is to work together as a Group in the best possible way by sharing information between the Group entities, by discussing common topics and required actions, by determining how Belfius Group can implement its Group strategy and policies in the most efficient way.

The Group Committee treats important "group topics" impacting different entities of the Belfius Group (Belfius Bank, Belfius Insurance, Belfius Investment Partners and their respective main subsidiaries) that are not discussed in the quarterly Group Financial Conglomerate Review or in other committees (such as Alco, Management Committees of the business units, Brand Committee, …) and for which a group alignment is necessary.

2. Board of Directors

On 30 June 2020, the Board of Directors had sixteen members, five of whom are members of the Management Board.

The Ordinary Shareholders' Meeting of 29 April 2020 appointed Mrs. Isabel Neumann as independent director for a period of 2 years to end at the close of the Ordinary Shareholders' Meeting in 2022.

The Ordinary Shareholders' Meeting of 29 April 2020 also renewed the directorships of Messrs Jos Clijsters, Paul Bodart, Chris Sunt and Rudi Vander Vennet and of Mrs Carine Doutrelepont and Lutgart Van den Berghe for a period of 2 years to end at the close of the Ordinary Shareholders' Meeting in 2022.

Board of Directors of Belfius Bank (30 June 2020)	Main function	Non-executive director	Member of the Management Board	Independent director	Audit Committee	Nomination Committee	Remuneration Committee	Risk Committee	Mediation Committee
Jozef Clijsters	Chairman of the Board of Directors of Belfius Bank SA	★				■	■		★
Marc Raisière	Chairman of the Management Board of Belfius Bank SA		★						
Marianne Collin	Member of the Management Board of Belfius Bank SA Chief Risk Officer, responsible for Risk Management & Compliance		■						
Dirk Gyselinck	Member of the Management Board of Belfius Bank SA Responsible for Public and Corporate Banking, Financial Markets, Wealth Management, Customer Loan Services		■						
Olivier Onclin	Member of the Management Board of Belfius Bank SA Responsible for Retail and Commercial Banking, Customer Transaction Services		■						
Johan Vankelecom	Member of the Management Board of Belfius Bank SA Chief Financial Officer, responsible for Accounting, Strategic Planning & Performance Management, Socio-Economic Research, Strategic Corporate Development, Asset & Liability Management, Legal and Tax		■						
Paul Bodart	Director of companies and non-profit organisations	■		■	■				
Jean-Pierre Delwart	Chairman of the Board of Directors of Solvac	■		■					■
Martine De Rouck	Independent Director of Orange Belgium SA	■		■	■				
Carine Doutrelepont	Lawyer and full Professor at the Université Libre de Bruxelles	■		■					■
Georges Hübner	Full Professor at the HEC Liège, Liège University	■		■	★			■	
Isabel Neumann	Non-executive Director at King's college London University	■		■				■	
Diane Rosen	Director Humanitarian Services at Belgian Red Cross and Vice president Blood Services at Belgian Red Cross	■		■		■	■	■	
Chris Sunt	Lawyer(1)	■		■	■			■	
Lutgart Van den Berghe	Emeritus extraordinary professor at the University of Ghent and emeritus part time professor at the Vlerick Business School	■		■		★	★		
Rudi Vander Vennet	Full Professor in Financial Economics and Banking at the University of Ghent and lecturer Banking and Insurance at Solvay Business School (ULB)	■		■				★	

★ Chairman

(1) Until 29 February 2020 - Honorary Lawyer from 1 March 2020 onwards.

Material litigation

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

Belfius recognises provisions for such litigations when, in the opinion of its management taking into account all available elements, including an analysis by its company lawyers and external legal advisors as the case may be,

- a present obligation has arisen as a result of past events,
- it is probable that Belfius will have to make a payment, and
- the amount of such payment can be estimated reliably.

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

In the opinion of Belfius, the most important cases are listed below, regardless of whether a provision has been made or not(1). Their description does not deal with elements or evolutions that do not have an impact on the position of Belfius. If the cases listed below were to be successful for the opposite parties, they could eventually result in monetary consequences for Belfius. Such impact remains unquantifiable at this stage. Note that, apart from the cases listed below, continued vigilance can be observed in the prevention of money laundering (AML) in the Belgian financial sector. In this context, as is customary, Belfius is collaborating with the Belgian authorities and monitors this closely.

1. Housing Fund of the Brussels Capital Region

On 9 October 2012, the Housing Fund of the Brussels Capital Region (Woningfonds van het Brussels Hoofdstedelijk Gewest/Fonds du Logement de la Région de Bruxelles-Capitale) summoned Belfius Bank before the Brussels Commercial Court. The Housing Fund subscribed for a total amount of EUR 32,000,000 to 4 treasury notes issued by Municipal Holding (Gemeentelijke Holding/Holding Communal), placed by Belfius acting as dealer under the Municipal Holding commercial paper program, between July and September 2011 (Commercial Paper program). Due to severe financial difficulties encountered by the Municipal Holding, the Housing Fund granted a voluntary waiver to the Municipal Holding on 24 November 2011 and received repayment for EUR 16 million. The Municipal Holding entered into liquidation in December 2011. Due to the intervention of Belfius as dealer of the treasury notes, the Housing Fund demands the payment by Belfius Bank of the non-repaid capital. As the loss incurred on this investment is the result of a voluntary waiver of the claim by the Housing Fund, which matches half of the investment, Belfius Bank rejects the demand from the Housing Fund.

On 27 March 2014, the Brussels Commercial Court accepted the claim application by the Housing Fund, but declared it unfounded.

The Housing Fund lodged an appeal against this judgement on 3 June 2014.

There was no significant evolution in this claim since 2016. The date of the hearings is not yet known. No provision has been made for this claim.

2. Arco - Cooperative shareholders

Various parties, including Belfius Bank, have been summoned by Arco - Cooperative shareholders in three separate procedures, i.e. one procedure before the Dutch speaking Commercial Court of Brussels, one procedure before the Court of First Instance of Antwerp, Section Turnhout and another procedure before the Court of First Instance of Brussels:

- On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) initiated (with support of Deminor) proceedings against the Arco entities and Belfius Bank before the Dutch speaking Commercial Court of Brussels (the "Deminor Proceedings"). On 19 December 2014, 1,027 additional shareholders of the Arco entities joined in the Deminor Proceedings. On 15 January 2016, 405 additional shareholders of the Arco entities joined the Deminor Proceedings, resulting in a total of 2,169 plaintiffs. The plaintiffs have requested that the Brussels Court rule, among other things, that:
  - the agreements by virtue of which they became shareholders of the relevant Arco entities are null and void;
  - the defendants should, jointly and severally, reimburse the plaintiffs their financial contribution in these entities plus interest; and
  - the defendants are liable for certain additional damages to the plaintiffs.

(1) Note that, where relevant, Art.92 of IAS37 may apply to this section.

The financial contribution of the 2,169 plaintiffs for which reimbursement is sought amounted to approximately EUR 6.5 million (principal amount) as at the date of this Report. The plaintiffs' claims in the Deminor Proceedings are based on allegations of fraud and/or error on the part of the Arco entities and Belfius Bank. In the alternative, the plaintiffs have argued that Belfius Bank breached its general duty of care as a normal and prudent banker. In relation to Belfius Bank, the plaintiffs have referred to certain letters and brochures allegedly containing misleading information issued by the predecessors of Belfius Bank. The Belgian State, DRS Belgium (Deminor) and the Chairman of the Management Board of the Arco entities are also defendants in the proceedings before the Commercial Court of Brussels. Belfius Bank has submitted its first legal briefs in August 2018 and has submitted its second legal briefs in March 2020. The case will normally be pleaded during several pleading sessions in June 2021.

→ Separately from the abovementioned proceedings before the Commercial Court of Brussels, on 24 October 2016, three shareholders in Arcopar initiated court proceedings (the "Turnhout Proceedings") against Belfius Bank before the Court of First Instance of Antwerp, section Turnhout. The plaintiffs in the Turnhout Proceedings request that Belfius Bank is to be held liable to pay an "undetermined provisional amount of 2,100 EUR" per plaintiff plus interest and costs, because they claim that Belfius Bank misled them in subscribing Arcopar-shares. As at the date of this Report, the aggregate amount of the claims of the plaintiffs in the Turnhout Proceedings amounted to approximately EUR 6,300 EUR (principal amount). The plaintiffs base their claims upon promotional material that was distributed by the predecessors of Belfius Bank as well as the Arco entities and the former Belgian Christian collective of workers' associations (ACW). On 27 February 2017, Belfius Bank summoned Arcopar to intervene in the Turnhout Proceedings and to indemnify Belfius Bank for any amount for which it would be held liable towards the plaintiffs. In subsidiary order, the plaintiffs have also filed a claim against Arcopar and Belfius Bank requesting that their subscription of Arcopar shares is to be declared null and void. On 3 April 2018, the plaintiffs also summoned the Belgian State to intervene in the Turnhout Proceedings. All parties requested the Court to transfer this case to the Court of First Instance of Brussels. The Court decided on 19 November 2018 to grant the requested transfer and this procedure is now joined with the procedure before the Court of First Instance of Brussels.

→ Furthermore, on 7 February 2018, 2 cooperative shareholders summoned the Belgian State before the Court of First Instance of Brussels because they state that the Belgian State has made a fault by promising and introducing a guarantee scheme for shareholders of financial cooperative companies (like the Arco cooperative shareholders) which has been considered illicit state aid by the European Commission. These 2 plaintiffs also summoned Belfius Bank on 7 February 2018 to intervene in this procedure, and claim compensation from Belfius Bank because they consider that Belfius Bank erred in the sale of the Arco shares. Groups of Arco-shareholders organized themselves via social media to mobilize other Arco shareholders to become claimant in this procedure, and to the knowledge of Belfius, as of end June 2020, approximately 5,380 Arco shareholders did so. There is not yet a pleading calendar in this case.

No provision has been made for these claims because Belfius Bank is of the opinion that it has sufficient valid arguments to result in these claims being declared inadmissible and/or without merit.

3. Funding Loss

Belfius Bank is facing some legal actions regarding the issue of indemnities charged for funding losses incurred by the Bank. The latter are charged to professional clients in the case of early repayment of professional credits. These indemnities are calculated in line with the current legal dispositions and the contractual framework of such credits to reflect the financial losses that are actually incurred by the Bank in the case of early repayment of a professional credit. Belfius booked provisions to cover the potential adverse outcome of litigation proceedings. These provisions are reassessed on an ongoing basis, taking into account the evolution of Belgian case law.

4. Investigations into Panama Papers

These paragraphs are mentioned for completeness only, although the matters below do not comprise a litigation. On 5 December 2017, a police search under the lead of an examining magistrate of Brussels (onderzoeksrechter/juge d'instruction) took place at Belfius Bank's head office in the framework of the Belgian "Panama Papers" Parliamentary Commission. The Bank was investigated as a witness and has not been accused of any wrongdoing. The scope of the investigation is to establish whether there are any violations of anti-money laundering obligations and to investigate the link between Belfius Bank (or its predecessors), and, amongst others, Experta and Dexia Banque International Luxembourg (i.e. former entities of the Dexia group).

To date, Belfius Bank did not receive any further information since the above mentioned police search.

Certificate of a responsible Person

I, Johan Vankelecom, Member of the Board of Directors, Member of the Management Board and Chief Financial and Strategic Officer of Belfius Bank SA, certify, on behalf of the Board of Directors, that, to the best of my knowledge,

A. the condensed consolidated interim financial statements, for the period ended 30 June 2020, have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and all the undertakings included in the consolidation;

B. the interim management report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

Brussels, 6 August 2020

For the Board of Directors

Johan Vankelecom
Member of the Board of Directors
Member of the Management Board
Chief Financial and Strategic Officer

Condensed consolidated interim financial statements 1H 2020

This section has been reviewed by the auditors

This section has been reviewed by the auditors

Condensed consolidated interim balance sheet

Assets (In thousands of EUR)		Notes	31/12/19	30/06/20
I.	Cash and balances with central banks	5.1.	6,715,928	18,707,513
II.	Loans and advances due from credit institutions	5.2.	16,207,838	14,404,684
	A. Measured at amortised cost		16,207,838	14,404,684
	B. Measured at fair value through other comprehensive income		0	0
	C. Measured at fair value through profit or loss		0	0
III.	Loans and advances	5.3.	94,944,479	98,747,848
	A. Measured at amortised cost		93,391,477	97,274,867
	B. Measured at fair value through other comprehensive income		0	0
	C. Measured at fair value through profit or loss		1,553,002	1,472,980
IV.	Debt securities & equity instruments	5.4.	29,489,565	30,094,551
	A. Measured at amortised cost		22,476,427	23,472,021
	B. Measured at fair value through other comprehensive income		5,257,278	4,948,301
	C. Measured at fair value through profit or loss		1,755,860	1,674,229
V.	Unit linked products insurance activities		3,671,372	3,828,584
VI.	Derivatives	5.5.	13,304,709	14,334,988
VII.	Gain/loss on the hedged item in portfolio hedge of interest rate risk	5.5.	4,881,797	5,218,055
VIII.	Investments in equity method companies		64,124	72,824
IX.	Tangible fixed assets		1,215,355	1,201,857
X.	Intangible assets		206,384	210,282
XI.	Goodwill		103,966	103,966
XII.	Tax assets		338,443	406,392
	A. Current tax assets		53,723	39,500
	B. Deferred tax assets		284,720	366,892
XIII.	Technical insurance provisions - part of the reinsurer		108,074	106,484
XIV.	Other assets	5.6.	1,163,606	1,010,131
XV.	Non current assets (disposal group) held for sale and discontinued operations		23,826	23,006
TOTAL ASSETS			172,439,465	188,471,166

The notes on pages 95 to 149 are an integral part of the condensed consolidated interim financial statements.

Liabilities

(In thousands of EUR)		Notes	31/12/19	30/06/20
I.	Cash and balances from central banks	6.1	4,016,777	13,079,085
II.	Credit institutions borrowings and deposits	6.2	5,819,363	7,121,947
	A. Measured at amortised cost		5,819,363	7,121,947
	B. Measured at fair value through profit or loss		0	0
III.	Borrowings and deposits	6.3	85,449,910	92,494,413
	A. Measured at amortised cost		85,397,137	92,441,012
	B. Measured at fair value through profit or loss		52,773	53,401
IV.	Debt securities issued and other financial liabilities	6.4	27,654,505	25,155,288
	A. Measured at amortised cost		19,341,686	17,106,788
	B. Measured at fair value through profit or loss		8,312,819	8,048,499
V.	Unit linked products insurance activities		3,671,372	3,828,584
VI.	Derivatives	5.6	18,630,116	20,502,052
VII.	Gain/loss on the hedged item in portfolio hedge of interest rate risk	5.6	262,708	382,532
VIII.	Provisions for insurance activities	6.5	13,180,229	12,496,351
IX.	Provisions and contingent liabilities	6.6	517,345	587,353
X.	Subordinated debts	6.7	1,157,266	1,148,470
	A. Measured at amortised cost		1,157,266	1,148,470
	B. Measured at fair value through profit or loss		0	0
XI.	Tax liabilities		136,648	112,116
	A. Current tax liabilities		81,540	85,096
	B. Deferred tax liabilities		55,108	27,020
XII.	Other liabilities		1,437,224	1,292,943
XIII.	Liabilities included in disposal group and discontinued operations		0	0
TOTAL LIABILITIES			161,933,465	178,201,132

Equity

(In thousands of EUR)		Notes	31/12/19	30/06/20
XIV.	Subscribed capital		3,458,066	3,458,066
XV.	Additional paid-in capital		209,232	209,232
XVII.	Reserves and retained earnings		5,013,573	5,630,871
XVIII.	Net income for the period		667,496	21,479
SHAREHOLDERS' CORE EQUITY			9,348,367	9,319,649
XIX.	Fair value changes of debt instruments measured at fair value through other comprehensive income		336,856	264,394
XX.	Fair value changes of equity instruments measured at fair value through other comprehensive income		262,716	147,377
XXII.	Fair value changes of derivatives following cash flow hedging		(81,709)	(96,146)
XXIII.	Remeasurement pension plans		84,319	76,835
XXIV.	Discretionary participation features of insurance contracts		33,212	33,732
XXV.	Other reserves		212	210
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME			635,605	426,403
TOTAL SHAREHOLDERS' EQUITY			9,983,972	9,746,051
XXVI.	Additional Tier-1 instruments included in equity		497,083	497,083
XXVII.	Non-controlling interests		24,945	26,899
TOTAL EQUITY			10,506,000	10,270,034
TOTAL LIABILITIES AND EQUITY			172,439,465	188,471,166

The notes on pages 95 to 149 are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated interim statement of income

(In thousands of EUR)		Notes	30/06/19	30/06/20
I.	Interest income	7.1.	1,728,736	1,689,616
II.	Interest expense	7.1.	(783,666)	(707,571)
III.	Dividend income		44,080	29,568
IV.	Net income from equity method companies		4,149	2,478
V.	Net income from financial instruments at fair value through profit or loss	7.2.	57,842	(51,572)
VI.	Net income on investments and liabilities	7.3.	54,390	58,683
VII.	Fee and commission income	7.4.	367,801	396,235
VIII.	Fee and commission expenses	7.4.	(91,584)	(84,768)
IX.	Technical result from insurance activities	7.5.	(26,366)	30,157
	A. Gross earned premiums		738,284	709,091
	B. Other technical income and charges		(764,650)	(678,934)
X.	Other income	7.6.	111,241	93,561
XI.	Other expenses	7.7.	(311,441)	(324,741)
INCOME			1,155,183	1,131,647
XII.	Staff expenses		(305,487)	(301,087)
XIII.	General and administrative expenses		(246,557)	(245,384)
XIV.	Network costs		(104,066)	(103,290)
XV.	Depreciation and amortisation of fixed assets		(53,892)	(61,043)
EXPENSES			(710,002)	(710,804)
GROSS INCOME			445,181	420,843
XVI.	Impairments on financial instruments and provisions for credit commitments		(30,481)	(392,695)
XVII.	Impairments on tangible and intangible assets		(417)	(2,414)
XVIII.	Impairments on goodwill		0	0
NET INCOME BEFORE TAX			414,282	25,734
XIX.	Current tax (expense) income		(102,231)	(74,589)
XX.	Deferred tax (expense) income		(7,472)	69,648
TOTAL TAX (EXPENSE) INCOME			(109,702)	(4,941)
NET INCOME AFTER TAX			304,580	20,793
XXI.	Discontinued operations (net of tax)		0	0
NET INCOME			304,580	20,793
Attributable to non-controlling interests			150	(686)
Attributable to equity holders of the parent			304,430	21,479

The notes on pages 95 to 149 are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated interim statement of comprehensive income

(In thousands of EUR)	30/06/19 Before-tax amount	Tax (expense) income	Net-of-tax amount
RESULT RECOGNISED IN THE STATEMENT OF INCOME	414,282	(109,702)	304,580
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Fair value changes of equity instruments measured at fair value through other comprehensive income	102,578	(9,993)	92,585
Remeasurement pension plans	7,775	(2,008)	5,767
TOTAL OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	110,353	(12,001)	98,352
OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS			
Fair value changes of debt instruments measured at fair value through other comprehensive income	102,975	(9,518)	93,457
Gains (losses) on cash flow hedges	(76,619)	17,715	(58,904)
Discretionary participation features of insurance contracts	25,421	(5,528)	19,894
TOTAL OF OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	51,777	2,670	54,447
OTHER COMPREHENSIVE INCOME	162,130	(9,331)	152,799
TOTAL COMPREHENSIVE INCOME	576,412	(119,034)	457,379
Attributable to equity holders of the parent	574,689	(118,999)	455,691
Attributable to non-controlling interests	1,723	(35)	1,688

The notes on pages 95 to 149 are an integral part of the condensed consolidated interim financial statements.

(In thousands of EUR)	30/06/20 Before-tax amount	Tax (expense) income	Net-of-tax amount
RESULT RECOGNISED IN THE STATEMENT OF INCOME	25,734	(4,941)	20,793
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Unrealised result of property revaluation	(2)	0	(2)
Fair value changes of equity instruments measured at fair value through other comprehensive income(1)	(122,085)	10,162	(111,923)
Remeasurement pension plans(2)	(9,978)	2,494	(7,484)
TOTAL OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	(132,065)	12,656	(119,409)
OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS			
Fair value changes of debt instruments measured at fair value through other comprehensive income(3)	(96,926)	24,450	(72,476)
Gains (losses) on cash flow hedges(4)	(18,016)	3,579	(14,437)
Discretionary participation features of insurance contracts(5)	652	(132)	520
TOTAL OF OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	(114,290)	27,897	(86,392)
OTHER COMPREHENSIVE INCOME	(246,355)	40,553	(205,802)
TOTAL COMPREHENSIVE INCOME	(220,621)	35,612	(185,009)
Attributable to equity holders of the parent	(223,210)	35,486	(187,724)
Attributable to non-controlling interests(6)	2,589	126	2,715

(1) The fair value of equity instruments measured at fair value through other comprehensive income decreased with EUR 115 million, 43.9%, to EUR 147 million (31 December 2019: EUR 263 million), due to declining stock markets following the Covid-19 pandemic and the recognition in application of shadow accounting of EUR 7 million (after tax), balanced by some disposals.

(2) The remeasurement of defined benefit plans decreased with EUR 7 million, 8.9%, to EUR 77 million (31 December 2019: EUR 84 million), due to the negative return on plan assets, partially compensated by a slight increase in the discount rate.

(3) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 72 million, 21.5%, to EUR 264 million (31 December 2019: EUR 337 million), and stems from higher credit spreads and realised gains resulting from disposals by Belfius Insurance as well as the recognition in application of shadow accounting of EUR 59 million (after tax), partially offset by lower interest rates compared to last year.

(4) Gains (losses) on cash flow hedges decreased with EUR 14 million to EUR -96 million (31 December 2019: EUR -82 million), mainly due to the changes in basis spreads on derivative positions in GBP and USD.

(5) The discretionary participation feature of insurance contracts increased with EUR 1 million, 1.6%, to EUR 34 million (31 December 2019: EUR 33 million). The total amount of future profit sharing amounts to EUR 149 million. As at 30 June 2020 an amount of EUR 102 million was recorded through the statement of income compared to EUR 103 million at year end 2019. The remaining EUR 34 million (after tax) is accounted via equity.

(6) The non-controlling interests are mainly related to the minority stakes in Capline, Jaimy and Jane.

Gains and losses not recognised in the statement of income decreased by EUR 209 million, 32.9%, to EUR 426 million (31 December 2019: EUR 636 million). The non controlling interests amounted to EUR 3 million. The contribution of the Belfius Banking Group amounted to EUR 18 million (decrease of EUR 44 million) and the Belfius Insurance Group to EUR 408 million (decrease of EUR 165 million).

The H1 result was strongly affected by the Covid-19 outbreak. Impairments on financial instruments and provision for credit commitments recognised in the statement of income increased by EUR 362 million resulting from the new downward macro economic situation parameters as well as certain management overlays for specific risk pockets. In addition, increased credit spreads and declining equity markets negatively impacted the net results from financial instruments measured at fair value through profit or loss.

Despite the pressure of the lower interest rate environment net interest income increased, mainly due to higher volumes in commercial assets combined with a strict pricing discipline. The insurance results improved as the frequency of claims decreased significantly while commission income positively evolved, mainly in asset management and insurance, thus demonstrating, in this difficult context, the resilience with its bankinsurance model.

