

Alternative Performance Measures⁽¹⁾ full year results 2020

In addition to the financial information prepared in accordance with IFRS as adopted by the EU, Belfius discloses certain Alternative Performance Measures as Belfius believes that these Critical Performance Indicators can help stakeholders and readers of the (semi)-annual report to gain additional insights in Belfius' financial and commercial performances as well as allow them to perform additional comparisons across the sector. While these measures are not reviewed or audited by the statutory auditor, a governance process is in place to ensure consistency and relevance of the measures.

Note, however, that APMs are to be considered as additional disclosures and do not replace the financial information prepared under IFRS, CRR and CRD IV.

All references below can be found in the 2020 Yearly Report on the website: www.belfius.com

Capital Ratios

The regulator has authorised Belfius to apply article 49 of the CRR for the calculation of the capital ratios and hence 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").

- The **CET 1 ratio** presents the ratio between the CET 1 capital and the total regulatory risk exposures.
- The **Tier 1 ratio** presents the ratio between the Tier 1 capital and the total regulatory risk exposures.
- The **total capital ratio** presents the ratio between the total regulatory own funds and the total regulatory risk exposures.

Calculation (in %)	Reference	31/12/19	31/12/20
CET 1 ratio	Management report/Capital Management	15.9%	17.1%
Tier 1 ratio	Management report/Capital Management	16.7%	18.0%
Total capital ratio	Management report/Capital Management	19.2%	20.4%

(1) On a regular basis the APM's will be updated on the website.

Leverage Ratio

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

Calculation (in %)	Reference	31/12/19	31/12/20
Leverage ratio	Management report/Capital Management	6.0%	6.9%

Solvency II Ratio

The Solvency II ratio is calculated as the amount of regulatory own funds (AFR) divided by the solvency capital requirement (SCR).

Calculation (in %)	Reference	31/12/19	31/12/20
Solvency II ratio (after dividend)	Management report/Capital Management	212%	200%

Liquidity Coverage Ratio (LCR)

The liquidity coverage ratio forces financial institutions to maintain a sufficient stock of quality liquid assets to withstand a crisis that puts their cash flows under pressure. The assets to hold must be equal to or greater than their net cash outflow over a 30-day period under stress (having at least 100% coverage). The parameters of the stress scenario are defined under Basel III.

Calculation (in millions of EUR or %)	Reference	31/12/19	31/12/20
Stock of quality liquid assets ⁽¹⁾ (A)	Based on the European Commission's Delegated Act on LCR	19,218	26,695
Net cash outflow over a 30-day period ⁽¹⁾ (B)		14,842	16,729
LCR (=A/B)		130%⁽¹⁾	158%⁽¹⁾

(1) 12 months average.

Net Stable Funding Ratio (NSFR)

The net stable funding ratio is defined as the amount of available stable funding relative to the amount of required stable funding, and is based on Belfius' interpretation of current Basel Committee guidelines, which may change in the future. This ratio should be equal to at least 100% on an on-going basis. "Available stable funding" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance-sheet (OBS) exposures.

Calculation (in millions of EUR or %)	31/12/19	31/12/20
Amount of available stable funding (A)	106,789	125,173
Amount of required stable funding (B)	91,785	97,880
NSFR (=A/B)	116%	128%

Net Interest Margin (NIM)

The NIM-ratio is calculated as the sum of quarterly net interest income bank of the last 4 quarters divided by the average of the interest earning assets⁽¹⁾ of the last 4 quarters.

Calculation (in millions of EUR or %)	Reference	2019	2020
Net interest income bank (A)	Management report/Financial results	1,488	1,590
Average interest earning assets bank (B)	Management report/Financial results	126,596	138,792
NIM (=A/B)		1.18%	1.15%

(1) The interest earnings assets are calculated as the sum of the items I to IV of the balance sheet (under IFRS 9).

Cost-Income Ratio

The cost-income ratio gives an impression of the relative cost efficiency (expenses relative to income).

Calculation (in millions of EUR or %)	Reference	2019	2020
Expenses (A)	Consolidated Income Statement	1,452	1,465
Income (B)	Consolidated Income Statement	2,489	2,614
COST-INCOME RATIO (=A/B)		58.4%	56.0%

The cost-income ratio is also calculated for each segment according to a similar definition.

