



Belfius 1H 2021 results

Presentation to analysts and investors

6 August 2021



Note: This presentation contains unaudited figures

1. Summary Highlights

- **Belfius' net income 1H 2021 stands at EUR 406m**, significantly higher than in 1H 2020 (EUR 21m), an excellent result thanks to very strong commercial dynamics, continued income diversification and cost containment, as well as the improving macro-economic environment. In 1H 2021, the bank contributed for EUR 290m (vs EUR -68m in 1H 2020) and the insurer for EUR 116m (vs EUR 89m in 1H 2020).
- Belfius keeps **growing its business footprint in Belgium**, by serving all segments of the Belgian economy with a larger product and service scope, a strategy that continues to result in very **dynamic commercial activities** and a strong growth pattern.
- These **strong commercial dynamics** are accompanied by **benign financial markets** and an **improving macroeconomic context**, allowing Belfius to **strongly grow its net fee and commission income**, now contributing for nearly 30% to total income. This, combined with **increasing net interest income**, further **growth in non-life insurance income**, and continuously **well contained operating costs**, leads to a **strongly growing pre-provision¹ income of EUR 512m in 1H 2021**:
 - slight increase of NII (net interest income bank) at EUR 797m in 1H 2021 (vs EUR 779m in 1H 2020) driven by (i) higher outstanding loans at higher average margin, (ii) compensating for the negative impact from the 'lower for longer' interest rate environment and the further increasing volumes of non-maturing deposits in 1H 2021, and (iii) positive impact from the TLTRO III and ECB deposit tiering
 - excellent net fee and commission income bank (EUR 360m in 1H 2021 vs EUR 302m in 1H 2020) mainly thanks to higher fees from asset management
 - increased life insurance income (EUR 144m in 1H 2021 vs EUR 115m in 1H 2020), mainly thanks to continuously strong financial margin on life insurance reserves
 - the operating costs remained fairly stable at EUR 720m in 1H 2021 vs EUR 711m in 1H 2020. C/I ratio further improved to 58.4% in 1H 2021, compared to 62.8% in 1H 2020

1. Summary Highlights

- As commented from 1H 2020 onwards, in light of the Covid-19 crisis, **Belfius made a detailed review of its credit risk portfolio, and materially increased back in 2020 its IFRS9 provisions in line with the at-that-time strongly deteriorated economic environment**, leading to a cost of risk through P&L of EUR 453m in 2020 (or approximately 35 bps of the loans outstandings¹), of which EUR 331m (26 bps) was economically labelled as the then best estimate “ex-ante provisioning” of expected losses due to the effects of the Covid-19 crisis. Although our anticipative approach on credit risk remains prudent, especially because of the (still) somewhat uncertain impact from Covid-19 variants, **the 1H 2021 cost of risk is positively impacted** by the material macro-economic recovery observed since last year and the clearly successful multi-dimensional policy measures. As such, cost of risk 1H 2021 includes a net release of part of that 2020 Covid-19 provision (**evolving from EUR 331m end 2020 to EUR 247m end 1H 2021**), stemming from a release related to (i) the **general macro-economic improvement** (as IFRS9 underlying economic parameters are being prudently and gradually adjusted towards anticipated improving economic context), (ii) **moratoria that picked up** their normal installments since more than 6 months, and (iii) some **Covid-sensitive sectors and companies that fared better than anticipated**. This release was partially compensated by additional provisioning for (i) **moratoria running more than 9 months** and (ii) **companies in Covid-sensitive sectors** having been under public and private support measures for a longer period.
- The **floods that took place in Belgium in July 2021 are non-adjusting subsequent events** and therefore fall outside the scope of these half-yearly results, however these events will impact the FY 2021 non-life results. Although Belfius cannot take away the human suffering, it considers it to be its utmost duty to take all actions to alleviate the material damages for its insured customers. As such, Belfius has considerably reinforced its claims-handling team, that has been operating seven days a week and that has deployed mobile teams onsite. In addition, specific measures have been taken to accelerate the claims handling (greater autonomy for claims experts and picture-based settlements) while advances are provided swiftly in case of major insured damage.

Although it is too early to provide detailed and precise figures for the financial impact of these floods, Belfius has made a preliminary analysis indicating that the total gross claim cost, as of date of this report, could be in the region of EUR 100m, based on current indications of the number of claims and the average cost per claim, the latter being compared with the statistics collected by the professional organization of Belgian insurers.