The notes on pages 95 to 149 are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity

Core shareholders' equity (In thousands of EUR)	Subscribed capital	Additional paid-in capital	Reserves and retained earnings	Net income for the period	Core shareholders' equity
AS AT 31 DECEMBER 2018	3,458,066	209,232	4,738,565	649,028	9,054,891
Movements of the period					
Transfers to reserves	0	0	649,045	(649,045)	0
Dividends[1]	0	0	(263,000)	0	(263,000)
Dividends Additional Tier 1	0	0	(6,382)	0	(6,382)
Variation of scope of consolidation	0	0	0	17	17
Other movements	0	0	(2,810)	0	(2,810)
Net income for the period	0	0	0	304,430	304,430
Transfers from other comprehensive income due to sale of equity instruments	0	0	7,900	0	7,900
AS AT 30 JUNE 2019	3,458,066	209,232	5,123,319	304,430	9,095,048

(1) Belfius paid EUR 263 million as dividend during 2018.
(2) Other movements relate to the first-time application IFRS16.

The notes on pages 95 to 149 are an integral part of the condensed consolidated interim financial statements.

Gains and losses not recognised in the statement of income

(In thousands of EUR)	Other comprehensive income that may be reclassified to profit or loss: Fair value changes of debt instruments measured at fair value through other comprehensive income	Other comprehensive income that may be reclassified to profit or loss: Gains (losses) on cash flow hedges	Other comprehensive income that may be reclassified to profit or loss: Discretionary participation features of insurance contracts[1]	Other comprehensive income that will not be reclassified to profit and loss: Unrealised result of property revaluation	Other comprehensive income that will not be reclassified to profit and loss: Fair value changes of equity instruments measured at fair value through other comprehensive income[2]	Other comprehensive income that will not be reclassified to profit and loss: Remeasurement pension plans	Total gains and losses not recognised in profit and loss - Group share
AS AT 31 DECEMBER 2018	218,588	13,679	41,850	212	75,031	42,170	391,530
Movements of the period							
Net change in fair value through other comprehensive income - debt instruments[3]	178,168	0	19,894	0	0	0	198,062
Transfer to income due to impairments - debt instruments	462	0	0	0	0	0	462
Transfer to income due to disposals - debt instruments[4]	(57,201)	0	0	0	0	0	(57,201)
Net change in fair value through other comprehensive income - equity instruments	0	0	0	0	104,551	0	104,551
Net change in fair value through equity - derivatives - hedging reserve	0	(58,911)	0	0	0	0	(58,911)
Net change in cash flow hedge reserve due to transfers to income	0	7	0	0	0	0	7
Foreign exchange adjustments	0	0	0	0	7	0	7
Transfers to technical provisions of insurance companies[5]	(28,001)	0	0	0	(5,582)	0	(33,583)
Remeasurement pension plans[6]	0	0	0	0	0	5,767	5,767
Transfers to retained earnings due to sale of equity instruments irrevocably measured through other comprehensive income	0	0	0	0	(7,900)	0	(7,900)
AS AT 30 JUNE 2019	312,017	(45,225)	61,743	212	166,106	47,937	542,790

(1) Discretionary beneficiary participation is a contractual, but conditional entitlement to receive additional profits over and above a guaranteed return on insurance contracts (life). The discretionary participation feature of insurance contracts increased to EUR 62 million as at 30 June 2019 stemming from higher volumes that, in accordance with the profit-sharing plan, may give rise to a discretionary participation right in the future.
(2) The fair value of equity instruments measured at fair value through other comprehensive income increased with EUR 105 million due to market evolution and disposals.
(3) The fair value of debt instruments measured at fair value through other comprehensive income increased with EUR 178 million. This positive movement stems from lower credit spreads and lower interest rates compared to end 2018.
(4) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 57 million resulting from divestments of Belgian government bonds within Belfius Insurance.
(5) These transfers concern amounts after tax following the application of Shadow Accounting, whereby part of the unrealised profits from financial assets measured at fair value through other comprehensive income is used as cover value for the payments of the obligations for insurance contracts and is therefore transferred to the technical reserves for insurance contracts.
(6) The remeasurement of defined benefit plans increased with EUR 6 million compared to year end 2018 mainly due to
→ the positive return on plan assets and the remeasurement of a pension plan for which Belfius is now informed again of the fair value of the underlying asset portfolio of the segregated fund and
→ change in pension plans parameters. These increases were partially offset by a lower discount curve compared to end 2018.

The notes on pages 95 to 149 are an integral part of the condensed consolidated interim financial statements.

Additional Tier-1 instruments included in equity

(In thousands of EUR)

AS AT 31 DECEMBER 2018	497,083
Movements of the period	
Issuance of Additional Tier-1 instruments	0
AS AT 30 JUNE 2019	497,083

Non-controlling interests

(In thousands of EUR)	Core shareholders' equity	Gains and losses not recognised in the statement of income	Non-controlling interests
AS AT 31 DECEMBER 2018	14,326	1,792	16,118
Movements of the period			
Dividends	(465)	0	(465)
Net income for the period	150	0	150
Net change in fair value through equity	0	1,539	1,539
Transfer to income due to impairments - debt instruments	0	(1)	(1)
Variation of scope of consolidation	(13)	0	(13)
Other movements[1]	5,923	0	5,923
AS AT 30 JUNE 2019	19,921	3,331	23,252

(1) Other movements relate to third party capital increases in the companies Jaimy and Jane. Refer to note 10.1.

(In thousands of EUR)	
Core shareholders' equity	9,095,048
Gains and losses not recognised in the statement of income	542,790
Additional Tier-1 instruments included in equity	497,083
Non-controlling interests	23,252
AS AT 30 JUNE 2019	10,158,173

The notes on pages 95 to 149 are an integral part of the condensed consolidated interim financial statements.

Core shareholders' equity (In thousands of EUR)	Subscribed capital	Additional paid-in capital	Reserves and retained earnings	Net income for the period	Core shareholders' equity
AS AT 31 DECEMBER 2019	3,458,066	209,232	5,013,573	667,496	9,348,367
Movements of the period					
Transfers to reserves	0	0	667,496	(667,496)	0
Dividends Additional Tier 1	0	0	(6,797)	0	(6,797)
Variation of scope of consolidation(1)	0	0	345	0	345
Other movements	0	0	2	0	2
Net income for the period	0	0	0	21,479	21,479
transfers from other comprehensive income due to sale of equity instruments	0	0	(43,748)	0	(43,748)
AS AT 30 JUNE 2020	3,458,066	209,232	5,630,871	21,479	9,319,649

(1) Variations in the scope of consolidation relate to increases of our shareholding in Jane and Jaimy and a decrease in our shareholding in M80.

Gains and losses not recognised in the statement of income	Other comprehensive income that may be reclassified to profit or loss			Other comprehensive income that will not be reclassified to profit and loss			Total gains and losses not recognised in profit and loss - Group share
(In thousands of EUR)	Fair value changes of debt instruments measured at fair value through other comprehensive income	Gains (losses) on cash flow hedges	Discretionary participation features of insurance contracts(1)	Unrealised result of property revaluation	Fair value changes of equity instruments measured at fair value through other comprehensive income(2)	Remeasurement pension plans	
AS AT 31 DECEMBER 2019	336,856	(81,709)	33,212	212	262,716	84,319	635,605
Movements of the period							
Net change in fair value through other comprehensive income – debt instruments(3)	7,830	0	520	0	0	0	8,350
Net change in fair value through equity – derivatives – hedging reserve(4)	568	0	0	0	0	0	568
Transfer to income due to disposals - debt instruments(5)	(21,314)	0	0	0	0	0	(21,314)
Net change in fair value through other comprehensive income – equity instruments	0	0	0	0	(151,937)	0	(151,937)
Net change in fair value through equity – derivatives – hedging reserve(4)	0	(14,425)	0	0	0	0	(14,425)
Net change in cash flow hedge reserve due to transfers to income	0	(12)	0	0	0	0	(12)
Transfers to technical provisions of insurance companies(6)	(59,546)	0	0	0	(7,149)	0	(66,695)
Remeasurement pension plans(7)	0	0	0	0	0	(7,484)	(7,484)
Transfers to retained earnings due to sale of equity instruments irrevocably measured through other comprehensive income	0	0	0	0	43,748	0	43,748
Transfers	0	0	0	(2)	0	0	(2)
AS AT 30 JUNE 2020	264,394	(96,146)	33,732	210	147,377	76,835	426,403

(1) Discretionary beneficiary participation is a contractual, but conditional entitlement to receive additional profits over and above a guaranteed return on insurance contracts (life). The discretionary participation feature of insurance contracts increased with EUR 1 million, 1.6%, to EUR 34 million (31 December 2019: EUR 33 million). The total amount of future profit sharing amounts to EUR 149 million. As at 30 June 2020 an amount of EUR 102 million was recorded through the statement of income compared to EUR 103 million at year end 2019. The remaining EUR 34 million (after tax) is accounted via equity.
(2) The fair value of equity instruments measured at fair value through other comprehensive income decreased with EUR 115 million, 43.9%, to EUR 147 million (31 December 2019: EUR 263 million), due to declining stock markets following the Covid-19 pandemic and the recognition in application of shadow accounting of EUR 7 million (after tax), balanced by some disposals. Transfers to retained earnings due to disposals of equity instruments irrevocably measured through other comprehensive income amounted to EUR +44 million.
(3) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 72 million, 21.5%, to EUR 264 million (31 December 2019: EUR 337 million), and stems from higher credit spreads and realised gains resulting from disposals by Belfius Insurance as well as from the recognition in application of shadow accounting of EUR 59 million (after tax), partially offset by lower interest rates compared to last year.
(4) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 21 million as a result of disposals by Belfius Insurance.
(5) Gains (losses) on cash flow hedges decreased with EUR 14 million to EUR -96 million (31 December 2019: EUR -82 million), mainly due to the changes in basis spreads on derivative positions in GBP and USD.
(6) These transfers concern amounts after tax following the application of shadow accounting on segregated accounts, whereby part of the unrealised profits from financial assets measured at fair value through other comprehensive income is used as cover value for the payments of the obligations for insurance contracts and is therefore transferred to the technical reserves for insurance contracts.
(7) The remeasurement of defined benefit plans decreased with EUR 7 million, 8.9%, to EUR 77 million (31 December 2019: EUR 84 million), due to the negative return on plan assets, partially compensated by a slight increase in the discount rate.

The notes on pages 95 to 149 are an integral part of the condensed consolidated interim financial statements.

Additional Tier-1 instruments included in equity (In thousands of EUR)	
AS AT 31 DECEMBER 2019	497,083
Movements of the period	
Issuance of Additional Tier-1 instruments	0
AS AT 30 JUNE 2020	497,083

Non-controlling interests (In thousands of EUR)	Core shareholders' equity	Gains and losses not recognised in the statement of income	Non-controlling interests
AS AT 31 DECEMBER 2019	18,361	6,583	24,945
Movements of the period			
Dividends	(484)	0	(484)
Net income for the period	(686)	0	(686)
Net change in fair value through equity	0	3,314	3,314
Transfer to income due to impairments - debt instruments	0	(4)	(4)
Variation of scope of consolidation(1)	(661)	0	(661)
Other movements(2)	385	15	400
AS AT 30 JUNE 2020	16,915	9,984	26,899

(1) Variations in the scope of consolidation relate to increases of our shareholding in Jane and Jaimy.
(2) Other movements mainly relate to the net income attributable to non-controlling interests in Capline, Jaimy and Jane.

(In thousands of EUR)	
Core shareholders' equity	9,319,649
Gains and losses not recognised in the statement of income	426,403
Additional Tier-1 instruments included in equity	497,083
Non-controlling interests	26,899
AS AT 30 JUNE 2020	10,270,034

Equity	30/06/19	30/06/20
BY CATEGORY OF SHARE		
Number of shares authorised and not issued	0	0
Number of shares issued and fully paid	359,412,616	359,412,616
Number of shares issued and not fully paid	0	0
Earnings per share (EUR)		
Ordinary	0.85	0.06
Diluted	0.85	0.06
NOMINAL VALUE PER SHARE	no nominal value	no nominal value
Outstanding as at 1 January	359,412,616	359,412,616
Number of shares issued	0	0
Number of shares cancelled	0	0
Outstanding as at 30 June	359,412,616	359,412,616
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital	0	0
Number of treasury shares	0	0
Number of shares reserved for issue under stock options and contracts for the sale of share	0	0

Refer to the Capital Management chapter of the Management Report for further information on the changes of regulatory own funds and the solvency of Belfius.

Shared-based payments

There are no option plans that hold shares in Belfius as underlying asset.

The notes on pages 95 to 149 are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated interim cash flow statement

Belfius uses the indirect method for the cash flow statement. The presentation of this statement begins with net income or loss, with subsequent additions to or deductions from that amount for non-cash revenue and expense items, resulting in net income provided by operating activities.

(In thousands of EUR)	30/06/19	31/12/19	30/06/20
CASH FLOW FROM OPERATING ACTIVITIES			
Net income attributable to equity holders of the parent	304,430	667,496	21,479
Net income attributable to non-controlling interests	150	(1,393)	(686)
ADJUSTMENT FOR NON CASH ITEMS:	(52,186)	44,985	418,645
Depreciation, amortisation and other impairment	64,904	142,254	75,456
Impairment on bonds, loans and other assets(1)	3,696	20,905	282,083
Net (gains) or losses on investments	(1,428)	(2,879)	(40,204)
Net (gains) or losses on tangible & intangible assets	(1,428)	(2,879)	(40,204)
Increase / (decrease) of provisions (mainly insurance provision)(1)	(47,118)	(29,180)	61,643
Unrealised (gains) or losses(2)	(76,115)	(125,403)	110,086
Net unrealised gains from cash flow hedges and discontinuations	0	2	5
Income from equity method companies	(4,149)	(4,918)	(2,478)
Dividends from equity method companies	552	2,412	1,702
Deferred taxes	7,472	41,791	(69,648)
Deferred tax income	(10,418)	(47,840)	(120,502)
Deferred tax charges	17,890	89,631	50,854
CHANGES IN OPERATING ASSETS	(4,125,036)	(4,929,617)	(5,085,157)
Loans and advances due from credit institutions	(1,950,647)	(553,684)	(1,298,905)
Loans and advances	(1,795,196)	(3,829,130)	(4,063,295)
Debt securities and equity instruments	(278,703)	(425,311)	61,627
Assets from insurance companies	8,837	20,365	(2,512)
Tax asset	1,230	10,889	14,335
Accrued income from financial assets	18,176	53,890	43,471
Other assets	(128,152)	(205,656)	160,319
Assets held for sale-other assets	(581)	(981)	(196)
CHANGES IN OPERATING LIABILITIES	3,898,404	5,721,009	13,957,484
Balances from central banks(3)	0	30,839	9,056,679
Loans and advances due to credit institutions	1,272,150	(46,888)	1,303,077
Customer borrowings and deposits	3,633,844	5,775,277	7,056,277
Debt securities and other financial liabilities	(327,877)	908,672	(2,482,762)
Technical provisions of insurance companies	(564,286)	(743,407)	(771,047)
Provisions and contingent liabilities	0	0	(31)
Tax liabilities	28,550	32,372	24,151
Accrued expenses on financial instruments	(161,177)	(165,540)	(63,027)
Other liabilities specific to insurance companies	(22,667)	(5,007)	(7,287)
Other liabilities	39,868	(65,309)	(158,546)
OTHER OPERATING FLOWS	(635,230)	(275,323)	(1,114,578)
DERIVATIVES	888,137	231,171	753,272
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	278,668	1,458,328	8,950,459

(1) Belfius has performed pro forma figures for the previous periods following refinement of the presentation, the total adjustment for non cash items did not change.
(2) This line item represents the fair value adjustments on financial instruments at fair value through profit or loss.
(3) Belfius drew additional TLTRO in June 2020.

The increase of the adjustments for non cash items to EUR 418 million is mainly due to the increase in impairments on loans and negative fair-value adjustments, both a result of the Covid-19 crisis. The operating assets and liabilities increased with EUR 9 billion as Belfius drew additional TLTRO in June 2020, without a corresponding evolution on the asset side at this time. Belfius deposits part of the cash at the National Bank of Belgium. Furthermore, the evolution of the operating cash flow was well-balanced.

The notes on pages 95 to 149 are an integral part of the condensed consolidated interim financial statements.

(In thousands of EUR)	30/06/19	31/12/19	30/06/20
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(76,134)	(263,828)	(62,251)
Disposal of fixed assets	(583)	27,673	77,442
Acquisitions of unconsolidated equity shares	(44,680)	(150,767)	(106,904)
Disposal of unconsolidated equity shares(1)	132,112	256,561	238,813
Acquisitions of subsidiaries and of business units(2)	0	(4,127)	(25,235)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	10,715	(134,489)	121,863
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of new shares(3)	5,916	5,930	0
Issuance of subordinated debts(4)	0	168,905	0
Reimbursement of subordinated debts(4)	0	(234,905)	0
Issuance of Additional Tier-1 instruments		0	0
Dividends paid(5)	(269,847)	(376,246)	(7,281)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(263,932)	(436,317)	(7,281)
NET CASH PROVIDED	25,452	887,522	9,065,041
of which cash outflow for leases	(3,009)	(6,085)	(3,020)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	10,838,068	10,838,068	11,725,894
Cash flow from operating activities	278,668	1,458,328	8,950,459
Cash flow from investing activities	10,715	(134,489)	121,863
Cash flow from financing activities	(263,932)	(436,317)	(7,281)
Effect of exchange rate changes on cash and cash equivalents	219	304	(428)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10,863,738	11,725,894	20,790,508
ADDITIONAL INFORMATION			
Income tax paid (included in line net cash provided (used) by operating activities)	(84,937)	(159,910)	(56,819)
Dividends received (included in line net cash provided (used) by operating activities)	44,632	72,681	31,271
Interest received (included in line net cash provided (used) by operating activities)	1,744,382	3,497,361	1,723,212
Interest paid (included in line net cash provided (used) by operating activities)	(927,130)	(1,712,042)	(748,874)

(1) Belfius Insurance disposed equity instruments for risk and ALM purposes.

(2) Belfius Insurance acquired the full control (100%) of following shareholdings: Immo Trèfles in Q4 2019, Immo St Michel in Q1 2020 and Philadelphus in Q2 2020.

(3) New shares were issued to third parties in the companies Jaimy and Jane. Refer to note 10.1 for more information.

(4) Subordinated debts amounting to EUR 66 million matured in 2019 and were repaid. In preparation for new regulatory requirements (CRR2) Belfius substituted two debts issued by Belfius Financing Company by Belfius Bank issues, whereby the debt was repaid and reissued for an amount of EUR 165 million.

(5) This line includes the dividend paid to the shareholder as well as interest paid on the Additional Tier 1 which is considered as a dividend under IFRS.

Refer to the Liquidity Risk chapter of the Management Report for a detailed description of the liquidity position.

The notes on pages 95 to 149 are an integral part of the condensed consolidated interim financial statements.

Covid-19 crisis

Since the first months of 2020, the Covid-19 pandemic has massively disrupted the world in many respects, including from a social and economic point of view, on top of its dramatic sanitary impacts.

Belgium has also been severely affected by the Covid-19. The authorities announced on 17 March a nationwide lockdown, requesting individuals to stay at home and companies to implement homeworking whenever possible. This lockdown was maintained until 4 May. Since then, the authorities have regularly adapted the measures and restrictions, depending on the evolution of the situation.

Belfius reacted very early on to the Covid-19 situation by first designing a crisis governance, with daily and weekly crisis Management Board meeting since February 2020, in order to address all key aspects of Belfius' general functioning, including:

- the operational risks, especially for safeguarding the health of our staff and the business continuity of our services towards our customers,
- and the financial risks, including the impacts on the financial markets, on liquidity and solvency, on credit risks and profit & loss accounts.

With regard to the operational aspects, Belfius was fully ready for the lockdown and the subsequent homeworking mode, including from an IT viewpoint. The branch network remained open, although direct interactions were carried out under strict conditions. As expected, the incoming calls (either to the branches or to our call center Belfius Connect) significantly increased during the lockdown. In addition, customers also shifted a lot of their banking interactions to the digital channels. As an example, the number of investment transactions signed digitally more than doubled from former levels during the Covid-19 crisis.

The Covid-19 pandemic and the subsequent lockdown measures are also having a far-reaching impact on the financial situation of the businesses and individuals across the country. To help mitigate these impacts, the Belgian federal government quickly installed an economic task force responsible for reducing the economic consequences of the Covid-19 virus pandemic leading to two different programmes designed to support the individuals, self-employed and businesses affected by the Covid-19 crisis : a Payment Holiday scheme for different loan types and two Guarantee Schemes for certain new loans.

Since the beginning of the Covid-19 crisis, Belfius has played a prominent role in these schemes. During 1H 2020:

- Support to customers through deferment of payment on 16,166 mortgage loans (total portfolio of EUR 1.6 billion). In addition, contractual payment deferments were also granted to customers on 8,331 mortgage loans (total portfolio of EUR 918 million);
- Support to business and corporate customers through deferment of payment on 24,261 loans and 14,483 leasing contracts (total portfolio of EUR 4.3 billion and EUR 818 million respectively);
- In addition, 491 of so-called Covid-19 loans – under the Guarantee Schemes – were granted to business and corporate customers (for a total of EUR 329 million).

On the insurance side, Belfius Insurance also executed support to its customers, including through the delay of premium payments (especially on insurance policies related to mortgage loans) and extended covers (a.o. for health care facility volunteers and for the delivery / take away activity).

As explained in detail further in this report, Belfius was of course not immune to the sharp decline in economic activity, the volatility of the financial markets, the widening of credit spreads and the increased cost of risk, and its 1H 2020 financials have been materially impacted, a.o. with following specifically Covid-19 related(1) elements:

- A credit cost of EUR 393 million based on the IFRS 9 expected credit losses analysis. The underlying macro-economic factors and scenario's led to a cost of risk of EUR 145 million. The management overlays on expected credit losses for certain risk pockets that were particularly hit by the Covid-19 pandemic added a further EUR 167 million. Finally, EUR 81 million were booked for a limited number of corporate clients that migrated to stage 3 in 1H 2020.
- A modification loss of EUR 9.5 million was accounted for as a result of the payments deferments granted on mortgages loans for so-called "vulnerable clients" , following the moratorium granted on mortgage loans.
- The net income from financial instruments measured at fair value through profit or loss was negatively impacted, following the negative impact of the Covid-19 outbreak on credit spreads as well as equity markets.

For more detailed information on impacts of Covid-19 we refer to the dedicated Financial Results and Risk Management chapter in the management report.

(1) This list does not intend to be complete, but to give a first high level summary. Moreover, some elements mentioned could be directly linked to other factors than the Covid-19 crisis, as for instance some migration of loan files to stage 3.

Notes to the condensed consolidated interim financial statements

II. Post balance sheet events

Please find below an overview of non-adjusting events between the balance sheet date (30 June 2020) and the publication of this report.

Covid-19 moratoria and state guarantees

An extension of the agreed upon moratorium on repayments of mortgage loans for vulnerable clients (individuals whose income fell below EUR 1,700 per month due to the Covid-19 outbreak) till year-end 2020 has been agreed upon. The charter of Febelfin to this respect was updated at 8 July 2020. As a result, a reassessment of the modification loss will need to be performed.