Credit Cost Ratio

The credit cost ratio is calculated as the cost of risk divided by the average gross outstanding loans⁽¹⁾.

Calculation (in millions of EUR or bps)	Reference	2019	2020
Cost of risk (A)	Consolidated Income Statement	111	453
Average gross outstanding loans (B)	Notes to the consolidated financial statements	126,265	129,485
CREDIT COST RATIO (=A/B)		9 bps	35 bps

(1) The gross outstanding loans are defined as the sum of:

- loans and advances due from credit institutions (excl. cash collateral);
- loans and advances (from customers) measured at amortised cost;
- debt securities and equity instruments measured at amortised cost and at FV through OCI (excl. participations and equity); and
- guarantees granted.

The credit cost ratio is also calculated for each segment according to a similar definition, based on average outstanding commercial loans for the segment.

Asset Quality Ratio

The ratio between impaired loans and advances (to customers) stage 3 and the gross outstanding loans and advances.

Calculation (in millions of EUR or %)	Reference	31/12/19	31/12/20
Impaired loans stage 3 (A)	Note 5.4. Loans and advances (at amortised cost)	1,859	1,997
Gross outstanding loans (B)	Note 5.4. Loans and advances (at amortised cost)	94,907	98,640
ASSET QUALITY RATIO (=A/B)		1.96%	2.02%

The asset quality ratio is also calculated for each segment according to a similar definition, based on outstanding commercial loans for the segment.

Coverage Ratio

The ratio between the impairments stage 3 and impaired loans stage 3.

Calculation (in millions of EUR or %)	Reference	31/12/19	31/12/20
Impairment stage 3 (A)	Note 5.4 Loans and advances (at amortised cost)	1,158	1,199
Impaired loans stage 3 (B)	Note 5.4 Loans and advances (at amortised cost)	1,859	1,997
COVERAGE RATIO (=A/B)		62.3%	60.0%

Return on Equity (ROE)

Return on equity is an indication of how profitable a company is relative to its equity.

The return on equity is the (annualized) net income expressed as a percentage of the average shareholders equity minus the dividend, not yet paid (based on N and N-1 figures).

Calculation (in millions of EUR or %)	Reference	2019	2020
Net income group share (A)	Consolidated Income Statement	667	532
Average core shareholders' equity (B)	Consolidated Balance Sheet	9,070	9,543
(ANNUALIZED) RETURN ON EQUITY (=A/B)		7.4%	5.6%

Return on Assets (ROA)

Return on assets is an indicator of how profitable a company is relative to its total assets.

The return on assets is the (annualized) net income expressed as a percentage of the average total assets (based on N and N-1 figures).

Calculation (in millions of EUR or %)	Reference	2019	2020
Net income ⁽¹⁾ (A)	Consolidated Income Statement	666	532
Average total assets (B)	Consolidated Balance Sheet	168,302	180,215
(ANNUALIZED) RETURN ON ASSETS (=A/B)		0.40%	0.29%

(1) including minorities.

Return on Normative Regulatory Equity (RoNRE)

Return on normative regulatory equity for a segment is calculated by Belfius as the (annualized) net income divided by the average 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).

Calculation (in millions of EUR or %)	Reference	2019	2020
Net income group share RC (A)	Management report/Segment reporting	464	359
Average Normative Regulatory Equity RC (B)	Management report/Segment reporting	2,672	2,891
(ANNUALIZED) RoNRE (=A/B)		17.4%	12.4%

The RoNRE is also calculated for PC based on a similar definition.

Total savings and investments of commercial activities

Total savings and investments allocated to the different business lines are composed out of total deposits, off-balance sheet investments and life insurance reserves.