Please note that Belfius' reinsurance program is set up in line with Belfius' disciplined financial and risk management policies. Taking into account this reinsurance program, as of date of this report and based upon above mentioned estimate, the financial impact on Belfius of all natural catastrophes that took place since the beginning of the year 2021 till date is estimated at approximately EUR 35m (before tax).

Furthermore, an additional assessment is currently being performed on the potential impact on “impairments on financial instruments and provisions for credit commitments on the loan portfolio” for both mortgages and professional loans linked to these floods, nevertheless, a preliminary analysis indicates that the impacts should not be significant.

1. Summary Highlights

- In terms of financial solidity metrics, even with our dynamic commercial growth and despite some regulatory adjustments increasing our Risk Weighted Assets, **Belfius continues to display sound solvency, liquidity and risk metrics**, with Belfius consolidated CET1 ratio as of 1H 2021 at 16.16%, Belfius Insurance SII ratio at 197% and Belfius' LCR ratio at 189%. Our asset quality ratio (NPL ratio) remains stable at 2.02% compared to December 2020 (and below the Belgian market's average). This is further accompanied by a prudent coverage ratio of 58.2%. The recent stress tests carried out by ECB further confirm Belfius' strong resilience and solvency.
- Belfius' consolidated **Net Asset Value stands at EUR 10.6bn** end 1H 2021 (vs EUR 10.2bn end 2020). The Board of Directors of 25 March 2021 decided upon a proposal for dividend over 2020 year-end results of EUR 207m. However, due to the binding restriction imposed by the ECB as a result of the Covid-19, the effective pay-out ratio on FY2020 results was set at 15% or EUR 77m for Belfius in 1H 2021 and EUR 130m (i.e. 25% of pay-out ratio) was included in Reported Earnings in the 2020 end year accounts. Following the release of the restrictions by the ECB and subject to approval by competent authorities and an Extraordinary General Assembly, Belfius will distribute a residual dividend of EUR 130m related to 2020 results.

Belfius' financial capacity allows to continue to support the Belgian society and to invest in a sustainable business model, thanks to strong pre-provision income reflecting the strong commercial dynamics, reinforced by improving economic environment

1H 2020

€421m

Pre-provision income

€21m

Net income

62.8%

Cost / income ratio

17.11%¹

CET1 ratio

€9.3bn

LT loans production

€10.2bn¹

Net Asset Value

€0m

Intermediary dividend

1H 2021

€512m

€406m

58.4%

16.16%

€10.5bn

€10.6bn

€130m²

2. Belfius at a glance

- **Integrated bank-insurer**
 - net income of **EUR 406m**, of which **EUR 290m bank** and **EUR 116m insurance**
 - bank-insurance approach **shows material resilience**
 - **growing net fee & commission income** as a result of strategic investments in Asset Management, Private Banking and Wealth Management
- **Anchored in all segments of the Belgian economy**
 - 3.7m customers in Retail & Commercial (RC) and 23.2k customers in Public & Corporate (PC)
 - **loans to customers of EUR 99.7bn**, o.w. EUR 57.3bn to RC clients and EUR 42.3bn to PC clients
 - **savings and investments of EUR 171.0bn**, o.w. EUR 129.7bn in RC and EUR 41.3bn in PC
 - well distributed physical distribution network all over the country, complemented by top-notch digital and remote service channels
- **Focused on customer satisfaction**
 - **1.67m customers using mobile/tablet application at least once a day (on average)**
 - **Belfius' mobile banking app ranked #1 in Belgium¹ and #2 in the world²**
 - Belfius' mobile insurance app ranked #1 in Belgium²
- **As can be expected from Belfius' roots and in line with its purpose to be Meaningful and Inspiring for the Belgian Society, Belfius' product offering already includes strong ESG considerations:**
 - Belfius has become the very first large Belgian bank to be **awarded the CO2 Neutral® certification label**. Through the '**CO2 Impact Loan**', **Belfius aims to help businesses and local authorities** in Belgium to become carbon-neutral by providing advice and dedicated loans
 - Belfius is setting the tone in meaningful thematic asset management, with a successful launch of **5 "Funds of the future"**. End 1H 2021, outstanding AuM in these funds already stands at EUR 1.5bn, while more than EUR 1.2m management fees of these funds have already been donated to good causes
 - **Belfius launched Re=Bel on 1 July 2021**. This brand new and innovative investment app makes investing with a cause accessible to everyone
 - A prominent feature of our **Beats** concept (our innovative monthly subscription offering in payment and telecom services for individual customers, launched end of March 2021) is its add-on in terms of positive impact on society, by enabling the customer to select the action theme (Health, Planet or People) to which they require Belfius to contribute
 - Finally, Belfius issued its first **Green bond (NPS)** in May 2021 for EUR 500m. The proceeds will be invested in eligible assets, under a framework aligned with the four core components of the ICMA Green Bond Principles 2018 and validated by Sustainalytics
- Risk and financial management, **two key pillars supporting Belfius' capacity** to continue to support the **Belgian economy**
 - strong **solvency and liquidity position**, well above all regulatory minima
 - **sound credit quality**, with continued solid Asset Quality Ratio, notwithstanding Covid-19 crisis
 - **non-financial risks remain under control**, as highlighted by the low level of operational losses and high level of workforce and customer applications' availability