In addition, a new version of the state guarantee is coming, the analysis of the accounting treatment and impact for Belfius will be performed.

Jaimy

Belfius Insurance further increased its shareholding in Jaimy to 89.19% with a capital injection of EUR 2.5 million on 15 July 2020.

III. Accounting principles

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

The common used abbreviations below are:

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

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

The condensed consolidated interim financial statements have been approved by the Board of Directors of Belfius on 6 August 2020.

Accounting policies

1. Basis of accounting – statement of compliance

General

The condensed consolidated interim financial statements of Belfius are prepared in accordance with IAS 34 Interim Financial Reporting.

The Royal Decree of 5 December 2004 requires Belfius to publish its consolidated financial statements in accordance with the IFRS as endorsed by the European Union.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with Belfius consolidated annual financial statements as at 31 December 2019.

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

2.1. IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 2020

The IASB has published amendments to References to the Conceptual Framework, to IAS 1 and IAS 8 "Definition of material" , to IFRS 3 "Definition of a business" and to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform - phase I". They have been applied, if required, but the impact on the financial statements is negligible.

The "Amendments to References to the Conceptual Framework in IFRS Standards" updates references to previous versions of the Conceptual Framework in IFRS Standards, their accompanying documents and IFRS practice statements.

Amendments to IAS 1 and IAS 8 "Definition of material" refine the definition of material and align the definitions used across IFRS standards and other publications. The new definition of material forms part of the IASB central theme on "Better communication in Financial Reporting". The new definition states that information is material if omitting, misstating or obscuring could reasonably be expected to influence decisions of primary users of the financial statements.

Amendments to IFRS 3 "Definition of a business" clarifies the meaning of a business when applying IFRS 3 "Business Combinations". To be considered as a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets.

Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform - phase I" provide temporary reliefs from applying specific hedge accounting requirements to hedging relationships directly affected by uncertainties related to IBOR reform. Belfius Bank has analysed the proposed temporary reliefs and concludes that, as of today, the impact of the specific requirements for which relief is proposed are either non existent or immaterial.

2.2. IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from 1 January 2020

Nil.

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

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" clarify the criteria for the classification of a liability as either current or non-current. A liability is classified as non-current if the entity has the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments specify that an entity's right to defer settlement must exist at the end of the reporting period and that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement. In addition they clarify how lending conditions affect classification. They also clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. These amendments are effective from 1 January 2022 but the expected impact is estimated to be minor. However, the exposure draft to defer the effective date to 1 January 2023 as a result of the Covid-19 pandemic has not yet been endorsed by the EU.

Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use" prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related costs in profit or loss. These amendments are effective from 1 January 2022 but the expected impact is estimated to be minor.

Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract" specify which costs a company includes when assessing whether a contract will be loss-making. These amendments are effective from 1 January 2022 but the expected impact is estimated to be minor.

Amendments to IFRS 3 "Reference to the Conceptual Framework" updates a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. These amendments are effective from 1 January 2022 but the expected impact is estimated to be minor.

Annual Improvements to IFRS Standards 2018–2020 contains minor amendments to three standards and one illustrative example (IE): IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and an Illustrative Example accompanying IFRS 16 "Leases". All amendments are effective from 1 January 2022 but only the amendment to IFRS 9 might impact Belfius. The amendment "IFRS 9 – fees in the 10per cent derecognition for financial liabilities" specifies that only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included when applying the 10 per cent test in assessing whether to derecognise a financial liability.

Amendment to IFRS 16 - Covid-19-Related Rent Concessions permits lessees with the possibility to account for rent concessions arising as a direct consequence of the COVID-19 pandemic as if they were not lease modifications. An entity applying this practical expedient should disclose this fact as well as the amount recognised in profit or loss. There is no similar relief for lessors. This amendment is effective for annual reporting periods beginning on or after 1 June 2020 but the expected impact is estimated to be minor.

2.3. Ongoing projects

IFRS 17 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2023).

In May 2017 the IASB issued IFRS 17 "Insurance Contracts". IFRS 17 is a comprehensive accounting standard and establishes completely new principles for the recognition, measurement, presentation and disclosure of insurance contracts. The new standard introduces a single principle based framework to account for all types of insurance contracts, including reinsurance contracts held or issued and investment contracts with discretionary participation features. The new standard supersedes IFRS 4 and should be applied retrospectively unless impracticable, in which case alternative approaches can be applied.

In June 2019 the IASB issued an Exposure Draft of amendments to IFRS 17 "Insurance Contracts". Although narrow in scope, and not affecting the fundamental principles introduced when first issuing IFRS 17, the amendments aim to ease implementation of the Standard by reducing implementation costs and making it easier for companies to explain the results of applying IFRS 17 to investors and others. The June 2020 publication "Amendments to IFRS 17" finalised this exposure draft process and also changed the mandatory effective date of IFRS 17, so that entities are required to apply IFRS 17 for annual periods beginning on or after 1 January 2023 (from the original effective date of 1 January 2021).

Based on our understanding and ongoing analysis, implementing the new standard will have a significant impact on the financial statements, key performance indicators and operations of Belfius Insurance and Belfius Group. Considering the complexity of the standard, a dedicated implementation team has been assigned to the IFRS 17 implementation project, with applicable committees to ensure strict project governance.

IV. Operating segments reporting

(Some amounts may not add up due to roundings)

Analytically, Belfius splits its activities and accounts in three segments: Retail and Commercial (RC), Public and Corporate (PC) and Group Center (GC); with RC and PC containing the key commercial activities of Belfius.

- **Retail and Commercial (RC)**, managing the commercial relationships with individual customers and with small & medium sized enterprises both at bank and insurance level.
- **Public and Corporate (PC)**, managing the commercial relationships with public sector, social sector and corporate clients both at bank and insurance level.
- **Group Center (GC)**, containing the residual results not allocated to the two commercial segments. This mainly consists of results from Bond and Derivative portfolio management.

1. Balance sheet

The assets and liabilities allocated to Retail and Commercial (RC) and Public and Corporate (PC) reflect the commercial activities of those business lines. Where RC shows an excess of funding, PC is more asset driven. As a whole, the commercial balance sheet shows a funding excess with a sound 92% loan to deposit ratio at the end of June 2020.

Note that there are no internal sales or purchases between segments, these assets and liabilities within a segment are those generated and originated by the business lines.

The equity allocated to Retail and Commercial (RC) and Public and Corporate (PC) is a normative regulatory equity. The normative regulatory equity of the business line is calibrated. The business line's CET 1 ratio is brought at 13.5% taking into account the regulatory risk exposures allocated to the business line and some CET 1 capital deductions allocated to the business line (to a very limited extent, since the most important part of CET 1 capital deductions are allocated to GC).

Please note that the capital allocation for the insurance activities is based on the Danish Compromise, allocated to each business line in proportion to its contribution to Belfius Insurance Solvency II SCR requirements. Any non allocated capital is reported in Group Center.

	31/12/19		
(In thousands of EUR)	Assets	Liabilities	Equity
Retail and Commercial	63,317,187	84,343,343	2,818,659
Public and Corporate	43,425,604	25,707,680	2,676,038
Group Center	65,696,673	51,882,442	5,011,303
TOTAL	**172,439,465**	**161,933,465**	**10,506,000**
of which banking group(1)	154,214,724	144,514,599	9,700,126
of which insurance group(1)	18,224,740	17,418,866	805,875

(1) The assets, liabilities and equity represent the contributions of the Belfius Insurance and Belfius Bank groups to the consolidated balance sheet.

	30/06/20		
(In thousands of EUR)	Assets	Liabilities	Equity
Retail and Commercial	64,250,718	88,118,128	2,907,352
Public and Corporate	45,784,979	27,301,247	2,791,656
Group Center	78,435,470	62,781,758	4,571,025
TOTAL	**188,471,166**	**178,201,132**	**10,270,034**
of which banking group(1)	170,906,435	161,342,711	9,563,724
of which insurance group(1)	17,564,731	16,858,421	706,310

(1) The assets, liabilities and equity represent the contributions of the Belfius Insurance and Belfius Bank groups to the consolidated balance sheet.

Following the strong growth of the mortgage and business loans the assets of Retail and Commercial have increased compared to end 2019. Similarly, an increase can be noted on the liability side following the increase of the saving and sight deposits.

At Public and Corporate an increase in deposits can be noted compared to end 2019. At the assets side, the loan production increased mainly in corporate.

Considering the liquidity management at Belfius, additional cash was deposited at the National Bank of Belgium which is shown as an increase in the assets of the Group Center. At the liability side, an additional TLTRO was drawn.

2. Statement of income

A. Segmentation by business line

(In thousands of EUR)	30/06/19 Retail and Commercial	Public and Corporate	Group Center	Total
INCOME	864,054	291,676	(549)	1,155,183
Net interest income bank	422,821	217,849	97,066	737,736
Net Fee and commissions bank	243,767	25,132	(894)	268,005
Life insurance contribution	147,491	32,036	(8,298)	171,229
Non-life insurance contribution	89,466	981	(1)	90,447
Other	(39,491)	15,678	(88,422)	112,234
EXPENSES	(525,225)	(115,508)	(69,270)	(710,002)
GROSS INCOME	338,829	176,168	(69,818)	445,181
Impairments on financial instruments and provisions for credit commitments	(19,410)	(14,525)	3,454	(30,481)
Impairments on tangible and intangible assets	(578)	161	0	(417)
NET INCOME BEFORE TAX	318,841	161,804	(66,364)	414,282
Total tax (expense) income	(83,242)	(44,544)	18,084	(109,702)
NET INCOME AFTER TAX	235,599	117,260	(48,280)	304,580
Attributable to non-controlling interests	(88)	1	236	150
Attributable to equity holders of the parent	235,687	117,259	(48,517)	304,430

(In thousands of EUR)	30/06/20 Retail and Commercial	Public and Corporate	Group Center	Total
INCOME	858,646	287,066	(14,065)	1,131,647
Net interest income bank	414,545	247,297	117,140	778,982
Net Fee and commissions bank	278,808	26,870	(3,747)	301,931
Life insurance contribution	104,652	17,957	(7,746)	114,863
Non-life insurance contribution	119,882	9,487	1	129,370
Other	(59,241)	(14,545)	(119,713)	(193,499)
EXPENSES	(525,974)	(120,057)	(64,774)	(710,804)
GROSS INCOME	332,672	167,009	(78,839)	420,843
Impairments on financial instruments and provisions for credit commitments	(139,005)	(277,631)	23,941	(392,695)
Impairments on tangible and intangible assets	(2,414)	0	0	(2,414)
NET INCOME BEFORE TAX	191,253	(110,622)	(54,897)	25,734
Total tax (expense) income	(49,959)	27,947	17,070	(4,941)
NET INCOME AFTER TAX	141,295	(82,675)	(37,827)	20,793
Attributable to non-controlling interests	(1,313)	0	626	(686)
Attributable to equity holders of the parent	142,608	(82,675)	(38,454)	21,479

Retail and Commercial net income decreased from EUR 236 million in 1H 2019 to EUR 141 million in 1H 2020. The net interest income of the bank decreased slightly due to margin pressure on non-maturing deposits, partially compensated by loan volume growth at increasing margins. Net fees and commissions increased: fees from payment products went up mainly thanks to higher volumes, as well as fees on insurance products sold through bancassurance channels and fees from savings & investments following higher entry and management fees (in bps). Insurance contribution decreased as a result of

- decreasing Life income mainly due to negative evolution of volatile items and lower capital gains; and
- excellent non-life results in all three distribution channels mainly thanks to lower claims resulting from the lockdown period (decrease of claims frequency by approximately 30%).

Note that the expenses increased slightly, in line with Belfius' strategic development, digital and human investment programs.

Public and Corporate net income decreased from EUR 117 million in 1H 2019 to EUR -83 million in 1H 2020. Despite good commercial results of the Bank activity the income has been strongly reduced by a high increase of impairments on financial instruments and provisions for credit commitments amounting to EUR -278 million in 1H 2020 linked to the Covid-19 crisis. The net interest income increased thanks to a large restructuring of a specific corporate leasing file, as well as higher loan volumes, control of the margin and pricing review of the Non Maturing Deposit in a negative rate environment.

Group Center net income stands at EUR 38 million in 1H 2020, compared to EUR 48 million in 1H 2019. The income decreased following the impact of the Covid-19 crisis on financial markets. However, the net interest income increased due to better transformation results and better money market margin. Impairments on financial instruments and provisions for credit commitments improved due to the reversal of a provision on a certain file.

Refer to the chapter Segment reporting of the Management Report for a detailed description of the segment results.

B. Segmentation by contribution scope

The statement of income represents the contributions of the Belfius Bank group (i.e. Belfius Bank with all its subsidiaries apart from the Belfius Insurance group) as well as the Belfius Insurance group (i.e. Belfius Insurance with its subsidiaries).

	30/06/19		
(In thousands of EUR)	Contribution Bank into group	Contribution Insurance into group	Total
INCOME	**872,176**	**283,007**	**1,155,183**
Net interest income	737,736	207,335	945,071
Dividend income	7,687	36,393	44,080
Net income from equity method companies	3,220	929	4,149
Net income from financial instruments at fair value through profit or loss	54,305	3,537	57,842
Net income on investments and liabilities	(2,042)	56,432	54,390
Net fee and commission income	268,005	8,212	276,217
Technical result from insurance activities	0	(26,366)	(26,366)
Other income & expense	(196,736)	(3,464)	(200,200)
EXPENSES	**(588,574)**	**(121,428)**	**(710,002)**
GROSS INCOME	**283,601**	**161,579**	**445,181**
Impairments on financial instruments and provisions for credit commitments	(34,404)	3,923	(30,481)
Impairments on tangible and intangible assets	(417)	0	(417)
NET INCOME BEFORE TAX	**248,780**	**165,502**	**414,282**
Total tax (expense) income	(70,015)	(39,687)	(109,702)
NET INCOME AFTER TAX	**178,765**	**125,815**	**304,580**
Attributable to non-controlling interests	6	144	150
Attributable to equity holders of the parent	178,759	125,671	304,430

(In thousands of EUR)	30/06/20 Contribution Bank into group	Contribution Insurance into group	Total
INCOME	**872,389**	**259,258**	**1,131,647**
Net interest income	778,982	203,063	982,044
Dividend income	7,410	22,159	29,568
Net income from equity method companies	1,453	1,025	2,478
Net income from financial instruments at fair value through profit or loss	(15,342)	(36,230)	(51,572)
Net income on investments and liabilities	20,181	38,502	58,683
Net fee and commission income	301,931	9,537	311,468
Technical result from insurance activities	0	30,157	30,157
Other income & expense	(222,226)	(8,954)	(231,180)
EXPENSES	**(586,336)**	**(124,468)**	**(710,804)**
GROSS INCOME	**286,053**	**134,790**	**420,843**
Impairments on financial instruments and provisions for credit commitments	(387,287)	(5,408)	(392,695)
Impairments on tangible and intangible assets	0	(2,414)	(2,414)
NET INCOME BEFORE TAX	**(101,234)**	**126,968**	**25,734**
Total tax (expense) income	33,674	(38,615)	(4,941)
NET INCOME AFTER TAX	**(67,560)**	**88,353**	**20,793**
Attributable to non-controlling interests	6	(692)	(686)
Attributable to equity holders of the parent	(67,566)	89,045	21,479

The contribution of Belfius Insurance decreased with EUR 37 million from EUR 126 million at 30 June 2019 to EUR 88 million at 30 June 2020. Due to the difficult economic environment with historically low interest rates, the outstanding volumes Branch 21 decreased. Life results are under pressure due to the negative evolution of the debt instruments measured at fair value and lower capital gains. 2020 was marked by a strong improvement of the Non-Life results compared to previous year. mainly resulting from lower claims charges especially in Car and Worker's compensation relating to the Covid-19 confinement period. Furthermore, the previous year loss ratio was improving due to accelerated management of existing claims files (freed up time due to lower activity in claims and new policies). Despite continuous cost control, costs increased after further investments in IT systems, as well as the renewal of the core insurance applications, more own-development costs are being capitalised resulting in increased amortisation of intangible assets. Impairments on financial instruments and provision for credit commitments recognised in the statement of income increased, resulting from the new downward macro economic situation parameters as well as certain management overlays for certain risk pockets.

The contribution of Belfius Bank decreased with EUR 246 million. Belfius Bank result was strongly affected by the Covid-19 outbreak. Impairments on financial instruments and provision for credit commitments recognised in the statement of income increased by EUR 353 million resulting from the new downward macro economic situation parameters as well as certain management overlays specific risk pockets. In addition, increased credit spreads and declining equity markets negatively impacted the net results from financial instruments measured at fair value through profit or loss. Nevertheless, despite pressure of the lower interest rate environment, net interest income increased, mainly due to higher volumes in commercial assets combined with a strict pricing discipline. The commission income evolved positively, mainly in asset management.

V. Notes on the assets of the condensed consolidated interim balance sheet

(some amounts may not add up due to rounding)

5.1. Cash and balances with central banks

(refers to table 5.2. of the annual report 2019)

Analysis by nature

(In thousands of EUR)	31/12/19	30/06/20
Cash in hand	568,107	437,396
Balances with central banks other than mandatory reserve deposits	5,253,820	17,338,715
Mandatory reserves deposits[1]	894,000	931,403
TOTAL	**6,715,928**	**18,707,513**
of which included in cash and cash equivalents	6,715,928	18,707,513

(1) The "Mandatory reserves deposits" includes the minimum reserve deposits that Belfius has with European Central Bank or with other central banks.

Cash and balances with central banks increased by EUR 12.0 billion to EUR 18.7 billion (31 December 2019: EUR 6.7 billion). Belfius deposits part of the cash at the National Bank of Belgium, taking into account its liquidity management requirements.

As from end of October 2019, the ECB two-tier system is applicable. As a consequence, the exempt tier of excess liquidity holdings will be remunerated at an annual rate of 0% instead of a negative rate.

5.2. Loans and advances due from credit institutions

(refers to table 5.3. of the annual report 2019)

1. Summary Totals

(In thousands of EUR)	31/12/19	30/06/20
Measured at Amortized Cost	16,207,838	14,404,684
Measured at fair value through other comprehensive income	0	0
Measured at fair value through profit and loss	0	0
TOTAL	**16,207,838**	**14,404,684**

2. Analysis by nature

A. Not measured at fair value through profit or loss

(In thousands of EUR)	31/12/19 Amortised Cost	31/12/19 Measured at fair value through other comprehensive income	30/06/20 Amortised Cost	30/06/20 Measured at fair value through other comprehensive income
Cash collateral	11,214,926	0	12,232,671	0
Sight accounts	179,704	0	181,878	0
Reverse repurchase agreements	4,710,034	0	1,786,741	0
Financial lease	73,236	0	72,257	0
Term loans	30,413	0	132,607	0
Impaired loans (stage 3)	0	0	0	0
Less impairment (stages 1,2 and 3)	(476)	0	(1,470)	0
TOTAL	**16,207,838**	**0**	**14,404,684**	**0**
of which included in cash and cash equivalents	4,749,919	0	1,646,901	0

Loans and advances due from credit institutions decreased with EUR 1.8 billion, 11.1%, to EUR 14.4 billion (31 December 2019: EUR 16.2 billion). The decrease in reverse repurchase agreements of EUR 2.9 billion, due to money market movements, was partially offset by an increase of cash collateral paid of EUR 1.0 billion, in line with the fair value changes of derivatives.

Not measured at fair value through profit or loss - breakdown

(In thousands of EUR)	31/12/19 Amortised Cost	31/12/19 Measured at fair value through other comprehensive income	30/06/20 Amortised Cost	30/06/20 Measured at fair value through other comprehensive income
Gross amount (stage 1)	16,203,829	0	14,390,301	0
Less impairment allowance (stage 1)	(420)	0	(1,129)	0
Gross amount (stage 2)	4,484	0	15,853	0
Less impairment allowance (stage 2)	(56)	0	(341)	0
Gross amount credit - Impaired (stage 3)	0	0	0	0
Impairment on credit - impaired (stage 3)	0	0	0	0
TOTAL	**16,207,838**	**0**	**14,404,684**	**0**

3. Analysis of quality

See note 9.2.

4. Analysis of the fair value

See note 9.1.

5.3. Loans and advances

(refers to table 5.4. of the annual report 2019)

1. Summary Totals

(In thousands of EUR)	31/12/19	30/06/20
Measured at Amortized Cost	93,391,477	97,274,867
Measured at fair value through other comprehensive income	0	0
Measured at fair value through profit and loss	1,553,002	1,472,980
TOTAL	**94,944,479**	**98,747,848**

2. Analysis by nature

Loans and advances increased by EUR 3.8 billion, 4.0%, to EUR 98.7 billion (31 December 2019: EUR 94.9 billion), stemming from an increase in commercial assets of EUR 2.5 billion (mainly term and mortgage loans) in line with our strategy to further develop our commercial franchise and to support the Belgian economy. Reverse repurchase agreements also increased with EUR 1.4 billion during this period to support the public sector during the Covid-19 crisis.

A. Not measured at fair value through profit or loss

(In thousands of EUR)	31/12/19 Amortised Cost	31/12/19 Measured at fair value through other comprehensive income	30/06/20 Amortised Cost	30/06/20 Measured at fair value through other comprehensive income
Cash collateral	925,091	0	1,201,450	0
Reverse repurchase agreements	245,676	0	1,616,223	0
Financial lease	3,456,738	0	3,330,735	0
Other Loans and advances(1)	88,421,257	0	90,967,617	0
Of which bills and own acceptances	62,850	0	58,020	0
Of which consumer loans	1,749,463	0	1,732,261	0
Of which mortgage loans(2)	35,592,409	0	36,631,306	0
Of which term loans(3)	48,420,772	0	50,032,266	0
Of which current accounts	1,417,909	0	1,474,763	0
Of which other loans and advances(4)	1,177,855	0	1,039,001	0
Impaired loans (stage 3)	1,858,603	0	1,952,473	0
Less impairment (stages 1,2 and 3)	(1,515,890)	0	(1,793,630)	0
TOTAL	**93,391,477**	**0**	**97,274,867**	**0**

(1) The underlying pool of loans of the covered bonds (Pandbrieven) amount to EUR 12.4 billion (31 December 2019: EUR 10.4 billion). This covered pool guarantees the outstanding covered bonds, of which EUR 5.3 billion mortgage covered bonds (31 December 2019: EUR 5.6 billion) and EUR 2.5 billion public covered bonds (31 December 2019: EUR 2.5 billion).
(2) End 2019, EUR 4.4 billion "mortgage loans" were securitised. In 1H2020, this decreased to EUR 3.9 billion.
(3) End 2019, EUR 1.8 billion "term loans" were securitised. In 1H 2020, this decreased to EUR 1.7 billion.
(4) Concerns mainly factoring activities.

Not measured at fair value through profit or loss - breakdown

(In thousands of EUR)	31/12/19 Amortised Cost	31/12/19 Measured at fair value through other comprehensive income	30/06/20 Amortised Cost	30/06/20 Measured at fair value through other comprehensive income
Gross amount (stage 1)	85,614,903	0	85,630,686	0
Less impairment allowance (stage 1)	(198,110)	0	(143,924)	0
Gross amount (stage 2)	7,433,860	0	11,485,339	0
Less impairment allowance (stage 2)	(159,466)	0	(452,629)	0
Gross amount credit - Impaired (stage 3)	1,858,603	0	1,952,473	0
Impairment on credit - impaired (stage 3)	(1,158,313)	0	(1,197,077)	0
TOTAL	**93,391,477**	**0**	**97,274,867**	**0**

An important increase in stage 2 gross amounts can be noted following a significant increase in credit risk. In particular, Belfius has applied management overlays for certain sectors particularly hit by the Covid-19 pandemic. Refer to table 9.2.3. movements in allowances for credit losses for further information.

