

Alternative Performance Measures¹

HALF - YEARLY RESULTS 2019

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 1H 2019 Report on the website : www.belfius.be/results

Capital ratio's (Fully Loaded)

The regulator has authorised Belfius to apply article 49 of the CRR IV for the calculation of the capital ratio's 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 (%)	Reference	Dec. 2018	June 2019
CET 1 - ratio	Management report/ Capital Management	16.0%	15.5%
Tier 1 - ratio	Management report/ Capital Management	17.0%	16.4%
Total Capital ratio	Management report/ Capital Management	19.6%	19.0%

Leverage Ratio

The leverage ratio is defined as the Tier 1 capital (the numerator) divided by the exposure measure (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 (%)	Reference	Dec. 2018	June 2019
Leverage ratio	Management report/ Capital Management	6.0%	5.8%

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

Solvency II Ratio (insurance)

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

<i>Calculation (%)</i>	<i>Reference</i>	<i>Dec. 2018</i>	<i>June 2019</i>
Solvency II ratio (after dividend)	Management report/ Capital Management	203%	185%

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 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.

<i>Calculation (in millions of EUR or %)</i>	<i>Reference</i>	<i>Dec. 2018</i>	<i>June 2019</i>
Stock of quality liquid assets* (A)	Based on the European Commission's Delegated	20,022	19,356
Net cash outflow over a 30-day period* (B)	Act on LCR	14,868	14,685
LCR (=A/B) - * 12 months average		135%*	132%*

Net Stable Funding Ratio (NSFR)

The Net Stable Funding Ratio (NSFR) is defined as the amount of available stable funding relative to the amount of required stable funding, and is based on Belfius' interpretation of the 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.

<i>Calculation (in millions of EUR or %)</i>	<i>Dec. 2018</i>	<i>June 2019</i>
Amount of available stable funding (A)	101,146	102,683
Amount of required stable funding (B)	87,335	89,606
NSFR (=A/B)	116%	115%

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.

<i>Calculation (in millions of EUR or %)</i>	<i>Reference</i>	<i>1H 2018</i>	<i>1H 2019</i>
Net interest income bank (A)	Management report/ Financial results	1,469	1,455
Average interest earnings assets bank (B)	Management report/ Financial results	119,802	123,131
NIM (=A/B)		1.23%	1.18%

(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).

<i>Calculation (in millions of EUR or %)</i>	<i>Reference</i>	<i>1H 2018</i>	<i>1H 2019</i>
Expenses (A)	Consolidated Income Statement	690	710
Income (B)	Consolidated Income Statement	1,174	1,155
Cost-Income ratio (=A/B)		58.8%	61.5%

The Cost-Income ratio is also calculated for each segment according to a similar definition.

Credit Cost Ratio

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

<i>Calculation (in millions of EUR or bps)</i>	<i>Reference</i>	<i>1H 2018</i>	<i>1H 2019</i>
Cost of risk (A)	Consolidated Income Statement	10	30
Average gross outstanding loans (B)	Notes to the consolidated financial statements	117,629	123,559
(Annualized) Credit cost ratio (=A/B)		2 bps	5 bps

- (1) The gross outstanding loans are defined as the sum of (i) loans and advances due from credit institutions (excl. cash collateral), (ii) loans and advances (from customers) measured at amortised cost, (iii) debt securities and equity instruments measured at amortised cost and at FV through OCI (excl. participations and equity) and (iv) 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.

<i>Calculation (in millions of EUR or %)</i>	<i>Reference</i>	<i>1H 2018</i>	<i>1H 2019</i>
Impaired loans stage 3 (A)	Note 5.3 Loans and advances (at amortised cost)	1,863	1,806
Gross outstanding loans (B)	Note 5.3 Loans and advances (at amortised cost)	90,786	92,758
Asset Quality Ratio (=A/B)		2.05%	1.95%

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.

<i>Calculation (in millions of EUR or %)</i>	<i>Reference</i>	<i>1H 2018</i>	<i>1H 2019</i>
Impairment stage 3 (A)	Note 5.3 Loans and advances (at amortised cost)	1,147	1,121
Impaired loans stage 3 (B)	Note 5.3 Loans and advances (at amortised cost)	1,863	1,806
Coverage Ratio (=A/B)		61.6%	62.1%

Return on Equity (ROE)

Return on equity (ROE) is an indication of how profitable a company is relative to its equity. The return on equity is calculated as the annualized net income as a percentage of the average shareholders equity minus the dividend, not yet paid (based on N and N-1 figures).

<i>Calculation (in millions of EUR or %)</i>	<i>Reference</i>	<i>1H 2018</i>	<i>1H 2019</i>
Net income group share (A)	Consolidated Income Statement	335	304
Average core shareholders' equity (B)	Consolidated Balance Sheet	8,616	8,893
(Annualized) Return on Equity (=A/B)		7.8%	6.8%

Return on Assets (ROA)

Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. The return on assets is calculated as the annualized net income as a percentage of the average total assets (based on N and N-1 figures).