Integrated bank-insurer servicing and supporting all segments of the Belgian economy in a sustainable manner

- More than 50 years of experience as bank and insurer of proximity for more than 3.7m customers: individuals, liberal professions, self-employed and companies
- More than 160 years of experience as the preferred partner to the public and social sector in Belgium

Belfius Bank & Insurance

Retail & Commercial Banking

Insurance

Public & Corporate Banking

Retail & Commercial (RC)¹

- #2² bank-insurer in Belgium with more than 3.7m customers
- #1 in mobile banking³ in Belgium
- #2 best bank app⁴ in the world
- #3⁵ bank to 300,000 professional customers
- EUR 57.3bn loans to customers
- EUR 129.7bn savings and investments

Public & Corporate (PC)¹

- #1 bank to 10.3k Public & Social sector customers
- #3⁵ bank in Corporate and serving 12.9k customers
- EUR 42.3bn loans to customers
- EUR 41.3bn savings and investments

Group Center (GC)¹

- ALM Liquidity Bond portfolio (EUR 7.5bn)
- Run-off portfolios
 - ALM Yield Bond portfolio (EUR 3.5bn)
 - Derivatives (EUR 10.9bn)
 - Credit guarantees (EUR 2.9bn)
- Other non-core activities

3. Group Highlights

- Since the start of the Covid-19 crisis, Belfius continued to live up to its purpose of being “meaningful and inspiring for Belgian society” by focusing on (i) **protecting the safety and health of its staff and customers** (ii) **servicing its customers in the best possible way** and **supporting them funding-wise** to get through these difficult times.
- In terms of support to the Belgian economy, **Belfius quickly implemented the Belgian governmental and regional support measures to the Belgian society (payment holidays, guarantee scheme), and even added some Belfius-specific measures. As from March 2020 until June 2021 :**
 - **25,740 accepted requests for deferred payments** on **EUR 5.3bn of loans**, including renewals on roll-over loans, to corporate and business customers
 - **13,855 accepted requests for deferred payments** on **EUR 0.9bn of leasing contracts** of corporate and business customers
 - 424 accepted requests for **deferred payments on EUR 0.4bn of loans to the public sector** (mainly social sector)
 - 19,614 accepted requests for **deferred payments on EUR 2.0bn of mortgage loans** under the general Covid-19 scheme, in addition to 9,938 accepted requests for deferred payments on EUR 1.1bn of mortgage loans under contractual terms
 - EUR 556m of new loans, to corporate, business, public and social sector customers, under the Belgian State guarantee scheme, were granted
 - At the end of 1H 2021, out of the EUR 5.3bn of loans to corporate and business customers that were granted moratorium since start of the Covid-19 crisis, EUR 0.8bn are, as of end 1H 2021, still subject to payment holidays. 98% of corporate and business loans for which the moratorium came to an end, have resumed their normal payments of formerly deferred amounts. For the mortgage loans, 99% of the clients have resumed the payments (100% in the public sector).
- **The continued strong commercial dynamics of Belfius**, even during Covid-19 times, also enabled it to continue to (i) **use its large volume of non-maturing deposits** for financing loans to the Belgian economy, and (ii) advise its customers to **further diversify their investments also into structured bonds and off-balance sheet assets under management:**
 - Very strong long term loan production in 1H 2021, especially to Business and Individual customers, at a level of EUR 10.5bn, as such bringing the total outstanding commercial loan volume of Belfius close to EUR 100bn
 - total S&I growth by EUR 7.1bn, composed of EUR 4.0bn organic growth in non maturing deposits, excellent organic growth of EUR 1.7bn in asset management, net outflow of EUR 1.9bn in other products (mainly BR21/26 and third party products), and a positive market effect of EUR 3.3bn