The gross amount in stage 1 remained stable, despite the shift towards stage 2, following the new production of commercial loans.

B. Measured at fair value through profit and loss

(In thousands of EUR)	31/12/19 Financial assets held for trading[1]	Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily measured at fair value through profit or loss[2]	Total
Mortgage loans	17,637	0	0	17,637
Public sector loans	0	0	1,535,365	1,535,365

(In thousands of EUR)	30/06/20 Financial assets held for trading[1]	Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily measured at fair value through profit or loss[2]	Total
Mortgage loans	12,275	0	0	12,275
Public sector loans	0	0	1,460,705	1,460,705

(1) Belfius warehouses mortgage loans, for a limited period of time, before transferring these mortgage loans to an external party.
(2) It mainly concerns loans to the public and social sector with specifically structured interest rate features that do not pass the SPPI-test and are therefore measured at fair value through profit and loss.

3. Analysis of quality

See note 9.2.

4. Analysis of the fair value

See note 9.1.

5.4. Debt securities & Equity instruments

(refers to table 5.5. of the annual report 2019)

1. Summary Totals

(In thousands of EUR)	31/12/19	30/06/20
Measured at Amortized Cost	22,476,427	23,472,021
Measured at fair value through other comprehensive income	5,257,278	4,948,301
Measured at fair value through profit and loss	1,755,860	1,674,229
TOTAL	29,489,565	30,094,551

The Belfius Banking Group contributed EUR 18.5 billion (31 December 2019: EUR 17.6 billion) to the debt securities and equity instruments portfolio and the Belfius Insurance Group contributed EUR 11.6 billion (31 December 2019: EUR 11.9 billion).

Two types of business models can be distinguished within Belfius group. The bond portfolios within the banking group are managed within a business model whose objective is to "held to collect" contractual cash flows until maturity apart from certain positions that were classified as "held to collect and sell". The latter concerns part of the Italian government bond portfolio which has been sold in the meantime for concentration risk management purposes. The debt securities of the insurance group are managed according to their ALM policies and guidelines, resulting in the insurance group having determined that a large part of this portfolio should be defined as "held to collect" and certain debt securities as "held to collect and sell" to cover the liquidity needs within Belfius Insurance.

Seeing that certain bond positions do not comply with the solely payment of principal and interest on the principal amount outstanding, a classification at fair value through profit and loss was required. It mainly concerns monetary funds within Belfius Insurance.

2. Analysis by nature

A. Not measured at fair value through profit or loss

(In thousands of EUR)	31/12/19		30/06/20	
	Amortised Cost	Measured at fair value through other comprehensive income	Amortised Cost	Measured at fair value through other comprehensive income
Debt securities issued by public sector	10,937,183	2,424,145	11,773,756	2,481,601
Other debt securities	11,724,838	1,390,747	11,875,135	1,322,766
Equity instruments	0	1,461,737	0	1,164,603
Impaired debt securities (stage 3)	1,782	0	4,403	0
Less impairment (stages 1,2 and 3)	(187,376)	(19,350)	(181,273)	(20,669)
TOTAL	**22,476,427**	**5,257,278**	**23,472,021**	**4,948,301**
of which included in cash and cash equivalents	260,048	0	431,095	4,999

The debt securities measured at amortised cost increased with EUR 1.0 billion, 4.4%, to EUR 23.5 billion (31 December 2019: EUR 22.5 billion) following investments in Belgian short-term treasury bonds at Belfius Bank as well as reinvestments in government bonds at Belfius Insurance.

The financial assets measured at fair value through other comprehensive income decreased by EUR 0.3 billion, 5.9%, to EUR 4.9 billion (31 December 2019: EUR 5.3 billion) and this is ascribed to the disposal of some equity instruments as well as to negative fair value adjustments on debt and equity instruments following higher credit spreads and declining stock markets compared to the 2019 year-end.

Debt securities not measured at fair value through profit or loss - breakdown

(In thousands of EUR)	31/12/19		30/06/20	
	Amortised Cost	Measured at fair value through other comprehensive income	Amortised Cost	Measured at fair value through other comprehensive income
Gross amount (stage 1)	14,598,711	2,924,874	14,888,666	2,873,187
Less impairment allowance (stage 1)	(1,471)	(1,790)	(2,254)	(2,059)
Gross amount (stage 2)	8,063,309	890,018	8,760,225	931,181
Less impairment allowance (stage 2)	(185,065)	(17,560)	(175,694)	(18,610)
Gross amount credit - Impaired (stage 3)	1,782	0	4,403	0
Impairment on credit - impaired (stage 3)	(840)	0	(3,325)	0
TOTAL	**22,476,427**	**3,795,542**	**23,472,021**	**3,783,698**

B. Measured at fair value through profit and loss

(In thousands of EUR)	31/12/19			
	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily measured at fair value through profit or loss	Total
Debt securities issued by public sector	150,513	0	115,604	266,116
Other debt securities	406,186	0	870,387	1,276,573
Equity instruments	213,163	0	8	213,171
TOTAL	769,861	0	985,999	1,755,860

(In thousands of EUR)	30/06/20			
	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily measured at fair value through profit or loss	Total
Debt securities issued by public sector	184,331	0	115,105	299,436
Other debt securities	381,736	0	733,680	1,115,416
Equity instruments	259,369	0	8	259,377
TOTAL	825,435	0	848,793	1,674,229

The debt securities measured at fair value through profit or loss decreased by EUR 0.1 billion, 4.6%, to EUR 1.7 billion (31 December 2019: EUR 1.8 billion) due to some disposals out of the portfolio and to negative fair value adjustments.

C. Measured at fair value through other comprehensive income - Equity

The table below presents the reason why the equity instruments were designated at fair value through other comprehensive income.

(In thousands of EUR)	30/06/19			30/06/20		
	Reason for designation	Fair Value	Dividend income recognised	Reason for designation	Fair Value	Dividend income recognised
Investments designated at fair value through other comprehensive income	Investment portfolio	1,390,164	39,407	Investment portfolio	1,164,603	24,623
TOTAL		1,390,164	39,407		1,164,603	24,623

The table below presents the reason why the equity instruments designated at fair value through other comprehensive income were sold

(In thousands of EUR)	30/06/19				30/06/20			
	Reason for disposal	Fair Value at derecognition date	Transfer of cumulative gain or loss within equity	Dividend income recognised	Reason for disposal	Fair Value at derecognition date	Transfer of cumulative gain or loss within equity	Dividend income recognised
Investments derecognised as at fair value through other comprehensive income	Investment portfolio	149,203	(7,900)	3,745	Investment portfolio	59,642	(43,748)	3,623
TOTAL		149,203	(7,900)	3,745		59,642	(43,748)	3,623

The sale of these equity positions was mainly situated at Belfius Insurance for risk and ALM purposes.

3. Analysis of quality

See note 9.2.

4. Analysis of the fair value

See note 9.1.

5.5. Derivatives

(refers to table 5.6. of the annual report 2019)

1. Analysis by nature

(In thousands of EUR)	31/12/19 Assets	31/12/19 Liabilities	30/06/20 Assets	30/06/20 Liabilities
Derivatives held for trading	11,730,118	11,087,539	12,483,003	12,157,018
Derivatives designated as fair value hedges	140,853	2,586,173	172,684	3,012,005
Derivatives designated as cash flow hedges	228,879	398,778	244,490	372,982
Derivatives designated as portfolio hedge	1,204,858	4,557,626	1,434,812	4,960,047
TOTAL	13,304,709	18,630,116	14,334,988	20,502,052

An increase in the fair value of derivatives can be noted due to the lower interest rate environment compared to year-end 2019. The offsetting on the balance sheet of the fair value of the derivatives with LCH amounted to EUR 8.4 billion (31 December 2019: EUR 7.2 billion).

2. Detail of derivatives held for trading

	31/12/19				30/06/20			
	Notional amount(1)		Assets	Liabilities	Notional amount(1)		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	20,410,656	20,477,827	1,459,212	1,488,943	24,178,158	23,865,410	1,618,482	1,298,669
Interest rate derivatives	189,787,061	192,739,148	9,872,717	9,273,749	191,204,781	198,218,779	10,482,737	10,588,984
Credit derivatives	2,056,841	1,502,650	113,285	124,566	2,314,049	1,494,629	119,519	101,820
Equity derivatives	5,844,910	5,708,489	284,904	200,282	6,310,164	6,335,541	262,265	167,545
TOTAL	218,099,469	220,428,113	11,730,118	11,087,539	224,007,152	229,914,360	12,483,003	12,157,018

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated.

The derivatives position of Belfius originated partially from the fact that Belfius was the competence center for derivatives within the former Dexia Group. These derivatives were hedged externally for market risk. The derivatives between Belfius Bank and Dexia Group entities remained in the scope of Belfius after the sale of Belfius to the Belgian State in 2011. The credit risk thereon is mitigated through the use of collateral (Credit Support Annex).

Seeing the restrictions under IFRS for hedge accounting, certain economic hedges cannot be classified as hedge derivatives under IFRS. As a result, several economic hedges are considered as trading derivatives while hedging f.e. credit risk (f.e. itraxx derivatives) or basis risk stemming from hedge inefficiency (f.e. basis swaps).

For additional information on related market risk, refer to note 9.3 "Market Risk" as well as note 7.2 "Net income from financial instruments at fair value through profit or loss" for more information regarding the economic hedges.

3. Fair Value Hedges

A. Detail of derivatives designated as fair value hedges

	31/12/19				30/06/20			
	Notional amount(1)		Assets	Liabilities	Notional amount(1)		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	5,431,555	5,318,128	140,074	2,582,178	5,638,459	5,501,610	164,535	2,993,818
of which interest rate swaps	4,631,926	4,631,926	852	1,796,588	4,840,647	4,840,647	687	2,077,077
of which cross currency interest rate swaps	799,630	686,202	139,222	785,591	797,812	660,963	163,847	916,741
Credit derivatives(2)	1,322,285	0	779	3,995	1,322,285	0	8,149	18,187
TOTAL	**6,753,840**	**5,318,128**	**140,853**	**2,586,173**	**6,960,745**	**5,501,610**	**172,684**	**3,012,005**

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated. Note that a forward sale contract mentions only one notional amount.

(2) Belfius Insurance has concluded "spreadlock" derivatives in order to hedge the asset swap spread on certain bond positions. The purpose of these transactions is to protect the Solvency II ratio. More in particular, the spreadlock transaction locks in a forward assets swap spread at the moment of the conclusion of the transaction. Seeing that the spreadlock is defined to hedge the asset swap spread (i.e. all risks except changes in fair value due to benchmark interest rate) of specific bond positions, the derivative is presented as a credit derivative for which fair value hedge accounting has been set up.

To ensure the hedge relationship qualifies for hedge accounting, a formal documentation is prepared and the effectiveness is assessed on an ongoing basis throughout the hedging relationship.

Belfius applies fair value hedging to interest rate and foreign exchange risks on certain bonds (micro hedge). Belfius mainly uses plain vanilla interest rate swaps except for non EUR bonds where plain vanilla interest rate & currency swaps are used.

The fair value used for the measurement of hedge effectiveness is based on the fair value movements of the derivatives in the balance sheet and the fair value movement of the hedged risk of the hedged item (generally through a hypothetical derivative).

For Fair Value hedging, the prospective test is based on a critical terms comparison between the hedging instrument and the hedged item. Retrospective testing is done by applying a dollar offset method (comparison of fair value hedged item and hedging instrument) and comparing it with well-defined limits.

End June 2020, all hedge efficiency tests were respected.

Refer to note 7.2 "Net income from financial instruments at fair value through profit or loss" for more information regarding the impact of hedge effectiveness.

4. Cash flow hedges

A. Detail of derivatives designated as cash flow hedges

	31/12/19				30/06/20			
	Notional amount(1)		Assets	Liabilities	Notional amount(1)		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	6,302,791	6,354,064	228,879	398,778	6,713,036	6,705,999	244,490	372,982
of which cross currency swaps	6,302,791	6,354,064	228,879	398,778	6,713,036	6,705,999	244,490	372,982
TOTAL	**6,302,791**	**6,354,064**	**228,879**	**398,778**	**6,713,036**	**6,705,999**	**244,490**	**372,982**

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated.

To ensure the hedge relationship qualifies for hedge accounting, a formal documentation is prepared and the effectiveness is assessed on an ongoing basis throughout the hedging relationship.
Belfius decided to cover the risk of variability of cash flows and foreign currency changes stemming from incoming invoices charging Belfius for services in foreign currencies. In order to hedge this risk, Belfius concluded Cross Currency Swaps which are recorded in a cash flow hedge relationship for the currency risk on a "highly probable forecasted transaction". Belfius demonstrates that the invoiced amounts are higher than the amounts received through the Cross Currency Swaps. Note that Belfius is closely following up the impact of the reference rate reform. However, at this stage, no impact on hedge accounting is noted as it concerns short term cash flows (6 months / 3 months) that will be adapted simultaneously between forecasted cash flow and the hedging instruments.

For cash flow hedging, the prospective test is based on a critical terms comparison between the hedging instrument and the hedged item. Retrospective testing is done by applying a dollar offset method (comparison of fair value hedged item and hedging instrument) and comparing it with well-defined limits. Note that for a forecasted transaction, an analysis is performed to assure that the expected cash flows are still highly likely.

End June 2020, all hedge efficiency tests were respected.

Estimated cashflows from cashflow hedging derivatives per time bucket

(In thousands of EUR)	Inflow	Outflow
Not more than three months	3,064,209	(4,443,341)
More than three but not more than six months	3,064,209	(4,433,319)
More than six months but not more than one year	3,064,209	(4,410,000)
More than one but not more than two years	2,375,981	(4,346,513)
More than two but not more than five years	2,375,981	(4,156,387)
More than five years	2,078,587	(3,003,408)

5. Detail of derivatives of portfolio hedge

	31/12/19				30/06/20			
	Notional amount[1]		Assets	Liabilities	Notional amount[1]		Assets	Liabilities
(In thousands of EUR)	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	41,736,420	41,728,558	1,204,858	4,557,626	41,777,644	41,770,819	1,434,812	4,960,047
TOTAL	41,736,420	41,728,558	1,204,858	4,557,626	41,777,644	41,770,819	1,434,812	4,960,047

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated.

To ensure the hedge relationship qualifies for hedge accounting, a formal documentation is prepared and the effectiveness is assessed on an ongoing basis throughout the hedging relationship.

The accumulated gain/loss on the hedged item in portfolio hedge of interest rate risk on the balance sheet amounts to EUR 5.2 million assets and EUR 0.4 million liabilities (31 December 2019: EUR 4.9 million assets and EUR 0.3 million liabilities).

For macro hedging, the prospective test is based on a volume test in which Belfius demonstrates that (by entity, currency and time bucket) the amount of hedged items remains larger than the amount of hedging instruments (in term of notional as well as in term of interest cash flows). Retrospective testing, performed on a quarterly basis, is done by applying a dollar offset method (comparison of fair value hedged item and hedging instrument) and comparing it with well-defined limits.

End June 2020, all hedge efficiency tests were respected.

Refer to note 7.2 "Net income from financial instruments at fair value through profit or loss" for more information regarding the impact of hedge effectiveness.

5.6. Other assets

(refers to table 5.12. of the annual report 2019)

(In thousands of EUR)	31/12/19	30/06/20
OTHER ASSETS	1,005,541	849,923
Accrued income	137,506	126,874
Deferred expenses	29,608	37,953
Payments in transit from clients	789,883	614,894
Inventories[1]	316	22,085
Operational taxes	48,228	48,116
OTHER ASSETS SPECIFIC TO INSURANCE COMPANIES	158,066	160,208
Receivables resulting from direct insurance transactions	60,033	58,565
Other insurance assets[2]	98,032	101,643
Impaired insurance assets	317	686
Less Impairment	(317)	(686)
TOTAL	1,163,606	1,010,131

(1) As part of the sale of Galilee building, another site was exchanged to Belfius, which was recognized as inventory in other assets, as it better reflects the nature and intent with the site.
(2) Other insurance assets are deposits placed with cedants as a guarantee for reinsurance transactions and claims on reinsurers.

The other assets have decreased mainly due to a decrease of pending payments from clients.

VI. Notes on the liabilities of the condensed consolidated interim balance sheet

(some amounts may not add up due to rounding)

6.1. Cash and balances from central banks

(refers to table 6.1. of the annual report 2019)

1. Analysis by nature

Not measured at fair value through profit or loss

(In thousands of EUR)	31/12/19	30/06/20
Deposits	4,016,777	13,079,085
TOTAL	4,016,777	13,079,085

Cash and balances from central banks increased by EUR 9.1 billion to EUR 13.1 billion (31 December 2019: EUR 4.0 billion). At the end of 2019, Belfius had an outstanding TLTRO II and TLTRO III participation of respectively EUR 1.2 billion and EUR 2.8 billion. Belfius drew an additional EUR 10.2 billion TLTRO III in 2020 and repaid the outstanding TLTRO II, resulting in a total TLTRO III participation of EUR 13.0 billion as at 30 June 2020.

2. Analysis of the fair value

See note 9.1.

6.2. Credit institutions borrowings and deposits

(refers to table 6.2. of the annual report 2019)

1. Summary Totals

(In thousands of EUR)	31/12/19	30/06/20
Measured at amortised cost	5,819,363	7,121,947
Measured at fair value through profit or loss	0	0
TOTAL	5,819,363	7,121,947

2. Analysis by nature

A. Not measured at fair value through profit or loss

	Amortised Cost	
(In thousands of EUR)	31/12/19	30/06/20
Demand deposits	107,753	486,490
Term deposits	641,417	660,220
Repurchase agreements	0	410,291
Cash collateral received	4,404,912	4,684,803
Other borrowings	665,281	880,144
TOTAL	5,819,363	7,121,947

Credit Institutions borrowings and deposits increased with EUR 1.3 billion, 22.4%, to EUR 7.1 billion (31 December 2019: EUR 5.8 billion), resulting from an increase in repurchase agreements due to money market movements, and demand deposits.

B. Measured at fair value through profit or loss

Nil.

3. Analysis of the fair value

See note 9.1.

6.3. Borrowings and deposits

(refers to table 6.3. of the annual report 2019)

1. Summary Totals

(In thousands of EUR)	31/12/19	30/06/20
Measured at amortised cost	85,397,137	92,441,012
Measured at fair value through profit or loss	52,773	53,401
TOTAL	85,449,910	92,494,413

2. Analysis by nature

A. Not measured at fair value through profit or loss

	Amortised Cost	
(In thousands of EUR)	31/12/19	30/06/20
Demand deposits	27,027,580	31,529,918
Saving deposits	41,017,451	43,625,774
Term deposits	9,302,180	9,247,657
Cash collateral	20,360	19,369
Non-regulated savings accounts	8,013,660	7,998,141
TOTAL DEPOSITS	**85,381,231**	**92,420,859**
Other borrowings	15,905	20,152
TOTAL BORROWINGS	**15,905**	**20,152**
TOTAL	85,397,137	92,441,012

Borrowings and deposits increased by EUR 7.0 billion, 8.2%, to EUR 92.5 billion (31 December 2019: EUR 85.4 billion), mainly due to strong organic growth of sight and savings accounts, partly as results of Covid-19 related increase in the savings rate in the Belgian market.

B. Measured at fair value through profit or loss

	Financial liabilities designated at fair value through profit or loss	
(In thousands of EUR)	31/12/19	30/06/20
Deposits	52,773	53,401
TOTAL	52,773	53,401

3. Analysis of the fair value

See note 9.1.

6.4. Debt securities issued and other financial liabilities

(refers to table 6.4. of the annual report 2019)

1. Summary Totals

(In thousands of EUR)	31/12/19	30/06/20
Measured at amortised cost	19,341,686	17,106,788
Measured at fair value through profit or loss	8,312,819	8,048,499
TOTAL	27,654,505	25,155,288

2. Analysis by nature

A. Not measured at fair value through profit or loss

	Amortised Cost	
(In thousands of EUR)	31/12/19	30/06/20
Certificates of deposit	4,197,717	2,773,634
Customer saving certificates	1,346,283	892,044
Non-convertible debts	5,628,745	5,616,849
Covered bonds(1)	8,114,050	7,771,419
Lease liabilities	54,892	52,843
TOTAL	19,341,686	17,106,788

(1) Belfius has two covered bonds programmes. See text below for more details.

The debt securities measured at amortised cost decreased by EUR 2.2 billion, 11.6%, to EUR 17.1 billion (31 December 2019: EUR 19.3 billion), mainly due to the maturity of EUR 1.4 billion certificates of deposit and EUR 0.5 billion customer saving certificates. Covered bonds to the value of EUR 0.8 billion matured in 2020, partially compensated by the issuance of EUR 0.5 billion covered bonds in January 2020.

Belfius's covered bonds programmes

Belfius has two covered bond programmes:

- Mortgage Pandbrieven programme; and
- Public Pandbrieven programme.

The covering assets of the Mortgage Pandbrieven are mainly Belgian mortgage loans granted in accordance with the law on mortgage loans (law of 4 August 1992), through the branch network of Belfius. The covering assets of the Public Pandbrieven are mainly loans granted to Belgian public sector entities (municipalities, provinces, etc.).

The Belgian pandbrieven investors have a direct recourse to:

- the general estate of the issuing credit institution (i.e. repayment of the Belgian pandbrieven is an obligation of the issuing bank as a whole); and
- the segregated estate, that comprises the cover pool that is exclusively reserved for the Belgian pandbrieven investors under the specific program to which the segregated estate is joined and for the claims of other parties that are or can be identified in the issue conditions. Assets become part of the cover pool upon registration in a register held by the issuer for such purpose.

A detailed description of the covering assets (including the outstanding amount and the characteristics of the loans in the cover pool) can be consulted:

- for the Mortgage Pandbrieven Programme on *https://www.belfius.com/EN/debt-issuance/Belgian-mortgage-pandbrieven-programme/index.aspx*
- for the Public Pandbrieven Programme on *https://www.belfius.com/EN/debt-issuance/Belgian-public-pandbrieven-programme/index.aspx"*

The carrying value of the cover pool amount to EUR 12.4 billion in June 2020 (versus EUR 10.4 billion in December 2019). The carrying value of the cover pool is accounted for in loans and advances. Refer to note 5.3. for more information.

B. Measured at fair value through profit or loss

(In thousands of EUR)	31/12/19			30/06/20		
	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Total	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Total
Debt securities		8,253,895	8,253,895		7,889,638	7,889,638
Debt securities issued by public sector (trading positions)	58,841		58,841	158,307		158,307
Other debt securities (trading positions)	83		83	5		5
Equity instruments (trading positions)	0		0	549		549
TOTAL	**58,924**	**8,253,895**	**8,312,819**	**158,861**	**7,889,638**	**8,048,499**

The debt securities measured at fair value through profit or loss decreased with EUR 0.3 billion, 3.2%, to EUR 8.0 billion (31 December 2019: EUR 8.3 billion), following maturities in the portfolio as well as negative fair value adjustments.