<i>Calculation (in millions of EUR or %)</i>	<i>Reference</i>	<i>1H 2018</i>	<i>1H 2019</i>
Net income* (A)	Consolidated Income Statement	335	305
Average total assets (B)	Consolidated Balance Sheet	167,455	167,929
(Annualized) Return on Assets (=A/B)		0.40%	0.36%

* including minorities

Return on Normative Regulatory Equity (RoNRE)

Return on Normative Regulatory Equity (RoNRE) for a segment is calculated by Belfius as the annualized net income as a percentage of the average Normative Regulatory Equity. The Normative regulatory equity of the business line is calibrated. The business line's CET1 ratio is brought at 13.5% taking into account the regulatory risk exposures allocated to the business line and some CET1-capital deductions allocated to the business line (to a very limited extent, since the most important part of CET1 capital deductions are allocated to GC).

<i>Calculation (in millions of EUR or %)</i>	<i>Reference</i>	<i>1H 2018</i>	<i>1H 2019</i>
Net income group share RC (A)	Management report/ Segmentreporting	241	236
Normative Regulatory Equity RC (B)	Management report/ Segmentreporting	2,476	2,687
RoNRE (=A/B)		19.5%	17.9%

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

Total savings and investments of commercial activities

Total savings and investments allocated to the different business lines, are composed 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	
	Dec. 2018	June 2019	Dec. 2018	June 2019
A. Total deposits	66.7	70.6	22.8	22.4
B. Off- balance sheet investments	27.6	29.5	9.4	11.2
C. Life insurance reserves (investment products)	10.7	10.8	0.6	0.6
Total customer assets	105.0	110.9	32.8	34.2

A) The total deposits consist of:

Retail and Commercial (RC)

Calculation (in billions of EUR)	Reference	Dec. 2018	June 2019
RC Savings accounts	Component of note 6.3 Borrowings and deposits (at amortised cost)	43.9	46.4
RC Current accounts	Component of note 6.3 Borrowings and deposits (at amortised cost)	13.2	14.7
RC Term accounts	Component of note 6.3 Borrowings and deposits (at amortised cost)	0.4	0.3
RC Savings certificates	Component of note 6.4 Debt securities issued & other financial instruments (at amortised cost)	1.7	1.5
RC Bonds issued by Belfius	Component of note 6.4 Debt securities issued & other financial instruments (at amortised cost)	2.3	2.0
RC Bonds issued by Belfius	Component of note 6.4 Debt securities issued & other financial instruments (at fair value through P&L)	5.2	5.7
Total RC deposits		66.7	70.6

Public and Corporate (PC)

Calculation (in billions of EUR)	Reference	Dec. 2018	June 2019
Public and Social	Component of note 6.3 Borrowings and deposits (at amortised cost)	16.4	16.4
Corporate	Component of note 6.3 Borrowings and deposits (at amortised cost)	6.4	6.0
Total PC deposits		22.8	22.4

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

Off balance sheet investments contain (i) customer assets managed by “allied or own asset management companies” in the form of mutual funds or by advisory or discretionary mandates and (ii) Customer assets managed directly by the customer (a.o. shares, bonds (not issued by Belfius)). The size and the development of asset managed by allied or own asset management companies is a major contributor to the fee income (asset management fees, entry fees).

- C) **Life insurance reserves** are composed on the one hand of the 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 there are the Branch 23 unit linked (investments) products, which are measured at fair value of the underlying assets (mainly off-balance). These products contribute to Belfius groups 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)			
<i>Calculation (in billions of EUR)</i>	<i>Reference</i>	<i>Dec. 2018</i>	<i>June 2019</i>
Mortgage loans	Component of note 5.3 Loans and advances (at amortised cost)	32.4	33.4
Consumer loans	Component of note 5.3 Loans and advances (at amortised cost)	1.7	1.8
Other retail loans	Component of note 5.3 Loans and advances (at amortised cost)	0.6	0.6
Business loans	Component of note 5.3 Loans and advances (at amortised cost)	14.0	14.6
Total loans to customers RC		48.7	50.4

Public and Corporate (PC)			
<i>Calculation (in billions of EUR)</i>	<i>Reference</i>	<i>Dec. 2018</i>	<i>June 2019</i>
Public and Social	Component of note 5.3 Loans and advances (at amortised costs)	26.7	26.4
Corporate	Component of note 5.3 Loans and advances (at amortised costs)	13.0	14.6
Total loans to customers PC		39.7	41.1

The ALM Liquidity bond portfolio

Total ALM Liquidity bond portfolio is part of Belfius Banks' total LCR liquidity buffer.