3. Group Highlights

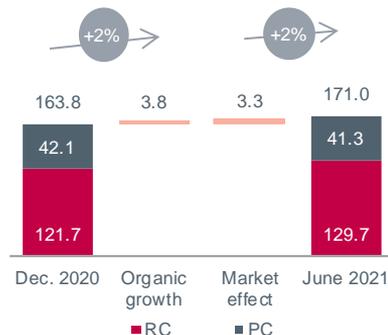
- **The 1H 2021 net result (EUR 406m)**, much higher than EUR 21m in 1H 2020, is the result of **strong pre-provision income** reflecting the development of a **flourishing commercial activity**, executed with **financial & risk management discipline**, and **supported by net reversals of credit risk provisions** in the **improving macro-economical context**.
- **The growing pre-provision income** (EUR 512m in 1H 2021 vs EUR 421m in 1H 2020) **is the result of excellent fees activity, further slightly increasing NII bank** (EUR 797m in 1H 2021 vs EUR 779m in 1H 2020), despite pressure from low interest rates and higher non maturing deposits which is compensated by negative interest rates pricing policies, by increasing loan volumes at strict pricing and by ECB TLTRO III low cost of funding, **good performance in life and non-life insurance income** and good results from financial markets. **Belfius combines these income dynamics with a strict cost control, even if it continues to invest structurally in IT and digitalization**, with operating costs amounting to EUR 720m in 1H 2021 (vs EUR 711m in 1H 2020). All-in-all, Belfius ended up in 1H 2021 with a cost-income ratio of 58.4%, down from 62.8% in 1H 2020.
- Although our anticipative approach on credit risk remains prudent, especially because of the (still) somewhat uncertain impact from Covid-19 variants, the **1H 2021 cost of risk (EUR -31m vs EUR 393m in 1H 2020)** is **positively impacted by** the material macro-economic recovery since last year and the successful policy measures. As such, cost of risk 1H 2021 includes a net release of part of our 2020 Covid-19 provision (**evolving from EUR 331m end 2020 to EUR 247m end 1H 2021**), stemming from a release related to (i) **the general macro-economic improvement** (as IFRS9 underlying economic parameters are being prudently and gradually adjusted towards anticipated improving economic context), (ii) **moratoria that picked-up** their normal installments since more than 6 months, and (iii) some **Covid-sensitive sectors and companies that fared better than anticipated**. This release was partially compensated by additional provisioning for (i) **moratoria running more than 9 months** and (ii) **companies in Covid-sensitive sectors** having been under public and private support measures for a longer period.

A strong focus on serving our customers, continues to translate into strong commercial dynamics: further volume growth in customer balances, lending and non-life insurance premiums