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

- for insurance activities: mainly (unit-linked) "branch 23" insurance contracts. The return of the underlying investment fund units belongs entirely to its policyholder;
- for banking activities: to eliminate or significantly reduce a measurement or recognition inconsistency, between debt instruments and their hedges, that would otherwise arise.

The methodology used to determine the fair value of "financial liabilities designated at fair value" is detailed in note 9.1.

3. Analysis of the fair value

See note 9.1.

6.5. Provisions for insurance activities

(refers to table 6.5. of the annual report 2019)

Belfius has opted to present the figures on technical provisions including intragroup transactions between bank and insurance entities, as these mainly relate to insurance contracts concluded between the banking group and insurance group entities and distribution commissions that Belfius Insurance pays to Belfius Bank.

(In thousands of EUR)	31/12/19	30/06/20
GROSS RESERVES		
In the consolidated balance sheet (as presented on balance sheet)	13,180,229	12,496,351
Intragroup transactions	11,258	11,228
Gross reserves including intragroup transactions	13,191,487	12,507,579

1. General overview Life/Non-Life contracts

	31/12/19			30/06/20		
(In thousands of EUR)	Life	Non-Life	Total	Life	Non-Life	Total
GROSS RESERVES	11,893,927	1,297,560	13,191,487	11,203,327	1,304,252	12,507,579
Gross reserves - Share of reinsurers	13,138	94,937	108,075	13,384	93,100	106,484

2. Insurance contracts Life

Gross reserves

(In thousands of EUR)	31/12/19	30/06/20
LIFE INSURANCE RESERVES	11,630,189	10,892,443
Reserves due to results of LAT (Liability Adequacy Test)	0	0
Reserves due to shadow accounting adjustments	37,974	125,059
Variation due to variation of scope of consolidation IFRS 5	0	0
TOTAL LIFE INSURANCE RESERVE	11,668,163	11,017,502
Claims reserves	98,428	74,181
Profit sharing reserve(1)	126,638	110,708
Unearned premium reserves (UPR)	0	0
Other technical reserves	699	937
Variation due to variation of scope of consolidation IFRS 5	0	0
TOTAL GROSS TECHNICAL RESERVES LIFE	11,893,928	11,203,327

(1) Discretionary profit sharing is a contractual but conditional right to receive additional benefits in addition to a guaranteed return. At the moment when the annual business plan is drawn up, an estimate is made of the total conditional profit sharing, decided to include on the balance sheet. The valuation rules stipulate that for the part of this estimate for which no technical provisions have been booked through the profit or loss account, this is presented on balance in a separate category of equity.

The gross technical reserves for Life decreased by EUR 691 million to EUR 11.2 billion (31 December 2019: EUR 11.9 billion). In current low interest rate environment, a continued shift from Branch 21 products towards alternative investment forms such as Branch 23 or Branch 44 products can be noted. As a result, a substantial part of the Branch 21 investment contracts coming at maturity are not reinvested in new Branch 21 investment contracts.

The profit sharing reserve decreased by EUR 16 million from EUR 127 million as at 31 December 2019 to EUR 111 million as at 30 June 2020 following the incorporation of the provision of previous year into the mathematical reserves. For the current year, the dotation has been limited to what is contractually foreseen (mainly segregated funds), in line with the guidance of the NBB.

As of 30 June 2020, the total amount of future profit sharing amounts to EUR 149 million, of which an amount of EUR 102 million was recorded through the statement of income and reported in the profit sharing reserve, compared to EUR 103 million at year end 2019. The remaining EUR 34 million (after tax) is accounted via equity.

Belfius has used the results of the liability adequacy test (LAT) to assess the adequacy of its technical provisions for low interest rates and other risks which demonstrated that the technical provisions were sufficient.

The total reserves in application of the shadow accounting amounts to EUR 125 million as at 30 June 2020 compared to EUR 38 million as at 31 December 2019, an increase of EUR 87 million.

- An amount of EUR 42 million was transferred from the gains and losses not recognised in the statement of income to the technical reserve Life by application of shadow accounting to insurance contracts with segregated fund management.
- By comparing the financial assets measured at fair value through other comprehensive income with the technical provisions, a need for shadow loss adjustment was determined as of 30 June 2020 for an amount of EUR 83 million while at 31 December 2019 no shadow loss needed to be recognised. The decrease in the fair value of the loans and debt instruments following the Covid-19 pandemic and the duration gap between reserves and covering assets explain this evolution. More specifically, the impact on the technical reserves is analysed if the financial instruments measured at fair value through other comprehensive income are effectively realised and reinvested at current market conditions. Based on this exercise, as of 30 June 2020 the Best Estimate (BE) relating to the Life insurance policies is higher than the recognised Life technical provisions and thus a shadow loss was necessary.

3. Insurance contracts Non-Life

Gross reserves

(In thousands of EUR)	31/12/19	30/06/20
Claims reserves	1,117,940	1,095,910
Other technical reserves	36,679	37,009
Profit sharing reserves	1,753	929
Unearned premium reserves (UPR)	141,188	170,402
TOTAL GROSS RESERVES NON-LIFE	1,297,560	1,304,252

The technical provision for Non-Life products increased slightly with EUR 7 million to EUR 1.3 billion as at 30 June 2020, mainly due to an increase in provisions for unearned premiums as the first semester of the year is characterized by important due dates within Belfius Insurance. A decrease in the claims provisions can be observed related to the confinement period following the covid-19 crisis which positively impacted the loss results. In 1H 2020, Belfius recorded a release of EUR 13 million of claims provisions in line with the risk appetite framework, compared to EUR 5 million in 1H 2019.

Belfius Insurance defined a Risk Appetite Framework for Non-Life technical reserves whereby the level of the technical provisions should exceed the Best Estimate Technical Provisions, calculated with a well-defined confidence interval and consistently applied.

6.6. Provisions and contingent liabilities

(refers to table 6.6. of the annual report 2019)

1. Analysis by nature

(In thousands of EUR)	31/12/19	30/06/20
Pensions and other employment defined benefit obligations	224,716	237,826
Other long term employee benefits	27,069	25,912
Restructuring[1]	48,533	37,004
Provisions for litigations	65,644	66,642
Onerous contracts	4,238	4,046
Impairment on financial guarantees and commitments given[2]	103,562	172,863
Other provisions	43,583	43,059
TOTAL	517,345	587,353

(1) The decrease in restructuring provisions is mainly related to the use of previously recognised restructuring provisions.
(2) Refer to table 9.2.3. movements in allowances for credit losses for further information.

2. Contingent liabilities and legal litigations

A. Commitments to Single Resolution Fund

Belfius has opted in the past to pay part of its contribution of the Single Resolution Fund through an Irrevocable Payment Commitment. This payment commitment is fully covered by cash collateral. See also note 8.5 "Commitments to Single Resolution Fund".

B. Commitments to Belfius Bank Branches

As a result of the amended company legislation, the legal form of the Belfius branches has been converted from Cooperative Society (CVBA) to Limited Liability Company (Commanditaire Vennootschap (CommV)) as from 2020. In this context, as from 1 January 2020, Belfius Bank grants a guarantee to the managing partners of these limited partnerships for their unlimited liability.

C. Legal litigations

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

Belfius recognises provisions for such litigations when, in the opinion of its management taking into account all available elements, including an analysis by its company lawyers and external legal advisors as the case may be,

- a present obligation has arisen as a result of past events,
- it is probable that Belfius will have to make a payment, and
- the amount of such payment can be estimated reliably.

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

In the opinion of Belfius, the most important cases are listed below, regardless of whether a provision has been made or not[1]. Their description does not deal with elements or evolutions that do not have an impact on the position of Belfius. If the cases listed below were to be successful for the opposite parties, they could eventually result in monetary consequences for Belfius. Such impact remains unquantifiable at this stage. Note that, apart from the cases listed below, continued vigilance can be observed in the prevention of money laundering (AML) in the Belgian financial sector. In this context, as is customary, Belfius is collaborating with the Belgian authorities and monitors this closely.

Housing Fund of the Brussels Capital Region

On 9 October 2012, the Housing Fund of the Brussels Capital Region (Woningfonds van het Brussels Hoofdstedelijk Gewest/Fonds du Logement de la Région de Bruxelles-Capitale) summoned Belfius Bank before the Brussels Commercial Court. The Housing Fund subscribed for a total amount of EUR 32,000,000 to 4 treasury notes issued by Municipal Holding (Gemeentelijke Holding/Holding Communal), placed by Belfius acting as dealer under the Municipal Holding commercial paper program, between July and September 2011 (Commercial Paper program). Due to severe financial difficulties encountered by the Municipal Holding, the Housing Fund granted a voluntary waiver to the Municipal Holding on 24 November 2011 and received repayment for EUR 16 million. The Municipal Holding entered into liquidation in December 2011. Due to the intervention of Belfius as dealer of the treasury notes, the Housing Fund demands the payment by Belfius Bank of the non-repaid capital. As the loss incurred on this investment is the result of a voluntary waiver of the claim by the Housing Fund, which matches half of the investment, Belfius Bank rejects the demand from the Housing Fund.

(1) Note that, where relevant, Article 92 of IAS37 may apply to this section.

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

There was no significant evolution in this claim since 2016. The date of the hearings is not yet known. No provision has been made for this claim.

Arco - Cooperative shareholders

Various parties, including Belfius Bank, have been summoned by Arco - Cooperative shareholders in three separate procedures, i.e. one procedure before the Dutch speaking Commercial Court of Brussels, one procedure before the Court of First Instance of Antwerp, Section Turnhout and another procedure before the Court of First Instance of Brussels:

→ On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) initiated (with support of Deminor) proceedings against the Arco entities and Belfius Bank before the Dutch speaking Commercial Court of Brussels (the "Deminor Proceedings"). On 19 December 2014, 1,027 additional shareholders of the Arco entities joined in the Deminor Proceedings. On 15 January 2016, 405 additional shareholders of the Arco entities joined the Deminor Proceedings, resulting in a total of 2,169 plaintiffs. The plaintiffs have requested that the Brussels Court rule, among other things, that:
  - the agreements by virtue of which they became shareholders of the relevant Arco entities are null and void;
  - the defendants should, jointly and severally, reimburse the plaintiffs their financial contribution in these entities plus interest; and
  - the defendants are liable for certain additional damages to the plaintiffs.

  The financial contribution of the 2,169 plaintiffs for which reimbursement is sought amounted to approximately EUR 6.5 million (principal amount) as at the date of this Report. The plaintiffs' claims in the Deminor Proceedings are based on allegations of fraud and/or error on the part of the Arco entities and Belfius Bank. In the alternative, the plaintiffs have argued that Belfius Bank breached its general duty of care as a normal and prudent banker. In relation to Belfius Bank, the plaintiffs have referred to certain letters and brochures allegedly containing misleading information issued by the predecessors of Belfius Bank. The Belgian State, DRS Belgium (Deminor) and the Chairman of the Management Board of the Arco entities are also defendants in the proceedings before the Commercial Court of Brussels. Belfius Bank has submitted its first legal briefs in August 2018 and has submitted its second legal briefs in March 2020. The case will normally be pleaded during several pleading sessions in June 2021.

→ Separately from the abovementioned proceedings before the Commercial Court of Brussels, on 24 October 2016, three shareholders in Arcopar initiated court proceedings (the "Turnhout Proceedings") against Belfius Bank before the Court of First Instance of Antwerp, section Turnhout. The plaintiffs in the Turnhout Proceedings request that Belfius Bank is to be held liable to pay an "undetermined provisional amount of 2,100 EUR" per plaintiff plus interest and costs, because they claim that Belfius Bank misled them in subscribing Arcopar-shares. As at the date of this Report, the aggregate amount of the claims of the plaintiffs in the Turnhout Proceedings amounted to approximately EUR 6,300 EUR (principal amount). The plaintiffs base their claims upon promotional material that was distributed by the predecessors of Belfius Bank as well as the Arco entities and the former Belgian Christian collective of workers' associations (ACW). On 27 February 2017, Belfius Bank summoned Arcopar to intervene in the Turnhout Proceedings and to indemnify Belfius Bank for any amount for which it would be held liable towards the plaintiffs. In subsidiary order, the plaintiffs have also filed a claim against Arcopar and Belfius Bank requesting that their subscription of Arcopar shares is to be declared null and void. On 3 April 2018, the plaintiffs also summoned the Belgian State to intervene in the Turnhout Proceedings. All parties requested the Court to transfer this case to the Court of First Instance of Brussels. The Court decided on 19 November 2018 to grant the requested transfer and this procedure is now joined with the procedure before the Court of First Instance of Brussels.

→ Furthermore, on 7 February 2018, 2 cooperative shareholders summoned the Belgian State before the Court of First Instance of Brussels because they state that the Belgian State has made a fault by promising and introducing a guarantee scheme for shareholders of financial cooperative companies (like the Arco cooperative shareholders) which has been considered illicit state aid by the European Commission. These 2 plaintiffs also summoned Belfius Bank on 7 February 2018 to intervene in this procedure, and claim compensation from Belfius Bank because they consider that Belfius Bank erred in the sale of the Arco shares. Groups of Arco-shareholders organized themselves via social media to mobilize other Arco shareholders to become claimant in this procedure, and to the knowledge of Belfius, as of end June 2020, approximately 5,380 Arco shareholders did so. There is not yet a pleading calendar in this case.

  No provision has been made for these claims because Belfius Bank is of the opinion that it has sufficient valid arguments to result in these claims being declared inadmissible and/or without merit.

Funding Loss

Belfius Bank is facing some legal actions regarding the issue of indemnities charged for funding losses incurred by the Bank. The latter are charged to professional clients in the case of early repayment of professional credits. These indemnities are calculated in line with the current legal dispositions and the contractual framework of such credits to reflect the financial losses that are actually incurred by the Bank in the case of early repayment of a professional credit. Belfius booked provisions to cover the potential adverse outcome of litigation proceedings. These provisions are reassessed on an ongoing basis, taking into account the evolution of Belgian case law.

Investigations into Panama Papers

These paragraphs are mentioned for completeness only, although the matters below do not comprise litigation. On 5 December 2017, a police search under the lead of an examining magistrate of Brussels (onderzoeksrechter/juge d'instruction) took place at Belfius Bank's head office in the framework of the Belgian "Panama Papers" Parliamentary Commission. The Bank was investigated as a witness and has not been accused of any wrongdoing. The scope of the investigation is to establish whether there are any violations of anti-money laundering obligations and to investigate the link between Belfius Bank (or its predecessors), and, amongst others, Experta and Dexia Banque Internationale à Luxembourg (i.e. former entities of the Dexia group).

To date, Belfius Bank did not receive any further information since the above mentioned police search.

6.7. Subordinated debts

(refers to table 6.7. of the annual report 2019)

1. Not measured at fair value through profit or loss

	Amortised Cost	
(In thousands of EUR)	31/12/19	30/06/20
CONVERTIBLE SUBORDINATED DEBT	0	0
NON-CONVERTIBLE SUBORDINATED DEBT	1,157,266	1,148,470
Loan capital perpetual subordinated notes	159,380	161,258
Loan capital non-perpetual subordinated notes	997,887	987,213
TOTAL	1,157,266	1,148,470
HYBRID CAPITAL AND REDEEMABLE PREFERENCE SHARES	0	0

Subordinated debts decreased by EUR 9 million, 0.8%, to EUR 1.1 billion (31 December 2019: EUR 1.2 billion).

2. Measured at fair value through profit or loss

Nil.

3. Analysis cash flows and non-cash changes

(In thousands of EUR)	31/12/19	30/06/20
OPENING BALANCE	1,219,469	1,157,266
CASH FLOWS		
Issuance of subordinated debts	168,905	0
Repayments of subordinated debts	(234,905)	0
NON-CASH CHANGES		
Foreign exchange adjustments	4,901	1,445
Effective Interest rate	(1,103)	(10,241)
CLOSING BALANCE	1,157,266	1,148,470

4. Analysis of the fair value

See note 9.1.

VII. Notes on the condensed consolidated interim statement of income

(some amounts may not add up due to rounding)

7.1. Interest income – interest expense

(refers to table 7.1. of the annual report 2019)

(In thousands of EUR)	30/06/19	30/06/20
INTEREST INCOME	1,728,736	1,689,616
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT AMORTISED COST	**1,257,987**	**1,265,419**
Loans and advances due from credit institutions	10,503	6,811
Loans and advances	958,304	973,176
Debt securities issued by public sector	181,517	186,368
Other debt securities	107,076	98,458
Other	587	607
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OCI	**51,366**	**46,942**
Debt securities issued by public sector	31,683	31,471
Other debt securities	19,684	15,472
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**391,234**	**335,854**
Financial assets held for trading	4,434	3,237
Non-trading financial assets mandatorily measured at fair value	48,314	38,912
Loans and advances	29,681	25,374
Debt securities issued by public sector	525	324
Other debt securities	18,108	13,213
Derivatives held for trading	90,759	85,759
Derivatives as hedging instruments	247,727	207,946
INTEREST INCOME ON FINANCIAL LIABILITIES (NEGATIVE YIELD)	**28,149**	**41,400**
INTEREST EXPENSE	(783,666)	(707,571)
INTEREST EXPENSE OF FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**(174,965)**	**(152,024)**
Cash and balances with central banks	0	(402)
Credit institutions borrwings and deposits	(6,449)	(4,393)
Customers borrowings and deposits	(60,113)	(52,302)
Debt securities issued	(91,399)	(78,872)
Lease liabilities	(430)	(397)
Subordinated debts	(15,488)	(14,940)
Other	(1,087)	(718)
INTEREST EXPENSE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**(575,038)**	**(505,704)**
Financial liabilities held for trading	(1,368)	(1,182)
Financial liabilities designated at fair value	(49,541)	(46,226)
Derivatives held for trading	(84,167)	(72,243)
Derivatives as hedging instruments	(439,963)	(386,053)
INTEREST EXPENSE ON FINANCIAL ASSETS (NEGATIVE YIELD)	**(33,663)**	**(40,320)**
MODIFICATION LOSS ON FINANCIAL ASSETS(1)	0	**(9,523)**
NET INTEREST INCOME	945,071	982,044

(1) In light of the Covid-19 crisis, a payment holiday was granted to individuals on their mortgage loans if, among other criteria, their income fell below EUR 1,700 per month (considered as vulnerable clients). Seeing that this extension was free of charge, the difference between the present value of the original cash flows and the modified cash flows, both discounted at the original EIR, resulted in a "modification loss" to be recognised upfront by Belfius Bank. Refer to the section "Measures in Covid-19 crisis to support the Belgian Society" in the Credit Risk chapter of the Management Report for further information on the Covid-19 measures taken at Belfius.

Net interest income increased by EUR 37.0 million, 3.9%, to EUR 982 million (30 June 2019: EUR 945 million), mainly due to higher volumes in commercial assets combined with a strict pricing discipline despite the pressure of the lower interest rate environment (especially on non maturing deposits interest margins), lower outstandings in Branch 21, and also reinvestments at lower market yields. 1H 2020 was also positively impacted by a large restructuring of a specific corporate leasing file. Finally, a modification loss of EUR 9.5 million was recognised in 1H 2020 as a result of the relief granted to vulnerable clients, following the moratorium granted on mortgage loans. The mortgage loans of vulnerable clients are merely extended with the deferred period, without make whole for lost value. As a result, the present value of the lost time value needs to be recognised upfront for these loans.

7.2. Net income from financial instruments at fair value through profit or loss

(refers to table 7.4. of the annual report 2019)

(In thousands of EUR)	30/06/19	30/06/20
Net trading income(1)(2)	65,467	26,133
Result of financial assets non-trading mandatorily measured at fair value through profit or loss(1)	24,454	(24,683)
Loans and advances(1)	23,290	8,523
Debt securities issued by public sector	(1,843)	(538)
Other Debt securities	2,987	(32,668)
Equity instruments	20	0
Net result of financial liabilities designated at fair value through profit or loss and result from the related derivatives (except own credit risk)	(1,078)	(1,500)
Net result of hedge accounting(2)	(31,002)	(51,523)
TOTAL	**57,842**	**(51,572)**

(1) Belfius has performed pro forma figures for June 2019 following refinement of the presentation of the fair value revaluation on loans and advances mandatorily measured at fair value through profit and loss.
(2) Belfius has performed pro forma figures for June 2019 following refinement of the presentation of the impact of foreign exchange.

Net income from financial instruments measured at fair value through profit or loss decreased with EUR 109.4 million to EUR -52 million (30 June 2019: EUR 58 million), following the negative impact of the Covid-19 outbreak on credit spreads as well as equity markets.

Net trading income

The net trading income decreased with EUR 39 million to EUR 26 million (30 June 2019: EUR 65 million) mainly due to the decrease of interest rates compared to the 2019 year-end as well as higher credit spreads. The total amount recorded on the balance sheet as credit value adjustments stands at EUR -99 million (30 June 2019: EUR -86 million), whereas the total amount on the balance sheet of the debit value adjustment amounts to EUR 2 million (30 June 2019: EUR 5 million). The total amount on the balance sheet related to funding value adjustments amounts to EUR -59 million (30 June 2019: EUR -53 million).

The total impact in the line net trading income for credit value adjustments amounted to EUR -27 million (30 June 2019: EUR +11 million) mainly due to higher credit spreads, for debit value adjustments EUR -0.7 million (30 June 2019: EUR -0.4 million) and for funding value adjustments EUR -7 million (30 June 2019: EUR -8 million).

The trading income is also impacted by the result of economic hedges. Credit value adjustment hedges amounted to EUR +20 million (30 June 2019: +36 million). Economic hedges of non basic loans through CDS itraxx amounted to EUR -7 million (30 June 2019: nihil).

Result of financial assets non-trading mandatorily measured at fair value through profit or loss

The net result from financial instruments was negatively impacted by credit spreads and declining equity markets, partially compensated by low interest rates resulting in negative fair value changes on mainly funds at Belfius Insurance (considered as nonSPPI compliant bonds) as presented in the line "Other Debt securities" and nonSPPI compliant structured loans as presented in the line "Loans and advances".

Net result of hedge accounting

The net result of hedge accounting amounts to EUR -52 million (30 June 2019: EUR -31 million) and was negatively impacted amongst others by basis risks.

Belfius is managing basis risks through additional derivatives (economic hedges) for which no hedge accounting is set up, as the result of the impact of these hedges were recorded in the net trading income line for an amount of EUR 33 million (30 June 2019: EUR 7 million). It mainly relates to economic hedges of hedge inefficiency stemming from basis risks (hedged via basis swaps).

Result of hedge accounting

(In thousands of EUR)	30/06/19	30/06/20
FAIR VALUE HEDGES[1]	(21,670)	(37,610)
Fair value changes of the hedged item attributable to the hedged risk[1]	427,882	931,851
Fair value changes of the hedging derivatives	(449,552)	(969,461)
CASH FLOW HEDGES	0	0
PORTFOLIO HEDGE	(9,332)	(13,913)
Fair value changes of the hedged item	445,900	362,160
Fair value changes of the hedging derivatives	(455,231)	(376,073)
TOTAL[1]	(31,002)	(51,523)

(In thousands of EUR)	30/06/19	30/06/20
DISCONTINUATION OF CASH FLOW HEDGE ACCOUNTING (CASH FLOWS STILL EXPECTED TO OCCUR) – AMOUNTS RECORDED IN INTEREST MARGIN	0	(5)

(1) Belfius has performed pro forma figures for June 2019 following refinement of the presentation of the impact of foreign exchange.