<i>Calculation (in billions of EUR)</i>	<i>Reference</i>	<i>Dec. 2018</i>	<i>June 2019</i>
Bonds	Component of note 5.4 Debt securities & equity instruments	7.7	8.0
Total ALM Liquidity bond portfolio		7.7	8.0

The ALM Yield bond portfolio

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

<i>Calculation (in billions of EUR)</i>	<i>Reference</i>	<i>Dec. 2018</i>	<i>June 2019</i>
Bonds	Component of note 5.4 Debt securities & equity instruments	3.6	3.5
Total ALM Yield bond portfolio		3.6	3.5

The Credit guarantee portfolio

The credit guarantee portfolio refer 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.

<i>Calculation (in billions of EUR)</i>	<i>Reference</i>	<i>Dec. 2018</i>	<i>June 2019</i>
Credit guarantees	Component of mainly note 8.2 Guarantees and note 5.5 Derivatives	3.7	3.7
Total credit guarantees		3.7	3.7

Funding diversification at Belfius Bank

<i>(in billions of EUR)</i>	<i>Dec. 2018</i>	<i>June 2019</i>
A. Commercial funding	90.1	93.9
B. Secured funding	14	13.3
C. Senior wholesale debt	3.4	2.6
D. Net unsecured interbank funding	3.0	4.4
E. Subordinated debt	1.6	1.7
Total funding at Belfius Bank	112.1	115.9

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.

Secured funding

<i>Calculation (in billions of EUR)</i>	<i>Reference</i>	<i>Dec. 2018</i>	<i>June 2019</i>
ECB: (T)LTRO	Component of note 6.2 Credit institutions borrowings and deposits	4.0	4.0
Repo	Component of note 6.2 Credit institutions borrowings and deposits	0.0	0.0
LT secured funding	Mainly component of note 6.3 Borrowings and deposits (at amortised cost)	1.3	1.2
Covered bonds	Component of note 6.4 Debt securities issued & other financial instruments (at amortised cost)	8.7	8.0
Total secured funding		14.0	13.3

C) Senior wholesale debt

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

Senior wholesale debt

<i>Calculation (in billions of EUR)</i>	<i>Reference</i>	<i>Dec. 2018</i>	<i>June 2019</i>
Senior unsecured funding	Mainly Component of note 6.4 Debt securities issued & other financial instruments (at amortised cost)	3.4	2.6
Total senior wholesale debt		3.4	2.6

D) Net unsecured interbank funding

Net unsecured interbank funding

<i>Calculation (in billions of EUR)</i>	<i>Reference</i>	<i>Dec. 2018</i>	<i>June 2019</i>
Net ST unsecured funding	Mainly Component of note 6.4 Debt securities issued & other financial instruments (at amortised cost)	3.0	4.4
Total net unsecured interbank funding		3.0	4.4

E) Subordinated debt

Subordinated debt

<i>Calculation (in billions of EUR)</i>	<i>Reference</i>	<i>Dec. 2018</i>	<i>June 2019</i>
Tier 2 instruments	Note 6.7 Subordinated debts	1.1	1.2
Additional Tier 1 instrument	Balance sheet item	0.5	0.5
Total subordinated debt		1.6	1.7

Life Margin

This Life Margin measures the adjusted income with respect to average reserves.

Adjusted income is reported income, adjusted for special items such as restructuring provisions, IFRIC 21 adjustments for sector levies and revaluation of historical participation in Auxipar.

<i>Calculation (in millions of EUR)</i>	<i>Reference</i>	<i>1H 2018</i>	<i>1H 2019</i>
Income (A)	Consolidated Income Statement Belfius Insurance: the sum of components of I. Technical result, II. Financial result and III. Other income	182	180
Average reserves (B)	Consolidated Balance Sheet Belfius Insurance: Technical liabilities	15,489	14,990
(Annualized) Income / average reserves (=A / B)		2.35%	2.40%

The Life Margin is also calculated for RC on a similar definition.

Non-Life Expense Ratio (P&C)

The net Loss Ratio (LR) 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.

<i>Calculation (in millions of EUR)</i>	<i>Reference</i>	<i>1H 2018</i>	<i>1H 2019</i>
Net commissions (A)	Consolidated Income Statement Belfius Insurance: component of I. Technical result	60	65
Costs (excluding ULAE) (B)	Consolidated Income Statement of Belfius Insurance: component of IV. Administration expenses (excluding ULAE)	54	59
Net earned premiums (C)	Consolidated Income Statement Belfius Insurance: component of I. Technical result	306	315
Expense ratio (=A + B) / C)		37.2%	39.2%

The Non-Life expense ratio is also calculated for RC 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.