Total savings and investments (in billions of EUR)	Retail and Commercial		Public and Corporate	
	31/12/19	31/12/20	31/12/19	31/12/20
A. Total deposits	71.8	78.0	23.2	26.3
B. Off-balance sheet investments	31.6	34.3	13.5	14.7
C. Life insurance reserves (investment products)	10.9	10.1	0.5	0.4
TOTAL CUSTOMER ASSETS	114.2	122.5	37.2	41.4

A. The **total deposits** consist of:

Retail and Commercial (RC)				
Calculation (in billions of EUR)	Reference	31/12/19	31/12/20	
RC Savings accounts	Component of note 6.3. Borrowings and deposits (at amortised cost)	47.1	50.4	
RC Current accounts	Component of note 6.3. Borrowings and deposits (at amortised cost)	15.4	19.4	
RC Term accounts	Component of note 6.3. Borrowings and deposits (at amortised cost)	0.3	0.1	
RC Savings certificates	Component of note 6.4. Debt securities issued and other financial instruments (at amortised cost)	1.3	0.8	
RC Bonds issued by Belfius	Component of note 6.4. Debt securities issued and other financial instruments (at amortised cost)	1.8	1.7	
RC Bonds issued by Belfius	Component of note 6.4. Debt securities issued and other financial instruments (at fair value through P&L)	5.8	5.6	
TOTAL RC DEPOSITS		71.8	78.0	

Public and Corporate (PC)				
Calculation (in billions of EUR)	Reference	31/12/19	31/12/20	
Public and Social	Component of note 6.3. Borrowings and deposits (at amortised cost)	16.9	19.0	
Corporate	Component of note 6.3. Borrowings and deposits (at amortised cost)	6.3	7.3	
TOTAL PC DEPOSITS		23.2	26.3	

B. **Off-balance sheet investments** are customer assets products which are not on the balance of the bank nor an insurance contract.

Off balance sheet investments contain:

- Customer assets managed by “allied or own asset management companies” in the form of mutual funds or by advisory or discretionary mandates; and
- Customer assets managed directly by the customer (a.o. shares, bonds (not issued by Belfius)). The size and the development of assets managed by allied or own asset management companies are major contributors to the fee income (asset management fees, entry fees).

C. **Life insurance reserves** are composed of on the one hand Branch 21 investment products, or insurance products with a guaranteed income, with its mathematical reserves on the balance sheets of our insurance company; on the other hand Branch 23 unit-linked (investments) products, which are measured at fair value of the underlying assets (mainly off-balance). These products contribute to Belfius group’s result by entry fees, commissions income on underlying assets, and net income on Branch 21 investment products.

Total loans to customers

Total loans allocated to the customers of the different business lines, are composed of loans granted to these customers.

Retail and Commercial (RC)			
Calculation (in billions of EUR)	Reference	31/12/19	31/12/20
Mortgage loans	Component of note 5.4. Loans and advances (at amortised cost)	35.5	38.0
Consumer loans	Component of note 5.4. Loans and advances (at amortised cost)	1.8	1.7
Other retail loans	Component of note 5.4. Loans and advances (at amortised cost)	0.4	0.5
Business loans	Component of note 5.4. Loans and advances (at amortised cost)	15.4	16.7
TOTAL LOANS TO CUSTOMERS RC		53.2	56.9

Public and Corporate (PC)			
Calculation (in billions of EUR)	Reference	31/12/19	31/12/20
Public and Social	Component of note 5.4. Loans and advances (at amortised cost)	25.7	24.2
Corporate	Component of note 5.4. Loans and advances (at amortised cost)	14.9	16.2
TOTAL LOANS TO CUSTOMERS PC		40.6	40.4

ALM liquidity bond portfolio

Total ALM liquidity bond portfolio is part of Belfius Bank's total LCR liquidity buffer.

Calculation (in billions of EUR)	Reference	31/12/19	31/12/20
Bonds	Component of note 5.5. Debt securities & equity instruments	8.1	7.5
TOTAL ALM LIQUIDITY BOND PORTFOLIO		8.1	7.5

ALM yield bond portfolio

Total ALM yield bond portfolio is used to manage excess liquidity.

Calculation (in billions of EUR)	Reference	31/12/19	31/12/20
Bonds	Component of note 5.5. Debt securities & equity instruments	3.6	3.4
TOTAL ALM YIELD BOND PORTFOLIO		3.6	3.4

Credit guarantee portfolio

The credit guarantee portfolio refers to the intermediation transactions whereby on different types of reference obligations the former Dexia Bank sold credit protection to a financial counterpart and purchased credit protection with monoline insurers.