End June 2020, all hedge efficiency tests were respected.

For more details we refer to note 5.5 "Derivatives".

7.3. Net income on investments and liabilities

(refers to table 7.5. of the annual report 2019)

(In thousands of EUR)	30/06/19	30/06/20
FINANCIAL ASSETS AT AMORTISED COST (NOT IMPAIRED)[1]	**2,288**	**2,849**
Realised gains on debt securities issued by public sector	1	1
Realised gains on other debt securities	2,288	2,848
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (NOT IMPAIRED)	**56,547**	**22,325**
Realised gains on debt securities issued by public sector	55,302	17,364
Realised gains on other debt securities	1,246	4,960
OTHER	**2,065**	**40,228**
Realised gains on Tangible fixed assets	1,433	40,228
Other realised gains	632	0
FINANCIAL LIABILITIES AT AMORTISED COST	**0**	**5**
Realised gains on financial Liabilities	0	5
TOTAL GAINS	**60,900**	**65,406**
FINANCIAL ASSETS AT AMORSISED COST (NOT IMPAIRED)[1]	**(6,354)**	**(6,176)**
Realised losses on other debt securities	(6,354)	(6,176)
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (NOT IMPAIRED)	**(139)**	**(521)**
Realised losses on debt securities issued by public sector	(18)	(16)
Realised losses on other debt securities	(121)	(505)
ASSETS HELD FOR SALE	**(10)**	**0**
Realised losses on Assets Held for Sale	(10)	0
OTHER	**(5)**	**(24)**
Realised losses on Tangible fixed assets	(5)	(24)
FINANCIAL LIABILITIES AT AMORTISED COST	**(4)**	**(2)**
Realised losses on financial Liabilities	(4)	(2)
TOTAL LOSSES	**(6,510)**	**(6,723)**
TOTAL NET INCOME ON INVESTMENTS AND LIABILITIES	**54,390**	**58,683**

(1) Concerns mainly factor changes.

Net income on investments and liabilities increased by EUR 4.3 million, 7.9%, to EUR 59 million (30 June 2019: EUR 54 million).

In 1H 2020, Belfius Insurance realised EUR 22 million from the sale of bonds in order to manage its duration gap. In 1H 2019, EUR 56 million realised gains were recorded at Belfius Insurance.

In 1H 2020, Belfius realised EUR 40 million of capital gains on the sale of tangible fixed assets, mainly on the partial sale of the Galilee building.

The table below provides a summary of the realised gains and losses from derecognition on not impaired and impaired financial instruments. These realised gains and losses can be accounted for in the line-item "Net income on investments and liabilities" for not impaired debt instruments measured at fair value through OCI (note 7.3.) or in the line-item "Impairments on financial instruments and provisions for credit commitments" for impaired debt instruments and not impaired loans and advances.

1. Realised gains or losses arising from derecognition of debt instruments and loans and advances measured at amortised cost (impaired and not impaired)

(In thousands of EUR)	30/06/19	30/06/20
REALISED GAINS ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**3,336**	**4,330**
Realised gains on loans and advances	839	709
Realised gains on debt securities issued by public sector	90	93
Realised gains on other debt securities	2,407	3,527
REALISED GAINS ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**8,282**	**7,808**
Realised gains on impaired loans and advances	8,282	7,808
REALISED LOSSES ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**(10,357)**	**(8,868)**
Realised losses on Loans and advances	(1,471)	(1,294)
Realised losses on other debt securities	(8,887)	(7,573)
REALISED LOSSES ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**(8,195)**	**(7,817)**
Realised losses on impaired Loans and advances	(8,195)	(7,817)

2. Realised gains or losses arising from derecognition of debt instruments measured at fair value through other comprehensive income (impaired and not impaired)

(In thousands of EUR)	30/06/19	30/06/20
REALISED GAINS ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**56,547**	**22,325**
Realised gains on debt securities issued by public sector	55,302	17,364
Realised gains on other debt securities	1,246	4,960
REALISED GAINS ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**0**	**0**
REALISED LOSSES ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**(139)**	**(521)**
Realised losses on debt securities issued by public sector	(18)	(16)
Realised losses on other debt securities	(121)	(505)
REALISED LOSSES ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**0**	**0**

7.4. Fee and commission income – expense

(refers to table 7.6. of the annual report 2019)

(In thousands of EUR)	30/06/19 Income	30/06/19 Expense	30/06/19 Net	30/06/20 Income	30/06/20 Expense	30/06/20 Net
Commissions on unit trusts and mutual funds managed by third parties	143,506	(30,716)	112,790	146,866	(27,524)	119,342
Insurance activity	57,522	(3,789)	53,732	63,019	(2,489)	60,530
Credit activity	19,428	(4,356)	15,072	18,644	(3,084)	15,560
Purchase and sale of securities	8,859	(332)	8,527	10,691	(478)	10,213
Purchase and sale of unit trusts and mutual funds	11,300	(27)	11,273	21,200	(13)	21,186
Payment services	85,087	(32,790)	52,297	84,299	(31,928)	52,371
Commissions to not exclusive brokers	882	(7,355)	(6,473)	867	(5,667)	(4,800)
Financial engineering	0	0	0	0	0	0
Services on securities other than safekeeping	3,020	(578)	2,442	3,494	(692)	2,802
Custody	13,795	(1,599)	12,195	14,159	(2,161)	11,999
Issues and placements of securities	2,027	(2,519)	(492)	3,929	(2,515)	1,413
Servicing fees of securitisation	105	(125)	(21)	98	0	98
Advisory services and discretionary management	13,129	(2,478)	10,651	15,806	(3,218)	12,588
Clearing and settlement	3,590	(2,193)	1,397	7,048	(2,408)	4,639
Securities lending	3,162	(3)	3,160	3,777	0	3,777
Financial guarantees	2,391	(2,723)	(332)	2,339	(2,590)	(251)
TOTAL	**367,801**	**(91,584)**	**276,217**	**396,235**	**(84,768)**	**311,468**

Net fee and commission income increased with EUR 35.3 million, 12.8%, to EUR 311 million (30 June 2019: EUR 276 million). The increase was principally attributed to an increase in commission income on asset management fees resulting from higher entry and management fees, and higher average outstanding volumes, as well as on the insurance activity due to higher fees in Life and Non-Life.

7.5. Insurance results

(refers to table 7.7. of the annual report 2019)

Note that Belfius has opted to present the figures on technical results including intragroup transactions between bank and insurance entities, as these mainly relate to insurance contracts concluded between the banking group and insurance group entities and distribution commissions that Belfius Insurance pays to Belfius Bank. Please refer to note 7.4. "Fee and commission income - expense" for more details on the commission income from insurance activities.

(In thousands of EUR)	30/06/19	30/06/20
GROSS EARNED PREMIUMS		
In the consolidated income statement (as presented on statement of income)	738,284	709,091
Intragroup transactions	5,945	4,672
Gross earned premiums including intragroup transactions	744,229	713,763

1. Overview per activity

Please refer to note 4 "operating segment reporting" part B, segmentation by contribution scope, for a breakdown of the contribution of Belfius Bank and Belfius Insurance into the group result. The contribution to the "technical result" refers also to the statement of income IX, "technical result from insurance activities" as only insurance activities are reported to this line.

The further breakdown of the contribution of Belfius Insurance into the activities Life, Non-Life and Non-technical is based on the results of the insurance activities and the corresponding investment portfolio's.

A. Consolidated statement of income

	30/06/19				30/06/20			
(In thousands of EUR)	Life	Non-Life	Non-Technical	Total	Life	Non-Life	Non-Technical	Total
INCOME	**171,229**	**90,447**	**21,330**	**283,007**	**114,864**	**129,370**	**15,024**	**259,258**
Technical result[1]	(96,597)	70,255	(24)	(26,366)	(81,913)	112,070	0	30,157
Gross earned premiums	390,292	353,937	0	744,229	357,224	356,540	0	713,763
Other technical income and charges	(486,889)	(283,682)	(24)	(770,595)	(439,136)	(244,470)	0	(683,606)
Financial result	260,599	19,918	20,644	301,161	188,332	16,952	14,280	219,564
Interest income , Interest expense , Dividend income	209,774	19,391	14,563	243,728	194,710	19,916	10,595	225,221
Net income on investments and liabilities	54,501	(3)	1,935	56,432	29,034	12	9,455	38,502
Net income from equity method companies, Net income from financial instruments at fair value through profit or loss , Other income, Other expense	(3,676)	531	4,146	1,001	(35,412)	(2,977)	(5,770)	(44,159)
Fee and commission income, Fee and commission expense	7,228	274	710	8,212	8,445	348	743	9,537
EXPENSES	**(34,710)**	**(80,036)**	**(6,682)**	**(121,428)**	**(36,582)**	**(79,713)**	**(8,172)**	**(124,468)**
Impairments on loans and advances and provisions for credit commitments, Impairments on goodwill	2,871	463	589	3,923	(6,035)	(837)	1,464	(5,408)
Impairments on tangible and intangible assets	0	0	0	0	0	0	(2,414)	(2,414)
NET INCOME BEFORE TAX	**139,391**	**10,875**	**15,237**	**165,502**	**72,247**	**48,820**	**5,902**	**126,968**
Tax (expense) income	(34,355)	(2,684)	(2,648)	(39,687)	(22,142)	(14,702)	(1,771)	(38,615)
NET INCOME	**105,035**	**8,191**	**12,589**	**125,815**	**50,104**	**34,118**	**4,131**	**88,353**
Attributable to non-controlling interests	425	0	(281)	144	0	0	(692)	(692)
Attributable to equity holders of the parent	104,610	8,191	12,870	125,671	50,104	34,118	4,823	89,045

(1) Statement of income IX. Technical result from insurance activities.

B. Consolidated balance sheet

(In thousands of EUR)	30/06/19				30/06/20			
	Life	Non-Life	Non-Technical	Total	Life	Non-Life	Non-Technical	Total
TECHNICAL PROVISIONS OF INSURANCE COMPANIES								
Technical provisions – insurance activities	12,054,948	1,315,772	0	13,370,720	11,174,518	1,304,252	0	12,478,769
Technical provisions unit-linked	3,418,324	0	0	3,418,324	3,828,584	0	0	3,828,584
Technical provisions – share of reinsurers	12,995	95,807	0	108,802	13,384	93,100	0	106,484

Technical result from insurance activities Life and Non-Life improved with EUR 56.5 million to a profit of EUR 30 million (30 June 2019: a loss of EUR 26 million).

The technical result from insurance activities Life improved with EUR 15 million. The interest guarantees decreased with EUR 22 million due to the declining outstanding in Life Branch 21 and a decreasing average guaranteed interest rate on the remaining volumes offset by lower mortality results.

In Non-Life, the technical margin improved with EUR 42 million mainly resulting from lower claims charges especially in Car and Worker's Compensation insurance lines relating to the Covid-19 confinement period and some boni on existing claims provisions, especially in Public and Corporate Insurance. Separately the cost for natural catastrophes slightly increased over 2020. Following the reassessment of the technical provisions Non-Life and in line with the decrease of uncertainties above our Non-Life Risk Appetite Framework, EUR 13 million release of claims provisions was booked in 1H 2020 compared to EUR 5 million in 1H 2019.

7.6. Other income

(refers to table 7.8. of the annual report 2019)

(In thousands of EUR)	30/06/19	30/06/20
Operational taxes	0	3
Rental income from investment property(1)	18,872	16,653
Other rental income	1,888	2,087
Other banking income	461	258
Write-back of provisions for litigations(2)	4,529	3,178
Real estate projects	4,921	1,546
Asset Finance activities	40,149	40,973
Other income on other activities(3)	40,423	28,862
OTHER INCOME	**111,241**	**93,561**

(1) Rental income from investment property decreased in line with real estate investments.
(2) Refer to note 6.6 "Provisions and contingent liabilities" for a detailed description. The additional provisions for litigations are recorded in other expense (refer to note 7.7.).
(3) A decrease in other income on other activities can be noted due to the derecognition of certain old liabilities in 1H 2019.

7.7. Other expense

(refers to table 7.9. of the annual report 2019)

(In thousands of EUR)	30/06/19	30/06/20
Impairment on inventory	0	(99)
Sector levies[1]	(222,353)	(237,076)
Repair and maintenance on investment properties that generated income during the current financial year	(456)	(4,820)
Provisions for litigations[2]	(10,703)	(4,177)
Real estate projects	(4,466)	(1,655)
Asset Finance activities	(36,186)	(38,248)
Other expense on other activities[3]	(37,275)	(38,666)
OTHER EXPENSE	**(311,441)**	**(324,741)**

(1) Sector levies are specific taxes for financial institutions or insurers, it includes
→ the Deposit Guarantee Scheme contributions,
→ Subscription tax,
→ Financial Stability Contribution and
→ the contributions to the Single Resolution Fund.
Belfius has opted in the past to pay part of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment. This payment commitment was fully covered by cash collateral. Belfius has recorded EUR 17.5 million in its off balance sheet accounts (stable compared to 2019).
(2) No additional provision for potential settlements of ongoing disputes with third parties was recognised in 1H 2020, compared to a recognition of EUR 7 million in 1H 2019.
(3) "Other expenses on other activities" includes other operational expenses, depreciation and amortization on investment property, and other operational taxes.

Other notes to the condensed consolidated interim financial statements

VIII. Notes on the condensed consolidated interim off-balance sheet items

(some amounts may not add up due to roundings)

8.1. Regular way trade

(refers to table 8.1. of the annual report 2019)

(In thousands of EUR)	31/12/19	30/06/20
Loans to be delivered and purchases of assets	3,696,014	3,055,053
Borrowings to be received and sales of assets	4,995,038	5,222,437

8.2. Guarantees

(refers to table 8.2. of the annual report 2019)

(In thousands of EUR)	31/12/19	30/06/20
Guarantees given to credit institutions	1,170,819	1,181,037
Guarantees given to customers	4,318,971	4,306,286
Guarantees received from credit institutions(1)	1,259,648	1,325,889
Guarantees received from customers	30,276,274	27,867,370
Guarantees received from the States(2)	0	9,115,684

(1) This amount includes the personal guarantees and similar rights of recourse obtained for derivatives.
(2) This amount concerns the allocation to Belfius of the Belgian State guarantee scheme for loans to SME in the framework of the Covid-19 crisis. The allocation of 9.1 billion EUR on a total of 50 billion EUR is based on our market share. Refer to the section "Measures in Covid-19 crisis to support the Belgian Society" in the Credit Risk chapter of the Management Report for further information on the Covid-19 measures taken at Belfius.

8.3. Loan commitments

(refers to table 8.3. of the annual report 2019)

(In thousands of EUR)	31/12/19	30/06/20
Unused lines granted to credit institutions	215,121	228,637
Unused lines granted to customers	27,520,705	27,528,914
Unused lines obtained from credit institutions	4,292	2,456
Unused lines obtained from customers	0	0

8.4. Other commitments to financing activities

(refers to table 8.4. of the annual report 2019)

(In thousands of EUR)	31/12/19	30/06/20
Insurance activity – Commitments given	0	0
Insurance activity – Commitments received	73,913	73,913
Banking activity – Commitments given(1)	21,984,819	35,102,803
Banking activity – Commitments received	85,486,469	85,633,232

(1) Mainly related to repurchase agreements and collateralisation of loans with the European Central Bank and other central banks. Belfius drew additional TLTRO, resulting in a total TLTRO III participation of 13 billion as of June 2020.

The section "Banking activity- commitments given" also includes the underlying assets of the covered bond programs. The special estate of the mortgage covered bond program contains mainly residential mortgage loans for a total amount of EUR 8.1 billion (nominal) at the end of 2019 and 7.8 billion (nominal) at the end of June 2020. See also note 6.4 "Debt securities issued and other financial liabilities".

8.5. Commitments – contingent liabilities

(refers to table 8.5. of the annual report 2019)

(In thousands of EUR)	31/12/19	30/06/20
Single Resolution Fund– Commitments given(1)	17,473	17,473
Other contingent lialibities	143	143

(1) Sector levies are specific taxes for financial institutions or insurers, it includes:
→ the Deposit Guarantee Scheme contributions,
→ Subscription tax,
→ Financial Stability Contribution and
→ the contributions to the Single Resolution Fund.
Belfius has opted in the past to pay part of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment. This payment commitment was fully covered by cash collateral. Belfius has recorded EUR 17.5 million in its off balance sheet accounts (stable compared to 2019).

8.6. Bond lending and bond borrowing transactions

(refers to table 8.6. of the annual report 2019)

(In thousands of EUR)	31/12/19	30/06/20
Securities lending	2,107,974	2,165,320
Securities borrowing	0	0

In the context of its liquidity management, Belfius enters from time to time into bond lending transactions against fees.

IX. Notes on risk exposure

(some amounts may not add up due to rounding)

9.1. Fair value

(refers to table 9.1. of the annual report 2019)

1. Fair value of financial instruments

A. Breakdown of fair value of assets

(In thousands of EUR)	31/12/19 Carrying amount	Fair value	Difference
Cash and balances with central banks	6,715,928	6,715,928	0
Loans and advances due from credit institutions	16,207,838	16,207,834	(4)
Measured at amortised cost	16,207,838	16,207,834	(4)
Measured at fair value through other comprehensive income	0	0	0
Measured at fair value through profit or loss	0	0	0
Loans and advances	94,944,479	101,378,367	6,433,889
Measured at amortised cost	93,391,477	99,825,365	6,433,889
Measured at fair value through other comprehensive income	0	0	0
Measured at fair value through profit or loss	1,553,002	1,553,002	0
Debt securities	27,814,658	29,722,426	1,907,768
Measured at amortised cost	22,476,427	24,384,195	1,907,768
Measured at fair value through other comprehensive income	3,795,542	3,795,542	0
Measured at fair value through profit or loss	1,542,689	1,542,689	0
Equity instruments	1,674,908	1,674,908	0
Measured at fair value through other comprehensive income	1,461,737	1,461,737	0
Measured at fair value through profit or loss	213,171	213,171	0
Unit linked products insurance activities	3,671,372	3,671,372	0
Derivatives	13,304,709	13,304,709	0
Gain/loss on of the hedged item in portfolio hedge of interest rate risk	4,881,797	4,881,797	0
Non current assets (disposal group) held for sale and discontinued operations	23,826	36,360	12,534
TOTAL	169,239,513	177,593,699	8,354,187

(In thousands of EUR)	30/06/20 Carrying amount	Fair value	Difference
Cash and balances with central banks	18,707,513	18,707,513	0
Loans and advances due from credit institutions	14,404,684	14,404,766	83
Measured at amortised cost	14,404,684	14,404,766	83
Measured at fair value through other comprehensive income	0	0	0
Measured at fair value through profit or loss	0	0	0
Loans and advances	98,747,848	105,386,117	6,638,269
Measured at amortised cost	97,274,867	103,913,137	6,638,269
Measured at fair value through other comprehensive income	0	0	0
Measured at fair value through profit or loss	1,472,980	1,472,980	0
Debt securities	28,670,570	30,223,499	1,552,929
Measured at amortised cost	23,472,021	25,024,949	1,552,929
Measured at fair value through other comprehensive income	3,783,698	3,783,698	0
Measured at fair value through profit or loss	1,414,852	1,414,852	0
Equity instruments	1,423,980	1,423,980	0
Measured at fair value through other comprehensive income	1,164,603	1,164,603	0
Measured at fair value through profit or loss	259,377	259,377	0
Unit linked products insurance activities	3,828,584	3,828,584	0
Derivatives	14,334,988	14,334,988	0
Gain/loss on of the hedged item in portfolio hedge of interest rate risk	5,218,055	5,218,055	0
Non current assets (disposal group) held for sale and discontinued operations	23,006	37,246	14,240
TOTAL	185,359,229	193,564,750	8,205,521

B. Breakdown of fair value of liabilities

(In thousands of EUR)	31/12/19 Carrying amount	Fair value	Difference
Cash and balances from central banks	4,016,777	4,032,187	15,409
Borrowings and deposits	91,269,273	91,434,298	165,025
Measured at amortised cost	91,216,500	91,381,525	165,025
Measured at fair value through profit or loss	52,773	52,773	0
Debt securities issued and other financial liabilities	27,654,505	28,303,226	648,721
Measured at amortised cost	19,341,686	19,990,407	648,721
Measured at fair value through profit or loss	8,312,819	8,312,819	0
Unit linked products insurance activities	3,671,372	3,671,372	0
Derivatives	18,630,116	18,630,116	0
Gain/loss on the hedged item in portfolio hedge of interest rate risk	262,708	262,708	0
Subordinated debts	1,157,266	1,266,835	109,569
Measured at amortised cost	1,157,266	1,266,835	109,569
Measured at fair value through profit or loss	0	0	0
Liabilities included in disposal group and discontinued operations	0	0	0
TOTAL	146,662,018	147,600,741	938,724

(In thousands of EUR)	30/06/20 Carrying amount	Fair value	Difference
Cash and balances from central banks	13,079,085	13,029,733	(49,352)
Borrowings and deposits	99,616,360	99,786,142	169,783
Measured at amortised cost	99,562,958	99,732,741	169,783
Measured at fair value through profit or loss	53,401	53,401	0
Debt securities issued and other financial liabilities	25,155,288	25,925,042	769,754
Measured at amortised cost	17,106,788	17,876,542	769,754
Measured at fair value through profit or loss	8,048,499	8,048,499	0
Unit linked products insurance activities	3,828,584	3,828,584	0
Derivatives	20,502,052	20,502,052	0
Gain/loss on the hedged item in portfolio hedge of interest rate risk	382,532	382,532	0
Subordinated debts	1,148,470	1,235,831	87,361
Measured at amortised cost	1,148,470	1,235,831	87,361
Measured at fair value through profit or loss	0	0	0
Liabilities included in disposal group and discontinued operations	0	0	0
TOTAL	163,712,370	164,689,916	977,546

The small increase in fair value of the loan portfolio is linked to a flattening of the long term interest rate environment compared to year-end 2019, partially balanced by higher risk adjustments following the Covid-19 pandemic. Note that an internal estimate of the future potential prepayment rate has been considered in the determination of the fair value. The evolution of debt securities also reflects the impact of the economic crisis.

For some assets and liabilities, Belfius estimates that the fair value approximates the carrying value. The determination of the fair value of loans for 2019 and 30 June 2020 is explained further on in the valuation techniques. In addition, Belfius estimates that the own credit risk has not changed significantly and has thus not taken into account a revaluation of the own credit risk.