Strong performance in savings & investments and loans to customers

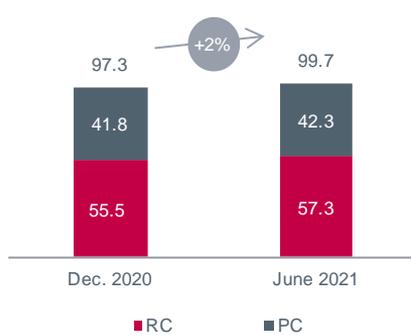
Outstanding savings & investments

EUR bn



Outstanding loans to customers

EUR bn



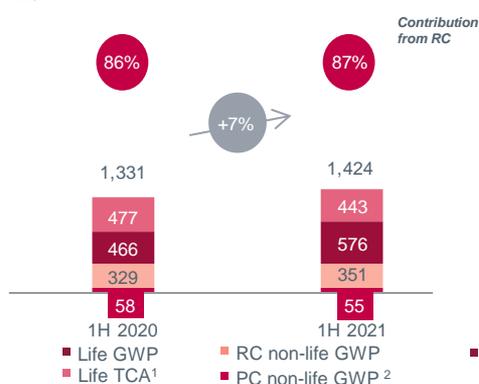
- Total savings & investments amounted to EUR 171.0 EUR in June 2021, up 4.4% compared to December 2020
 - RC displays strong increase of EUR 7.9bn, thanks to an organic growth of EUR 4.8bn combined with a positive market effect of EUR 3.1bn
 - PC's savings & investments decreased by EUR 0.8bn, driven by negative organic growth of EUR 1.0bn (mainly in term products and commercial papers) and a positive market effect of EUR 0.2bn
- Increase of loans outstanding of 2.5% towards EUR 99.7bn in June 2021 driven by a very strong loan production on all segments

Group

Continued growth in non-life and continued gradual shift towards Branch 23 in life reserves

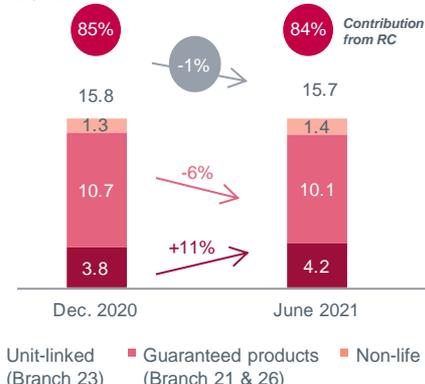
Insurance production

EUR m



Insurance reserves

EUR bn



Insurance

- Overall increasing non-life GWP (+4.8%) as the strong growth of RC non-life GWP to EUR 351m in 1H 2021 (up 6.6% compared to 1H 2020), especially in the bank-insurance channel (+11.4% compared to 2020), more than offsets the anticipated decrease in PC (run-off strategy)
- In a lower-for-longer yield environment, a continued partial reinvestment from maturing Branch 21 into Branch 23/44 and other investment products leads to increasing life insurance production of EUR 1,018m, up 7.9% compared to 2020
- Continued implementation of the strategy to switch from guaranteed yield products to unit-linked products (+11.1% increase in unit-linked reserves), boosted by the bank distribution channel

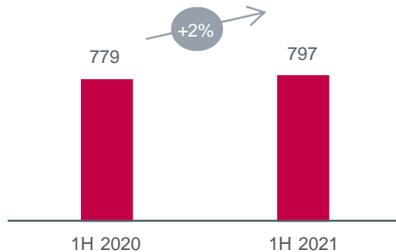
Notes: 1.TCA in life insurance products relates to transfers (Transfers from Br21 to another contract), Conversions (transfers between funds of Br23 contracts) and Arbitrages (transfers between Br 21 and Br23 towards Br 44 and between two Br23 contracts); 2. Of which EUR 24m for PC activities in run-off in 1H 2021, and EUR 58m in 1H 2020

Continued strong commercial dynamics and strict balance sheet management discipline enable to further increase NII. Success of our transformation into a “Bank for Investors” translates into strong growth in F&C income

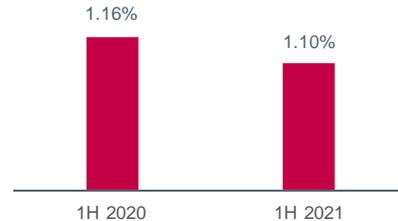
Bank

Increasing NII, despite slight pressure in NIM from lower-for-longer interest rate environment

Net interest income Bank
EUR m



NIM¹

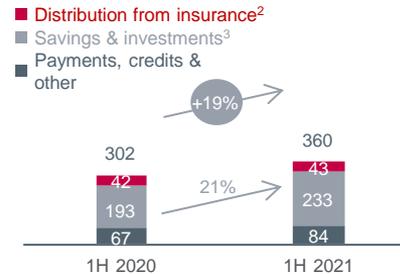


- NII strong performance mainly resulting from increasing loan volumes at strict pricing, the ECB's measures (TLTRO III and deposit tiering) and from the loan portfolio composition (more non-financial corporate loans and mortgages with higher margins than public loans); hence counterbalancing the negative impact of the historically low interest rate environment especially on interest margin of further increasing volumes of non-maturing deposits
- Strict risk-based pricing discipline on both sides of the balance sheet enabled to contain the decrease of NIM to only 6 bps, from 1.16% per 1H 2020 to 1.10% per 1H 2021