<i>Calculation (in millions of EUR)</i>	<i>Reference</i>	<i>1H 2018</i>	<i>1H 2019</i>
Net loss charges (A)	Consolidated Income Statement Belfius Insurance: component of I. Technical result	162	185
Unallocated loss adjustment expenses (ULAE) (B)	Consolidated Income Statement of Belfius Insurance: component of IV. Administration expenses (linked to claim handling)	18	17
Net earned premiums (C)	Consolidated Income Statement Belfius Insurance: component of I. Technical result	306	315
Loss ratio (=A + B) / C)		58.9%	64.2%

The Non-Life net loss ratio is also calculated for RC on a similar definition.

ADJUSTED RESULT

The **Adjusted result** is defined as the consolidated net result adjusted for **Special Items** which consist 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 formally 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
- Revaluation of historical stake in Auxipar

From Reported to Adjusted Net Income

1H 2018, EUR m		Sale/unwind within the ex-legacy portfolio	IFRIC 21 adjustment for sector levies	Impact of restructuring ²	Other items ³	
Income	1,174	10	-111	-	46	1,228
Expenses	-690	-	-	-5	-	-685
Cost of risk	-10	19	-	-	-	-29
Impairments	-1	-	-	-	-	-1
Net income before tax	473	30	-111	-5	46	513
Taxes	-138	-8	33	2	-	-164
Net income	335	22	-78	-3	46	349
<i>Impact mainly in</i>		GC	GC	GC	RC, PC, GC	

- (1). The "impact of restructuring" includes recognition of formally approved restructuring provisions;
- (2). Other items include (i) capital gains and losses on the sale of associates ("NEB Participation") as well as (ii) the revaluation of the historical stake in Auxipar.

1H 2019, EUR m		IFRIC 21 adjustment for sector levies	
Income	1,155	-111	1,266
Expenses	-710	-	-710
Cost of risk	-30	-	-30
Impairments	-	-	-
Net income before tax	414	-111	525
Taxes	-110	33	-143
Net income	304	-78	383
<i>Impact mainly in</i>		GC	

The Special Items in the results of 1H 2018 and 1H 2019 are the following

Impacts of sales or unwinds within the ex-Legacy portfolio

In 1H 2018, the result following the sale of certain Italian government bond and swap packages is considered as special item, in line with Belfius' objective to decrease its related concentration risk.

IFRIC 21 adjustment for sector levies to ensure a more economic view during the year

The sector levies have to be recognized upfront in the first quarter following the application of IFRIC 21. During the accounting year, the sector levies are spread out equally over the quarters to give a more economic view per quarter in the adjusted result, with the difference with the total upfronted amount considered as special item. Note that at the end of the year, the difference will be zero and this special item will no longer be present.

The result is impacted by the upfront recognition of the full year amount of sector levies amounting to EUR 222 million in 1H 2018 and EUR 222 million in 1H 2019 (cfr. note 7.7 "Other expense – sector levies"). One half of these sector levies is considered as special item.

Recognition of formally approved restructuring provisions

In 1H 2018, a restructuring provision of EUR 5 million was recognized following the decision of Belfius Insurance to focus its (institutional and corporate) non-life insurance business on the segment of social sector through direct distribution and to put the non-life activities towards other institutional and corporate customers through the brokerage channel in run-off. The freed-up resources will be reallocated to its strong developing non-life insurance business with SME customers through its own (bank and DVV) distribution channels.

Capital gains or losses on the sale of associates excluding capital gains or losses realized within Belfius Insurance Group

Belfius Bank sold in 1H 2018 its investments in "NEB Participation" to Nethys. It concerned an associate previously accounted for through the equity method. Belfius Bank realized a capital gain of EUR 24 million on this sale. Seeing that it concerned a capital gain on associates within the banking group, this impact is considered as a special item.

Revaluation of historical stake in Auxipar

At the end of 2016, an agreement was concluded between Belfius and the liquidators of the Arco companies under liquidation (Arcopar, Arcofin, Arcoplus and Arcosyn) with the objective to advance towards finalization of the liquidation, in the interest of all stakeholders. This agreement listed a combination of actions to finalize towards end of liquidation, including the takeover of the Auxipar shares held by the Arco companies by Belfius.

As a result of these actions moving forward, Belfius has increased, in 1H 2018, its stake in Auxipar from 39.7% to 74.99% for a price of EUR 29.4 million. The transaction qualifies for Belfius as a business combination achieved in stages and is thus subject to IFRS 3 whereby any previously held interest is adjusted to its fair value as of the acquisition date with any resulting gain reported in the consolidated income statement. Belfius has estimated the fair value of Auxipar at EUR 82.8 million at acquisition date, in line with the acquisition price for 100% of the shares (EUR 83.3 million). The revaluation following the application of IFRS 3 of the previously held interest (recognized at end March 2018 at EUR 33 million) resulted in a capital gain of EUR 23 million.