2. Analysis of fair value of financial instruments
A. Assets

(In thousands of EUR)	31/12/19 Level 1	Level 2	Level 3	Total
Loans and advances	0	19,153	1,533,849	1,553,002
Measured at fair value through profit or loss	0	19,153	1,533,849	1,553,002
Debt securities	3,762,846	759,864	815,520	5,338,230
Measured at fair value through other comprehensive income	3,185,354	247,499	362,689	3,795,542
Measured at fair value through profit or loss	577,493	512,364	452,832	1,542,689
Equity instruments	1,378,406	0	296,501	1,674,908
Measured at fair value through other comprehensive income	1,165,501	0	296,236	1,461,737
Measured at fair value through profit or loss	212,906	0	265	213,171
Unit linked products insurance activities	3,671,372	0	0	3,671,372
Derivatives	533	12,511,900	792,276	13,304,709
Non current assets (disposal group) held for sale and discontinued operations	0	34,318	2,042	36,360
TOTAL	8,813,158	13,325,234	3,440,188	25,578,580

(In thousands of EUR)	30/06/20 Level 1	Level 2	Level 3	Total
Loans and advances	0	13,883	1,459,098	1,472,980
Measured at fair value through profit or loss	0	13,883	1,459,098	1,472,980
Debt securities	3,606,998	800,357	791,195	5,198,550
Measured at fair value through other comprehensive income	3,118,075	320,857	344,765	3,783,698
Measured at fair value through profit or loss	488,922	479,500	446,430	1,414,852
Equity instruments	1,093,942	0	330,038	1,423,980
Measured at fair value through other comprehensive income	834,574	0	330,029	1,164,603
Measured at fair value through profit or loss	259,368	0	9	259,377
Unit linked products insurance activities	3,828,584	0	0	3,828,584
Derivatives	1,860	13,449,892	883,236	14,334,988
Non current assets (disposal group) held for sale and discontinued operations	0	35,008	2,238	37,246
TOTAL	8,531,384	14,299,140	3,465,805	26,296,329

B. Liabilities

(In thousands of EUR)	31/12/19 Level 1	Level 2	Level 3	Total
Borrowings and deposits	0	52,773	0	52,773
Measured at fair value through profit or loss	0	52,773	0	52,773
Debt securities issued and other financial liabilities	79,916	5,488,697	2,744,205	8,312,819
Measured at fair value through profit or loss	79,916	5,488,697	2,744,205	8,312,819
Unit linked products insurance activities	3,671,372	0	0	3,671,372
Derivatives	496	17,926,880	702,740	18,630,116
Subordinated debts	0	0	0	0
Measured at fair value through profit or loss	0	0	0	0
Liabilities included in disposal group and discontinued operations	0	0	0	0
TOTAL	3,751,784	23,468,350	3,446,946	30,667,080

(In thousands of EUR)	30/06/20 Level 1	Level 2	Level 3	Total
Borrowings and deposits	0	53,401	0	53,401
Measured at fair value through profit or loss	0	53,401	0	53,401
Debt securities issued and other financial liabilities	335,939	5,473,345	2,239,215	8,048,499
Measured at fair value through profit or loss	335,939	5,473,345	2,239,215	8,048,499
Unit linked products insurance activities	3,828,584	0	0	3,828,584
Derivatives	521	19,778,357	723,174	20,502,052
Subordinated debts	0	0	0	0
Measured at fair value through profit or loss	0	0	0	0
Liabilities included in disposal group and discontinued operations	0	0	0	0
TOTAL	4,165,044	25,305,104	2,962,389	32,432,537

3. Transfer between Level 1 and Level 2 fair value for assets and liabilities at fair value in the balance sheet

A. Assets at fair value in the balance sheet

	31/12/19		30/06/20	
(In thousands of EUR)	From level 1 to 2	From level 2 to 1	From level 1 to 2	From level 2 to 1
Debt securities	21,053	66,157	88,045	30,271
Measured at fair value through other comprehensive income	21,047	66,157	75,835	7,996
Measured at fair value through profit or loss	5	0	12,210	22,275
Derivatives	0	0	0	0
TOTAL	21,053	66,157	88,045	30,271

B. Liabilities at fair value in the balance sheet

Nil.

4. Reconciliation Level 3

A. Assets

(In thousands of EUR)	31/12/19 Opening balance	Total of unrealised gains and losses in P&L	Total gains/ losses in other comprehensive income	Purchases	Sales	Settlements	Transfers in Level 3	Transfer out of Level 3	Foreign exchange adjustments	Closing balance
Loans and advances	1,787,934	(173,148)		30,595	(111,533)	0	0	0	0	1,533,849
Measured at fair value through profit or loss	1,787,934	(173,148)		30,595	(111,533)	0	0	0	0	1,533,849
Debt securities	729,923	(29,254)	1,391	332,946	(227,588)	(44,677)	54,136	(1,357)	0	815,520
Measured at fair value through other comprehensive income	285,688	202	1,391	63,169	(16,218)	(12,313)	40,770	0	0	362,689
Measured at fair value through profit or loss	444,235	(29,456)		269,778	(211,370)	(32,364)	13,367	(1,357)	0	452,832
Equity instruments	299,213	0	71	20,546	(13,550)	(9,779)	0	(1,399)	0	296,501
Measured at fair value through other comprehensive income	298,832	0	71	20,282	(13,170)	(9,779)	0	(1,399)	0	296,236
Measured at fair value through profit or loss	381	0		265	(380)	0	0	0	0	265
Derivatives	714,199	48,405		143,099	0	(118,289)	5,542	(2,539)	1,858	792,276
TOTAL	3,531,269	(153,997)	1,463	527,187	(352,671)	(172,744)	59,678	(5,295)	1,858	3,438,146

(In thousands of EUR)	30/06/20 Opening balance	Total of unrealised gains and losses in P&L	Total gains/ losses in other comprehensive income	Purchases	Sales	Settlements	Transfers in Level 3	Transfer out of Level 3	Foreign exchange adjustments	Closing balance
Loans and advances	1,533,849	(33,416)		24,059	(65,394)	0	0	0	0	1,459,098
Measured at fair value through profit or loss	1,533,849	(33,416)		24,059	(65,394)	0	0	0	0	1,459,098
Debt securities	815,520	(5,667)	(2,786)	183,261	(126,128)	(39,362)	19	(33,663)	0	791,195
Measured at fair value through other comprehensive income	362,689	192	(2,786)	38,985	0	(20,651)	0	(33,663)	0	344,765
Measured at fair value through profit or loss	452,832	(5,859)		144,277	(126,128)	(18,710)	19	0	0	446,430
Equity instruments	296,501	(40)	(17,477)	63,539	(10,417)	(1,812)	8	(265)	0	330,038
Measured at fair value through other comprehensive income	296,236	(40)	(17,477)	63,539	(10,417)	(1,812)	0	0	0	330,029
Measured at fair value through profit or loss	265	0		0	0	0	8	(265)	0	9
Derivatives	792,276	165,781		106,334	0	(124,102)	923	(54,184)	(3,791)	883,236
TOTAL	3,438,146	126,659	(20,263)	377,193	(201,939)	(165,276)	950	(88,112)	(3,791)	3,463,567

The "purchases" and "sales" of debt securities measured at fair value through profit or loss is mainly linked to Belgian regional bonds.

B. Liabilities

(In thousands of EUR)	Opening balance	Total of unrealised gains and losses in P&L	Total gains/losses in other comprehensive income	Purchases	Direct origination	Settlements	Transfers in Level 3	Transfer out of Level 3	Closing balance
	31/12/19								
Debt securities issued and other financial liabilities	2,556,005	29,919		0	402,705	(183,100)	124,087	(185,411)	2,744,205
Measured at fair value through profit or loss	2,556,005	29,919		0	402,705	(183,100)	124,087	(185,411)	2,744,205
Derivatives	680,871	(1,710)		217,998	0	(98,098)	1,380	(39,107)	702,740
TOTAL	**3,236,876**	**28,209**		**217,998**	**402,705**	**(281,197)**	**125,466**	**(224,518)**	**3,446,946**

(In thousands of EUR)	Opening balance	Total of unrealised gains and losses in P&L	Total gains/losses in other comprehensive income	Purchases	Direct origination	Settlements	Transfers in Level 3	Transfer out of Level 3	Closing balance
	30/06/20								
Debt securities issued and other financial liabilities	2,744,205	(1,422)		0	121,601	(582,673)	0	(42,496)	2,239,215
Measured at fair value through profit or loss	2,744,205	(1,422)		0	121,601	(582,673)	0	(42,496)	2,239,215
Derivatives	702,740	65,521		93,272	0	(70,495)	991	(68,856)	723,174
TOTAL	**3,446,946**	**64,099**		**93,272**	**121,601**	**(653,168)**	**991**	**(111,352)**	**2,962,389**

The column "total of unrealized gains and losses in P&L" cannot be analysed on a stand alone basis, as some assets or liabilities classified at amortised cost or some assets and liabilities classified in level 1 or 2 may be hedged by derivatives classified in level 3. The column direct origination refers to the issuance of Belfius bonds. These are classified at Fair value through profit or loss to eliminate an accounting mismatch.

5. Valuation techniques and data (level 1, 2 en 3)

Financial instruments measured at fair value (trading, designated at fair value through profit or loss, debt instruments and investments in equity instruments measured at fair value through other comprehensive income, non trading financial assets mandatorily measured at fair value through profit or loss, derivatives)

Financial instruments measured at fair value for which reliable quoted market prices are available (level 1).

If the market is active – meaning that reliable bid-offer prices are available representing effective transactions for meaningful amounts concluded on an arm's length basis between willing counterparties – these market prices provide for reliable evidence of fair value and are therefore used for fair value measurement (f.e. interest rate futures, liquid bonds, etc).

The use of market prices quoted in an active market for identical instruments with no adjustments qualifies for inclusion in level 1 within IFRS 13 fair value hierarchy, which is not the case for the use of quoted prices in inactive markets or the use of quoted spreads.

Financial instruments measured at fair value for which no reliable quoted market prices are available and for which valuations are obtained by means of valuation techniques (level 2 and 3).

Financial instruments for which no quoted market prices in active markets are available, are valued by means of valuation techniques. The determination whether or not there is an active market is based on criteria such as volume, bid- offer spread and the number of price/spread contributions. The models that Belfius uses range from standard models available in the market to in-house developed valuation models. Availability of some observable market prices and model inputs reduces the need for management judgement and estimation and the uncertainty associated with the determination of fair values. These availabilities vary depending on the products and markets and are subject to changes based on specific events and general conditions in the financial markets.

Once a financial instrument is not classified as level 1, Belfius requires that two conditions are met for inclusion in level 2 (f.e. currency swaps, swaptions, cap/floors, foreign exchange contracts/options, and less liquid bonds):

- → the model must have either passed a successful validation by the Validation department or comply with the price reconciliation process run by the Market Risk department that has been installed to test the reliability of valuations.
- → the data that Belfius incorporates in its valuation models are either directly observable data (prices) or indirectly observable data (spreads).

Fair value measurements that do not fall under level 1 or do not comply with the two conditions for level 2 mentioned above, are reported as part of the level 3 disclosure. In that respect, the following parameters are within Belfius not considered to be observable: Belgian inflation, CMS spread, equity correlations (such as equity baskets, illiquid bonds, total return swaps, credit default obligations and credit default swaps).

For that reason, structured loans measured at fair value through profit and loss are classified as level 3. These financial assets are illiquid and not traded on an active market. The fair value of these loans is determined by a valuation model essentially based on non observable data including additional value adjustments as described below.

Bonds traded in inactive markets are valued using valuation techniques. To price its portfolio of illiquid bonds, Belfius calculates spreads based on a cross section method using a large universe of bonds and CDS spreads. The calculated spreads are challenged (back-testing) every quarter by mean of comparisons with observable market spreads.

Unquoted equity instruments are systematically classified as level 3. In accordance with the principles set out in IFRS 13, different fair value measurement models for unquoted equity instruments are possible (discounted cash flow, net asset value, recent transaction price, …).

Derivatives are valued at mid-market prices for which, again, the former described cascade (level 1, 2, 3) is applied. For level 2 fair values, Belfius uses observable market parameters and valuation models that are in line with the market practices. The discount interest rate curve takes account of any collateral agreements.

Following additional value adjustments are also applied within Belfius:

- → Unearned credit spread: this value adjustment takes account of the possibility that a counterparty might default and part of the fair value cannot be recovered (Credit Value Adjustment) and of the creditworthiness of Belfius (Debit Value Adjustment). The Unearned credit spread is calculated both on collateralized and non collateralized derivatives. For collateralized derivatives with standard ISDA/CSA agreements, the unearned credit spread is calculated taking into account the Margin Period of Risk and the collateral exchanged. For uncollateralized derivatives an estimation is made of the expected exposures, by forecasting the future fair value of the derivative in line with market practice. These expected exposures are then multiplied by an expected loss indication. Seeing that the majority of these expected losses are not directly observable in the market, Belfius uses market-derived spreads which are determined by means of a method based on cross-sections on a large universe of bonds and CDS spreads.
- → Bid/ask adjustment: because the mid-market prices do not take account of the direction in which the deal was closed, the bid/ask adjustment does take account of this information in the total fair value .
- → Funding spread: this value adjustment takes into account the funding cost or benefit for uncollateralized transactions. For all uncollateralized transactions, a correction is made for the funding value adjustment based on the average funding cost of Belfius Bank. This funding cost is determined by ALM taking into account the different funding sources.
- → Market price uncertainty: value adjustment for uncertainty of market parameters.
- → Model risk: this value adjustment is made if the assumptions used in a valuation model cannot be verified with sufficient accuracy.

- Cash-CDS adjustment: this adjustment takes into account the spread difference between the cash instruments and corresponding derivatives.

Financial instruments measured at amortised cost (having valuations at fair value in IFRS disclosures)

The fair value of debt instruments held within the business model "hold to collect contractual cash flows", is determined using the following valuation principles.

General principles

- the carrying amount of loans maturing within 12 months is assumed to reflect their fair value;
- for bonds the valuation is done in the same way as bonds measured at fair value through other comprehensive income;.

Interest-rate part:

- the fair value of fixed-rate loans and mortgage loans reflects interest-rate movements since inception;
- loans with an adjustable rate are priced using the corresponding forward rates increased with the contractual margin;
- market or model values for caps, floors and prepayment options are included in the fair value of loans and receivables;
- the fair value of variable-rate loans (f.i. 3M euribor) is assumed to be approximated by their carrying amounts;
- an adjustment of the credit risk is also included in the fair value;
- the future potential prepayment rate has been approximated by taking into account an internal estimate.

A. Quantitative information on significant unobservable data (level 3)

If the fair value of a financial instrument is determined based on valuation techniques using inputs that are not based on observable market data, alternative assumptions may impact the equity and the result.

Financial instrument	Non-observable items	Difference with alternative assumptions	Impact in P&L of alternative assumptions (in millions of EUR)	Impact in equity of alternative assumptions (in millions of EUR)
OTC swaps on Belgian inflation	Expectations in Belgian inflation	+30 bp	-2.30	
OTC derivatives on CMS spread	Correlation between CMS interest rates	+10%	+0,13	
OTC swaps Bermudian Feature	Mean Reversion	1%	+0,52	
Collateralised Debt Obligation	Credit spread	-10 bps	-5.22	
Credit Default Swap	Credit spread	-10 bps	-3.09	
Illiquid bonds	Credit spread	-10 bps	+1,25	+0,59

B. Valuation process

The valuation process follows a strict governance. First of all, the Risk department operates a strong Independent Price Verification process by the mean of independent controls of the parameters. Any parameters used for the valuation process are independently controlled before injection into the systems. Secondly, the models used are validated by the Validation department which reports directly to the CRO. The validation reports but also the proposals for model changes are presented to the Financial Markets Fair Value committee for decision. This committee refers directly to the Financial Markets Committee which is led by three members of the Management Board (CRO, CFO, head of PCB). For unquoted equities and participations, the fair values are challenged by the Participation Forum which presents the main fair value changes to the Financial Markets Fair Value committee for approval.

C. Transfers between valuation levels

The IFRS levels are dependent on an internal liquidity score for the bonds or on an observability criteria and a validation status of the model for the derivative products. The liquidity score of the bonds is distributed between very liquid (big score) and very illiquid (small score). Therefore, a small change in the liquidity on the market does not influence the distribution of L1, L2 or L3. A few bonds are nevertheless close to the border of illiquidity and can change from L1 to L2 or L3. The main events since beginning of 2020 (Covid-19 pandemic, world economy crashes after containment, monetary decisions from central banks to sustain global economy) caused big movements in the liquidity scores but not enough to increase the transfer between levels. Moreover at the end of June we find the same level of liquidity scores as the end of 2019, this explains also the reason why we do not have a lot of transfers between levels. For derivatives products, we have not seen any significant transfers between levels since the volume of the stock is stable and the observability stay the same. Moreover, the validation of the models is increasing in coverage leading to a decreasing trend of the L3 stock.

6. Disclosure of difference between transaction prices and model values (deferred day one profit)

No significant amounts are recognized as deferred Day One Profit or Loss (DOP) in 2019 or 2020.

As Belfius deals in plain vanilla products (like Interest Rate Swaps (IRS)), and some more complex products (like structured transactions) which are hedged in the market in line with market risk limits and framework, the resulting day one profit is recognized up-front. Only a few transactions of insignificant amounts have unobservable parameters, consequently the Deferred DOP is immaterial.

9.2. Credit risk exposure

(refers to table 9.2. of the annual report 2019)

1. Financial assets subject to impairment that are past due

A financial asset is past due when the counterparty has failed to make a payment when contractually due. This is considered on a contract by contract basis. For example, if a counterpart fails to pay the required interests at due date, the entire loan is considered as past due.

31/12/19	Financial instruments without significant increase in credit risk since initial recognition (stage 1)			Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)			Carrying amount – Credit impaired financial assets (stage 3)		
(In thousands of EUR)	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days PF	> 30 days ≤ 90 days	> 90 days
Loans and advances due from credit institutions	5	0	0	1,335	11	0	0	0	8
Loans and advances	186,589	30,361	7,176	104,848	22,335	11,508	284,311	59,466	356,506
Debt securities	0	0	0	0	0	0	0	0	0
TOTAL	**186,594**	**30,361**	**7,176**	**106,183**	**22,346**	**11,508**	**284,311**	**59,466**	**356,514**

30/06/20	Financial instruments without significant increase in credit risk since initial recognition (stage 1)			Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)			Carrying amount – Credit impaired financial assets (stage 3)		
(In thousands of EUR)	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Loans and advances due from credit institutions	0	255	0	6	0	0	0	0	0
Loans and advances	186,422	56,603	36,532	113,348	63,365	57,434	185,446	29,835	540,114
Debt securities	0	0	0	0	0	0	1,078	0	0
TOTAL	**186,422**	**56,858**	**36,532**	**113,355**	**63,365**	**57,434**	**186,524**	**29,835**	**540,114**

Past due outstandings relate mainly to retail and corporate loans.

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 realisation of collateral, regardless the existence of any past due amount or the number of days past due.

Refer to the section "Asset quality" in the Credit Risk chapter of the Management Report for further information.

2. Forbearance

(In thousands of EUR)	31/12/19 Gross carrying amount of exposures with forbearance measures	Impairment	Collateral received and financial guarantees received: Collateral received on exposures with forbearance measures	Financial guarantees received on exposures with forbearance measures
Loans and advances	787,784	(160,321)	424,962	29,107
Off-Balance sheet exposure	29,758	0	7,422	0

(In thousands of EUR)	30/06/20 Gross carrying amount of exposures with forbearance measures	Impairment	Collateral received and financial guarantees received: Collateral received on exposures with forbearance measures	Financial guarantees received on exposures with forbearance measures
Loans and advances	941,203	(180,195)	479,348	63,663
Off-Balance sheet exposure	24,166	0	5,245	124

Refer to the section "Asset quality" in the Credit Risk chapter of the Management Report for further information.

3. Movements in allowances for credit losses

(In thousands of EUR)	31/12/19 Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
LOANS AND ADVANCES DUE FROM CREDIT INSTITUTIONS				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(173)	(19)	0	(191)
Increase due to origination and acquisition	(1,580)	(3)	0	(1,583)
Decrease due to derecognition	1,387	1	0	1,388
Changes due to credit risk(1)	(57)	(50)	0	(107)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	7	(7)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(4)	4	0	0
Foreign exchange and other movements	(1)	18	0	17
BALANCE AT 31 DECEMBER	(420)	(56)	0	(476)
LOANS AND ADVANCES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(162,877)	(173,662)	(1,147,237)	(1,483,775)
Increase due to origination and acquisition	(217,455)	(193,785)	(97)	(411,338)
Decrease due to derecognition	153,706	177,790	13,163	344,659
Changes due to credit risk(1)	67,547	14,224	(140,607)	(58,836)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	17,279	(11,347)	(5,932)	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(46,844)	77,454	(30,611)	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	(9,495)	(50,089)	59,584	0
Decrease in allowance due to write off	0	0	89,649	89,649
Foreign exchange and other movements	29	(53)	3,776	3,752
BALANCE AT 31 DECEMBER	(198,110)	(159,466)	(1,158,313)	(1,515,890)

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

The "increase due to origination and acquisition" as well as "decrease due to derecognition" mainly relate to the fact that renewal of straight loans and roll over loans are accounted as an increase (new deal) and a decrease (end of former deal).

(In thousands of EUR)	31/12/19			
	Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
DEBT SECURITIES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(1,388)	(194,105)	(840)	(196,333)
Increase due to origination and acquisition	(258)	(547)	0	(805)
Decrease due to derecognition	221	3,232	0	3,453
Changes due to credit risk(1)	714	12,992	0	13,706
Transfer from stage 1 (12-month ECL) to stages 2 & 3	1	(1)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(746)	746	0	0
Foreign exchange and other movements	(14)	(7,382)	0	(7,396)
BALANCE AT 31 DECEMBER	(1,471)	(185,065)	(840)	(187,376)
Measured at fair value through other comprehensive income				
BALANCE AT 1 JANUARY	(1,818)	(19,446)	0	(21,265)
Increase due to origination and acquisition	(565)	(973)	0	(1,537)
Decrease due to derecognition	382	932	0	1,315
Changes due to credit risk(1)	1,155	982	0	2,137
Transfer from stage 1 (12-month ECL) to stages 2 & 3	27	(27)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(972)	972	0	0
BALANCE AT 31 DECEMBER	(1,790)	(17,560)	0	(19,350)
OFF-BALANCE SHEET EXPOSURE				
BALANCE AT 1 JANUARY	43,701	60,342	35,552	139,595
Increase due to origination and acquisition	46,681	50,019	0	96,700
Decrease due to derecognition	(35,547)	(43,848)	(4,616)	(84,011)
Changes due to credit risk(1)	(25,435)	(10,410)	(13,037)	(48,881)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	(2,719)	2,553	166	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	13,811	(15,713)	1,902	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	588	8,493	(9,081)	0
Foreign exchange and other movements	26	76	58	160
BALANCE AT 31 DECEMBER	41,107	51,512	10,943	103,562

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

The increase of expected credit losses in stage 1 reflects the production performed by Belfius. A shift of files from Stage 2 to Stage 3 can be noted due to a credit deterioration which led to a stock decrease of the expected credit losses in Stage 2.

The effect of this shift has been partially offset by a number of debt restructuring agreements and write offs in Stage 3.

The "increase due to origination and acquisition" as well as "decrease due to derecognition" mainly relate to the fact that renewal of straight loans and roll over loans are accounted as an increase (new deal) and a decrease (end of former deal).

(In thousands of EUR)	30/06/20 Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
LOANS AND ADVANCES DUE FROM CREDIT INSTITUTIONS				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(420)	(56)	0	(476)
Increase due to origination and acquisition	(1,290)	(8)	0	(1,298)
Decrease due to derecognition	1,313	1	0	1,314
Changes due to credit risk(1)	(712)	(300)	0	(1,012)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	10	(10)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(33)	33	0	0
Foreign exchange and other movements	1	0	0	1
BALANCE AT 30 JUNE	(1,129)	(341)	0	(1,470)
LOANS AND ADVANCES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(198,110)	(159,466)	(1,158,313)	(1,515,890)
Increase due to origination and acquisition	(111,854)	(194,917)	(135)	(306,905)
Decrease due to derecognition	93,510	72,445	7,550	173,505
Changes due to credit risk(1)	49,808	(104,702)	(125,750)	(180,643)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	61,197	(60,318)	(879)	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(36,084)	43,265	(7,181)	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	(2,403)	(49,002)	51,405	0
Decrease in allowance due to write off	0	0	36,218	36,218
Foreign exchange and other movements	11	67	7	85
BALANCE AT 30 JUNE	(143,924)	(452,629)	(1,197,077)	(1,793,630)

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

The "increase due to origination and acquisition" as well as "decrease due to derecognition" mainly relate to the fact that renewal of straight loans and roll over loans are accounted as an increase (new deal) and a decrease (end of former deal).