Calculation (in billions of EUR)	Reference	31/12/19	31/12/20
Credit guarantees	Component of mainly note 8.2. Guarantees and note 5.6. Derivatives	3.7	3.2
TOTAL CREDIT GUARANTEES		3.7	3.2

Funding diversification at Belfius Bank

(in billions of EUR)	31/12/19	31/12/20
A. Commercial funding	95.8	105.1
B. Secured funding	13.2	22.9
C. Senior wholesale debt	3.7	4.7
D. Net unsecured interbank funding	4.7	1.0
E. Subordinated debt	1.6	1.6
TOTAL FUNDING AT BELFIUS BANK	119.0	135.3

A. Commercial funding

The total deposits collected within the commercial franchise (RC and PC - see above) and underlying structured bonds for unit-linked insurance products (Branch 23 products).

B. Secured funding

Funding for which specific collateral has been provided as (additional) security.

Calculation (in billions of EUR)	Reference	31/12/19	31/12/20
ECB: TLTRO	Component of note 6.1. Cash and balances from central banks	4.0	14.3
Repo	Component of note 6.2. Credit institutions borrowings and deposits	0.0	0.1
LT secured funding	Mainly component of note 6.3. Borrowings and deposits (at amortised cost)	1.2	0.9
Covered bonds	Component of note 6.4. Debt securities issued and other financial instruments (at amortised cost)	8.1	7.7
TOTAL SECURED FUNDING		13.2	22.9

C. Senior wholesale debt

Funding obtained in the wholesale market for which no specific collateral has been provided.

Calculation (in billions of EUR)	Reference	31/12/19	31/12/20
Senior unsecured funding	Mainly component of note 6.4. Debt securities issued and other financial instruments (at amortised cost)	3.7	4.7
TOTAL SENIOR WHOLESale DEBT		3.7	4.7

D. Net unsecured interbank funding

Calculation (in billions of EUR)	Reference	31/12/19	31/12/20
Net ST unsecured funding	Mainly component of note 6.4. Debt securities issued and other financial instruments (at amortised cost)	4.7	1.0
TOTAL NET UNSECURED INTERBANK FUNDING		4.7	1.0

E. Subordinated debt

Calculation (in billions of EUR)	Reference	31/12/19	31/12/20
Tier 2 instruments	Note 6.7. Subordinated debts	1.1	1.1
Additional Tier 1 instrument	Balance sheet item	0.5	0.5
TOTAL SUBORDINATED DEBT		1.6	1.6

Life Margin

Life margin measures the adjusted income with respect to average reserves.

Adjusted income is reported income, adjusted for special items such as restructuring provisions and IFRIC 21 adjustments for sector levies.

Calculation (in millions of EUR)	Reference	2019	2020
Income (A)	Component of note 7.5. Insurance results	295	273
Average reserves (B)	Consolidated Balance Sheet: Provisions for insurance activities	15,313	14,618
(ANNUALIZED) INCOME / AVERAGE RESERVES (=A/B)		1.94%	1.84%

Non-Life Expense Ratio (P&C)

The non-life expense ratio is a measure of profitability used by an insurance company to gauge how well it is performing in its technical operations.

Property and Casualty (P&C) includes all non-life lines of business except health.

The non-life expense ratio is calculated by dividing the total expenses and commissions by the total earned premiums, net of reinsurance. Total expenses and commissions are associated with acquiring, underwriting and servicing.

Calculation (in millions of EUR)	Reference	2019	2020
Net commissions (A)	Component of note 7.7. Insurance results	130	135
Costs (excluding ULAE) (B)	Component of note 7.7. Insurance results	118	124
Net earned premiums (C)	Component of note 7.7. Insurance results	642	660
EXPENSE RATIO (= {A + B} / C)		38.6%	39.3%

The non-life expense ratio is also calculated for RC and PC based on a similar definition.

Non-Life Net Loss Ratio (P&C)

The non-life net loss ratio is a measure of profitability used by an insurance company to gauge how well it is performing in its technical operations.

Property and Casualty (P&C) includes all non-life lines of business except health.