(In thousands of EUR)	30/06/20 Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
DEBT SECURITIES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(1,471)	(185,065)	(840)	(187,376)
Increase due to origination and acquisition	(134)	(112)	0	(247)
Decrease due to derecognition	90	990	0	1,081
Changes due to credit risk(1)	(383)	(964)	(2,436)	(3,782)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	176	(128)	(49)	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(543)	543	0	0
Foreign exchange and other movements	10	9,041	0	9,051
BALANCE AT 30 JUNE	(2,254)	(175,694)	(3,325)	(181,273)
Measured at fair value through other comprehensive income				
BALANCE AT 1 JANUARY	(1,790)	(17,560)	0	(19,350)
Increase due to origination and acquisition	(152)	(1,802)	0	(1,954)
Decrease due to derecognition	349	604	0	954
Changes due to credit risk(1)	(354)	35	0	(319)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	95	(95)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(207)	207	0	0
BALANCE AT 30 JUNE	(2,059)	(18,610)	0	(20,669)
OFF-BALANCE SHEET EXPOSURE				
BALANCE AT 1 JANUARY	41,107	51,512	10,943	103,562
Increase due to origination and acquisition	21,592	42,285	0	63,877
Decrease due to derecognition	(11,470)	(23,945)	(4,754)	(40,169)
Changes due to credit risk(1)	(6,688)	46,867	5,323	45,502
Transfer from stage 1 (12-month ECL) to stages 2 & 3	(18,781)	18,633	148	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	7,507	(7,974)	467	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	209	1,277	(1,486)	0
Foreign exchange and other movements	(8)	131	(31)	92
BALANCE AT 30 JUNE	33,467	128,787	10,610	172,863

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

As at 30 June 2020, the total impairment stock reached EUR 2,170 million compared to EUR 1,827 million to the end of 2019. This increase of EUR 343 million is mainly explained by the impact of the Covid-19 crisis.

The "increase due to origination and acquisition" as well as "decrease due to derecognition" mainly relate to the fact that renewal of straight loans and roll over loans are accounted as an increase (new deal) and a decrease (end of former deal).

The decrease of expected credit losses in stage 1 is explained by the shifts to Stage 2 and Stage 3 resulting from the observed deterioration. This decrease is more than counterbalanced by an increase of expected credit losses in Stage 2 and 3 mostly driven by the overlays and name based expected credit losses adjustments for the Stage 2 and by a limited number of Corporate and SME files with material impacts for the Stage 3.

We refer to the section "Asset quality" in the Credit Risk chapter of the Management Report for further information on the Covid-19 measures taken at Belfius.

The impact on the statement of income (impairments on financial instruments and provisions for credit commitments) is EUR -393 million in 1H 2020, compared to EUR -30 million in 1H 2019.

9.3. Market risk and ALM

Refer to the Market Risk chapter of the Management Report for further information on this topic.

1. Financial markets

Within Belfius Bank, the Financial Markets Services department (FM) is the central point of entry to the financial markets. In general aspect, the department does not negotiate positions for own account: all transactions are based on client transactions. Transactions made by external or internal clients, for instance ALM including liquidity management belonging to the last category, are hedged overall within a framework of limits that complies with Belfius's risk policies. As a result, the various market risks are kept within that framework, a.o. by hedging transactions. The VaR figures stated below reflect these residual positions.

The risks on client flow management activities include general interest rate, foreign exchange, equity prices, credit spread and other risks (inflation, CO2). These risks are managed within Value at Risk limits and other appropriate risk limits.

Cash and Liquidity Management (CLM) is monitored by means of Value at Risk limits (VaR) and interest rate sensitivity limits.

The spread risk of the investment portfolio and client flow management activities are managed with spread limits.

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

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

Since the end of 2011, Belfius also computes a Stressed Value-at-Risk (S-VaR) on top of its regular VaR, which also enters into the computation of weighted risks for Market Risk. This S-VaR measure consists of calculating a historical VaR based on a 12 consecutive months observation period which generates the largest negative variations of Net Present Value in the bank's current portfolio of financial instruments.

VaR(1) (99% 10 days) (In thousands of EUR)	31/12/19				30/06/20			
	IR(2) & FX(3)	Equity	Spread	Other risks(4)	IR(2) & FX(3)	Equity	Spread	Other risks(4)
By activity								
Average	6,827	4,763	657	697	7,013	4,926	741	527
EOY	6,003	4,425	314	437	6,404	7,376	2,831	450
Maximum	11,614	7,553	2,154	1,470	12,298	8,359	3,552	1,053
Minimum	3,517	3,704	214	407	4,138	2,636	237	300
Global								
Average	12,942				13,249			
EOY	11,178				17,061			
Maximum	18,423				21,479			
Minimum	9,060				9,060			
Limit	26,500				26,500			

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

Interest rate risk (IR) and forex risk (FX) are not measured separately. The forex risk is however not material.

2. Value adjustments

A separate sensitivity based monitoring is in place for three blocks of activities that are not part of the VaR scope. For each type separately and for all three combined, limits are in place for interest rate, FX, inflation and credit spread sensitivities

Firstly, the value adjustments (CVA/DVA/FVA) related to Belfius' derivative exposures are sensitive to market risk as well. While certain sensitivities can be hedged almost completely (interest rate, inflation and currency), other risks like credit spreads and funding spread can only be hedged with proxies (like ITRAXX).

Similarly for the credit derivatives, the IR, FX and inflation sensitivities are well hedged, and also credit spreads and bond-cds basis sensitivity is within limits.

Finally, the hedge inefficiency of the bond portfolio due to difference in discount curve for the bond and it's related swap is managed on a daily basis as well, with hedges in place for the resulting inflation, basis risk and directional IR exposure.

Basis Point Sensitivity	31/12/19 PF(1)					30/06/20				
(In thousands of EUR)	IR	Spread(2)	Tenor Basis	Cross currency	Inflation risk	IR	Spread(2)	Tenor Basis	Cross currency	Inflation risk
By activity										
EOY	(159)	(1,192)	681	265	41	100	(174)	978	279	155

(1) Belfius has performed pro forma figures for 2019 due to a larger scope (structured loans and ALM Portfolio Hedge Ineffectiveness) as well as an enlarged detail on the nature of sensitivity.
(2) Impact of a 1bp increase in spread (either credit spread, or bond-cds basis spread).

3. Asset-liability management (ALM)

A. Interest rate risk

Interest rate risk has two forms – economic value volatility and earnings volatility. The measurement of both is complementary in understanding the complete scope of interest rate risk in the balance sheet (excluding financial markets).

Economic value indicators capture the long-term effect of the interest rate changes on the economic value. Interest rate sensitivity of economic value measures the net change of the ALM economic value to an interest rate move by 10 basis points across the entire curve.

Earnings at Risk indicators capture the more shorter term effect of the interest rate changes on the earnings of the Bank. Therefore, indirectly through profitability, interest rate changes can also have a shorter term solvency effect. A 50 bps increase of interest rates has an estimated positive impact on net interest income (before tax) of EUR +27 million of the next book year and an estimated cumulative effect of EUR +171 million over a three year period, whereas a 35 bps decrease would lead to an estimated negative impact of EUR -15 million of the next book year and an estimated cumulative effect of EUR -134 million over a three year period (compared to EUR +3 million, resp. EUR +143 million and EUR -1 million, resp. EUR -90 million for similar rate shocks end of last year).

(In thousands of EUR)	31/12/19	30/06/20
Bank		
Economic value (+10 bps)	(50,409)	-28,498
Earnings at risk (+50 bps)	3,264	26,752
Insurance		
Economic value (+10 bps)	6,874	6,639
Earnings at risk (+50 bps)	2,178	2,169

B. Real estate - direct property

	Measured at amortised cost	
(In thousands of EUR)	31/12/19	30/06/20
Insurance		
Market value	720,808	727,074
Shock 12.5% (negative)	(108,121)	(109,061)

4. Debt securities

A. Outstanding nominal amounts debt securities

(In thousands of EUR)	31/12/19			30/06/20		
	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss PF(1)	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss
Bank - bond portfolio (nominal value)	11,527,567		122,647	11,589,103		102,759
Insurance - bond portfolio (nominal value)	5,798,636	3,125,475	215,996	5,871,958	3,092,470	208,101
Insurance - investment funds (market value)			552,232			516,091

'(1) Belfius has performed pro forma figures for 2019 as investment funds within Belfius Insurance are taken in scope.

B. Interest-rate sensitivity

(In thousands of EUR)	31/12/19			30/06/20		
	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss
Bank	0		0	0		0
Insurance	(5,211)	(2,693)	(142)	(6,324)	(3,234)	(98)

The interest rate risk of the bond portfolio of the bank is either micro-hedged (for the former Side portfolio; hence low net interest rate sensitivity), or is managed through the ALM-framework (hence net interest rate sensitivity part of global ALM interest rate sensitivity). The sensitivity to 1 bp interest rate increase of the value of the bond portfolio of the insurance companies amounted to EUR -9,7 million at the end of 1H 2020, part of the global ALM management of the insurance companies.

C. Credit-spread sensitivity

This calculation estimates the sensitivity of the value of the bond portfolio after one basis point spread widening.

(In thousands of EUR)	31/12/19 PF(1)			30/06/20		
	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss
Bank	(18,034)		(22)	(18,265)		(16)
Insurance	(5,311)	(2,717)	(205)	(6,339)	(3,240)	(278)

(1) Belfius has performed pro forma figures for 2019 as investment funds within Belfius Insurance are taken in scope.

D. Shock Equity risk 30% (negative)

Concerns equity shock on investment funds within Belfius Insurance.

	Measured at fair value through other comprehensive income	
(In thousands of EUR)	31/12/19	30/06/20
Insurance	(27,320)	(32,249)

5. Listed equity & real estate

	Measured at fair value through other comprehensive income	
(In thousands of EUR)	31/12/19	30/06/20
Insurance		
Market value – quoted shares & assimilated	501,175	285,924
Market value – quoted real estate	277,776	178,295
Shock 30% (negative)	(233,685)	(139,266)
VaR(1) (99%, 10 days)	36,037	161,805

X. Notes on the significant changes in scope of consolidation

10.1. Significant changes in scope of consolidation

(Only those changes that have a material impact (i.e. an impact of more than 1% of balance sheet total and/or P&L) have been reported).

1. As at 31 December 2019

Belfius Insurance further extended its commercial offering beyond insurance by launching two new entities; Jaimy and Jane (previously Charlin).

Jaimy was commercially launched in the second half of 2019 and provides an online platform where users can request small home repairs. In March 2019 additional share capital was issued for a value of EUR 11.6 million. The additional shares were issued to Belfius Insurance and Boston Consulting Group. Boston Consulting Group bought the shares for cash, whereas Belfius Insurance received additional shares for contributing in-house developed software used by the platform. The stake of Belfius Insurance in Jaimy decreased from 100% to 78.5% as a result of this capital increase.

Jane was commercially launched at the end of 2019 and provides a sensor enabled monitoring solution that allows the elderly to stay longer in their own homes without special assistance. In March 2019 additional share capital was issued for a value of EUR 15.1 million. The additional shares were issued to Belfius Insurance and Boston Consulting Group. Boston Consulting Group bought the shares for cash, whereas Belfius Insurance received additional shares for contributing in-house developed software used by the platform. The stake of Belfius Insurance decreased from 100% to 77.4% as a result of this capital increase.

The real estate company Immo Trèfles, a company specialized in retirement homes, was purchased by Belfius Insurance and is fully consolidated since December 2019.

In line with the Belfius strategy to centralise and commercialise its core innovation development as close as possible to its core operations, the companies Spencr and Smart Belgium Services were liquidated in 2019.

The investment company Belfius Insurance Invest merged with Belfius Insurance as from July 1 2019, allowing for a more flexible liquidity management of the declining asset portfolio.

The investment in Team Cyclis, a bicycle leasing company, is consolidated through the equity method as from 2019 in accordance with the shares held by Belfius Bank in this company.

2. As at 30 June 2020

Belfius continuously looks for opportunities to extend its ecosystems and services beyond banking and insurance.

In June 2020 Belfius acquired 32.63% in Skipr, a mobility software solution for professionals which enables its users to manage, plan, book and pay for their mobility requirements. The investment is consolidated using the equity method as from June 2020. Belfius also announced it will become a reference shareholder of Immovlan, an innovative real estate platform, by acquiring a 30% equity stake, to become effective towards the end of the third quarter of 2020. These investments enable Belfius to create partnerships around two of its major strategic focus areas, namely Mobility and Home.

Belfius Insurance injected an additional EUR 3 million into Jane on 22 January 2020, which increased its shareholding to 87.97%. Belfius Insurance also increased its shareholding in Jaimy to 79.95% with a capital injection of EUR 0.5 million on 16 June 2020. Note that Belfius Insurance injected an additional EUR 2.5 million into Jaimy on 15 July 2020 which increased its shareholding to 89.19%. The capital increases ensure that these entities can further develop and commercially expand in their respective markets.

The real estate company Immo Saint Michel was purchased by Belfius Insurance and is fully consolidated since March 2020.

The real estate company Philadelphus was purchased by Belfius Insurance and is fully consolidated since June 2020.

The investment company Auxipar changed its name to Capline on 4 February 2020.

10.2. Acquisitions and disposals of consolidated companies

1. Main acquisitions

A. Year 2019

The real estate company Immo Trèfles, a company specialized in retirement homes, was purchased and is fully consolidated since December 2019. The investment in the bicycle leasing company Team Cyclis has been consolidated according to the equity method since December 2019.

	31/12/19	
(In thousands of EUR)	Immo Trèfles	Team Cyclis
Loans and advances due from credit institutions	1,280	
Investments in equity method companies	0	4,899
Tangible fixed assets	18,776	
Other assets	663	
Borrowings and deposits	(15,854)	
Other liabilities	(738)	
NET ASSETS	**4,127**	**4,899**
Group share	4,127	4,899
Purchase price (in cash)	4,127	4,899
NET CASH OUTFLOW THROUGH ACQUISITION	**4,127**	**4,899**

B. 30 June 2020

The real estate company Immo Saint Michel was purchased by Belfius Insurance and is fully consolidated since March 2020. The real estate company Philadelphus, was purchased by Belfius Insurance and is fully consolidated since June 2020. In June 2020, Belfius acquired 32.63% in Skipr. The investment is consolidated through the equity method as from 2020 on.

The assets and liabilities acquired were as follows:

	30/06/20		
(In thousands of EUR)	Immo St Michel	Philadelphus	Skipr
Loans and advances due from credit institutions	390	409	
Investments in equity method companies	0	0	6,000
Tangible fixed assets	0	39,827	
Tax assets	0	38	
Other assets	4,132	642	
Borrowings and deposits	0	(19,401)	
Tax liabilities	(9)	0	
Other liabilities	(16)	(389)	
NET ASSETS	**4,497**	**21,128**	**6,000**
Group share	4,494	21,128	6,000
Purchase price (in cash)	4,497	21,128	6,000
Less: cash and cash equivalents in the subsidiary acquired	(390)		
NET CASH OUTFLOW THROUGH ACQUISITION	**4,107**	**21,128**	**6,000**

2. Main disposals

A. Year 2019

There were no significant disposals as at 31 December 2019.

B. 30 June 2020

There were no significant disposals as at 30 June 2020.

3. Assets and liabilities included in disposal groups held for sale and discontinued operations

A. Year 2019

As at 31 December 2019 no subsidiaries were recorded as "Non current assets (disposal group) held for sale and discontinued operations".

B. 30 June 2020

As at 30 June 2020 no subsidiaries were recorded as "Non current assets (disposal group) held for sale and discontinued operations".

XI. Related parties transactions

The standard IAS 24 "Related Parties Disclosures" provides a partial exemption from the disclosure requirements for government-related entities. Consequently these related entities are not included in the table "Related parties transactions".

1. Related parties transactions

	Directors and key management personnel(1)		Subsidiaries(2)	
(In thousands of EUR)	31/12/19	30/06/20	31/12/19	30/06/20
Loans(3)	2,531	2,278	6,904	5,897
of which impaired loans stage 3	0	0	0	0
Interest income	40	24	229	106
Deposits and debt securities(3)	7,825	9,611	6,446	8,498
Interest expense	(3)	(2)	0	0
Net commission	0	0	81	37
Guarantees issued and commitments provided by the Group(4)	0	0	12	13
Guarantees and commitments received by the Group	4,336	3,786	0	0

(1) Key management includes the Board of Directors and the Managing Board, as well as these persons's children and spouses or domestic partners and children of these persons's spouses or domestic partners.
(2) The amounts reported relate to transactions with subsidiaries that are not consolidated due to immateriality.
(3) Transactions with related parties are concluded at general market conditions.
(4) Unused lines granted.

2. Dexia Real Estate Capital Markets

Dexia Real Estate Capital Markets (DRECM) was sold by Belfius in July 2010 to Dexia Holdings, Inc. (DHI). In June 2011, DRECM was sold by DHI to its parent, Dexia Crédit Local SA (DCL). In December 2016, DRECM assigned to DHI all of the assets, business and activities of DRECM, and DHI assumed all of DRECM's liabilities and obligations related thereto. Following such transfer, DRECM was liquidated into DCL with the DRECM legal entity being dissolved. DHI thus acts as the successor to DRECM.

Although DHI (as the successor to DRECM) is no longer a related party to Belfius, an overview of the remaining engagements of Belfius towards the former activities of DRECM is presented.

Note that no claims have been made up to the date of this report towards Belfius under these representations and warranties.

A. The purpose and context of the comfort letters

In the framework of the last Commercial Real Estate Mortgage Loans securitisation operation in which DRECM was involved until February 2020, DRECM entered into a Mortgage Loan Purchase Agreement as a seller of Commercial Mortgage Loans and into an Indemnification Agreement. In these agreements, DRECM gave certain representations and warranties in respect to some aspects of corporate standing and on some characteristics of the Commercial Mortgage Loans to certain CMBS trusts. Under the Mortgage Loan Purchase Agreement, a loan seller would be obligated under the reps and warranties to repurchase a loan if there was a material breach of the reps and warranties or a material document defect that can not be remedied, or cured, within a certain period of time (usually 90 days with extensions possible), so long as the repurchase demand was made in a timely manner. Given the fact that this was a kind of operational ongoing obligation of DRECM and DRECM was a non-rated entity, transaction participants and rating agencies required a larger first loss tranche (economically expensive for DRECM) or a counter guarantee from a rated entity. In this context Belfius Bank as a successor of Artesia Banking Corporation S.A. delivered the said comfort letters because the bank had a sufficient rating to reduce the requirement for credit enhancement.

B. The legal nature of the comfort letters

The first obligation to respect the terms of the Mortgage Loan Purchase Agreements and the Indemnification Agreements is the responsibility of DHI (as the successor to DRECM). It is only in case DHI (as the successor to DRECM) would not be performing that Belfius Bank promised to intervene with all means be it, human, technical or financial. The obligations of Belfius are obligations to perform or to pay. It is not a guarantee on first demand, nor an obligation to buy any non performing loan but a stand by back-up agreement for performance or payment. Although the shares of Belfius in DRECM were sold to DHI on 16 July 2010, these comfort letters are still in place. However, we believe that the risks for Belfius are extremely remote, seen no repurchase demands are outstanding, no previous transactions have led to any repurchases, and DHI (as a successor to DRECM) is sufficiently capitalized to meet its contractual obligations.

Statutory auditor's report to the Board of Directors of Belfius Bank NV/SA on the review of the condensed consolidated interim financial information as at 30 June 2020 and for the six-month period then ended.

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Belfius Bank NV/SA ("the Company") as at 30 June 2020, the condensed consolidated interim statements of income, comprehensive income, changes in equity and condensed consolidated interim cash flow statement for the six-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2020 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Emphasis of matter – significant event – Covid-19

We draw attention to section I. "Key Numbers – Covid-19 crisis" of the condensed consolidated interim financial information as of 30 June 2020, which also refers to the Management Report, in which the Board of Directors describes the impact of the Covid-19 crisis on the Company's financial position and the measures taken with respect to the activities.

The condensed consolidated interim financial information has been prepared by the Board of Directors on 6 August 2020 based on the available information until this date. The continuing changing context as a result of the Covid-19 crisis implies a significant degree of uncertainty for the estimation of its impacts as well as for the future perspectives.

Our conclusion on the condensed consolidated interim financial information is not modified with respect to this matter.

Zaventem, 6 August 2020

The statutory auditor

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Represented by

Olivier Macq
Réviseur d'Entreprises / Bedrijfsrevisor

Kenneth Vermeire
Réviseur d'Entreprises / Bedrijfsrevisor

Abbreviations

Acronym	
ABS	Asset-Backed Securities
AFS	Available For Sale
ALM	Asset-Liability Management
AUM	Assets Under Management
B/S	Balance Sheet
bp	Basis Point
C/I	Cost-Income
CET 1	Common Equity Tier 1
CoR	Cost of Risk
CVA	Credit Value Adjustment
CRD	Capital Regulative Directive
CRR	Capital Regulative Regulation
DCL	Dexia Crédit Local
DSFB	Dexia Secured Funding Belgium
EAD	Exposure at Default
EBA	European Banking Authority
ECB	European Central Bank
GDP	Gross Domestic Product
GIPS-countries	Greece, Ireland, Portugal and Spain
IRB	Internal Rate Based
LCM	Liquidity and Capital Management
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LT	Long Term
LTRO	Long-Term Refinancing Operations
MCRE	Maximum Credit Risk Exposure
MREL	Regulatory Technical Standards on minimum requirement for own funds and eligible liabilities
NBB	National Bank of Belgium
NIG	Non-Investment Grade
NSFR	Net Stable Funding Ratio
P&L	Profit and Losses
RoNRE	Return on Normative Regulatory Equity
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
T-LTRO	Targeted Long-Term Refinancing Operations
VaR	Value at Risk

Additional information

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Complaints

If you encounter a problem, you can take it initially to your branch or your relationship manager. If your problem is not resolved, then contact the Complaints department.

Belfius Bank
Complaints department – Colis 7908
Place Charles Rogier 11
B-1210 Brussels
E-mail: *complaints@belfius.be*

If you are not satisfied with the response you receive, you can turnto the Negotation department of Belfius Bank

Belfius Bank
Negotiation department – Colis 7913
Place Charles Rogier 11
B-1210 Brussels
E-mail: *negotiation@belfius.be*

If you are a natural person acting in a private capacity and you are not satisfied with the responses you have received from the Bank's official bodies mentioned above, you can take your complaint to the Ombudsman in financial conflicts if it relates to banking products.

Ombudsman in financial conflicts
North Gate II
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B-1000 Brussels
Tel.: +32 2 545 77 70
Fax: +32 2 545 77 79
E-mail: *Ombudsman@Ombudsfin.be*

For insurance products, you can take your complaint to the Insurance Ombudsman.

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CONTACT

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