The non-life loss ratio is calculated by taking the sum of total losses incurred (paid and reserved) in claims and adjustment expenses (ULAE), and then dividing them by the total earned premiums, net of reinsurance.

Calculation (in millions of EUR)	Reference	2019	2020
Net loss charges (A)	Component of note 7.7. Insurance results	354	323
Unallocated loss adjustment expenses (ULAE) (B)	Component of note 7.7. Insurance results	34	31
Net earned premiums (C)	Component of note 7.7. Insurance results	642	660
LOSS RATIO (= {A + B} / C)		60.4%	53.7%

The non-life net loss ratio is also calculated for RC and PC based on a similar definition.

Adjusted result

The **Adjusted result** is defined as the net result adjusted for **Special Items** which consists of defined items of income or expense that are significant and arise from events or transactions that Belfius considers distinct from the regular operating activities.

The special items include, but are not limited to:

- Capital gains or losses on the sale of associates excluding capital gains or losses realized within Belfius Insurance Group
- Recognition or reversal of provision for litigations not stemming from litigations linked to regular operating activities
- Impacts of changes in regulations (e.g. pension law and 2017 tax law)
- Impacts of sales or unwinds within the ex-Legacy portfolio
- Recognition of approved restructuring provisions
- Impacts from pension plan restructuring
- Recognition of previously unrecognised DTA
- IFRIC 21 adjustment for sector levies to ensure a more economic view during the year (note that the Adjusted result is only adjusted for this Special Item for the quarterly or half yearly accounts, and not in the full year accounts)
- Recognition or reversal of impairment on corporate headquarter or goodwill
- Impact of simplifying the group structure

From Reported to Adjusted Net Income⁽¹⁾

Some figures may not add up due to rounding

From Reported to Adjusted Net Income 2019

2019 (in millions of EUR)	Reported	Excluding special items		Adjusted
		Sale/unwind within the ex-legacy portfolio	Impact of restructuring ⁽²⁾	
Income	2,489			2,489
Expenses	(1,452)		(22)	(1,431)
Cost of risk	(111)	(1)		(110)
Impairments	(7)			(7)
NET INCOME BEFORE TAX	918	(1)	(22)	941
Taxes	(252)		6	(258)
NET INCOME	667	(1)	(15)	684
Impact mainly in		GC	GC	

(1) Adjusted results and special items are Alternative Performance Measures and are defined and reconciled in the APM document available on Belfius' website (www.belfius.be/results);

(2) The "impact of restructuring" includes recognition of formally approved restructuring provisions

From Reported to Adjusted Net Income 2020

2020 (in millions of EUR)	Reported	Excluding special items			Adjusted
		Sale/unwind within the ex-legacy portfolio	Impact of restructuring	Other items ⁽¹⁾	
Income	2,614			22	2,591
Expenses	(1,465)		(13)		(1,452)
Cost of risk	(453)	4			(457)
Impairments	(17)				(17)
NET INCOME BEFORE TAX	679	4	(13)	22	666
Taxes	(147)	(1)	3	(1)	(148)
NET INCOME	532	3	(10)	21	517
Impact mainly in		GC	GC	GC	

(1) Other items are composed of capital gains for the bank of the (partial) sale of buildings.

Impact of sales or unwinds within the ex-Legacy portfolio

The results classified in income stemming from active tactical derisking strategy adopted by Belfius (until end 2016) or from derisking (after 2016) of the ex-Legacy portfolios are considered as Special Items. Impairments or reversal of impairments on the ex-Legacy portfolios resulting from this derisking are equally considered as Special Items.

In 2019, Belfius sold Central Bank of Tunisia bonds with a slightly negative P&L impact of EUR -1 million.

In 2020, Belfius sold Central Bank of Tunisia bonds with slightly negative P&L impact (EUR -0.5 million) and sold some Italian government bonds with a positive P&L impact (EUR +4 million).

Recognition of formally approved restructuring provisions

In 2019 a reassessment of the provision for restructuring was recognized with a negative impact of EUR 15 million.

In 2020 a reassessment of the provision for restructuring was recognized with a negative impact of EUR 10 million.

Capital gains

In 2020 some capital gains were realized at the level of the bank, due to the (partial) sale of buildings.