Bank

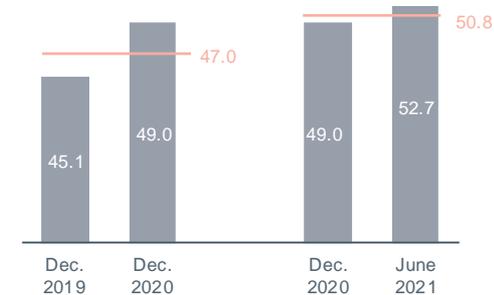
Increase in bank fee & commission income

F&C income Bank
EUR m



Assets under management⁴

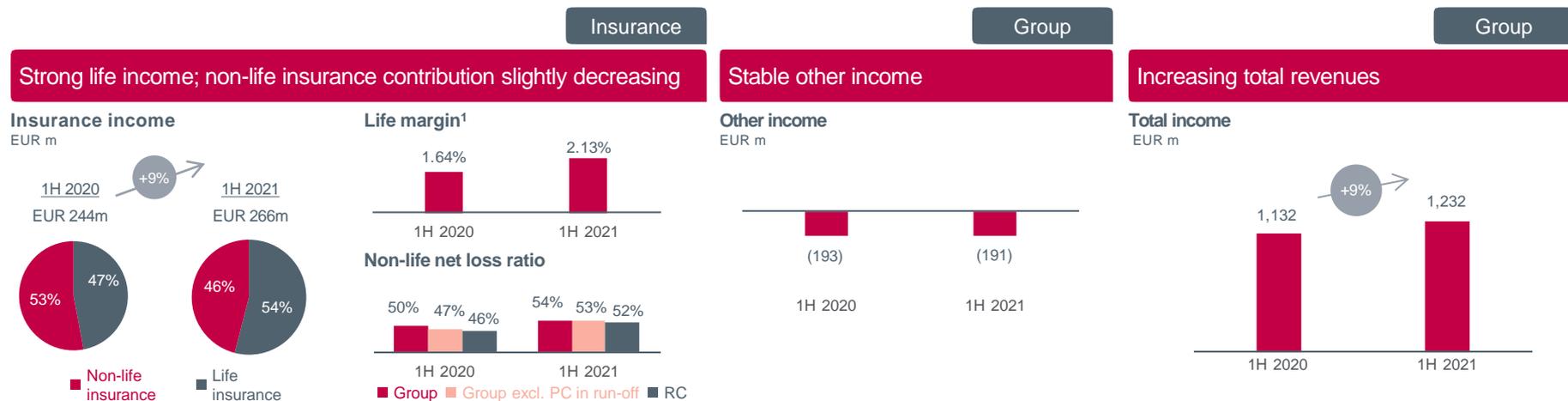
EUR bn, end of period (■) and average (—)



- Strongly increasing fee and commission income (+19%)
 - increasing fees from savings & investments (+21%) due to excellent fee performance on asset management services thanks to strong volume growth and high cash-in, leading to strong management and entry fees.
 - increasing contribution from distribution of insurance policies, in line with the continued growth of non-life insurance via the bank distribution channel
 - increase in payments, credits & other from EUR 67m in 1H 2020 towards EUR 84m in 1H 2021 thanks to disciplined and innovative service offering embedded in strong commercial dynamics

Notes: 1. NIM calculated as the sum of quarterly NII at Belfius Bank (without dividend income) of the last 4 quarters divided by the average of the interest earning assets at Belfius Bank of the last 4 quarters (see also APM document on Belfius' website); 2. Classical life and non-life; 3. Including insurance distribution fee from insurance investments products (Branch 21, Branch 23, etc.); 4. Discretionary and advisory mandates as well as off-balance sheet customer investments in mutual funds and other savings such as bonds, equities, etc.

Continuously strong financial margin on life insurance reserves. Overall, strong commercial dynamics lead to total revenues increasing with 9% year-on-year



- Lower non-life income in 1H 2021 vs 1H 2020, mainly due to lower release of previous years' claims reserves, partially compensated by lower claims charges for Natural Catastrophes over 1H 2021 compared to 1H 2020 (please note that the floods of July 2021 have not yet impacted 1H 2021 accounts). The net combined ratio was 92.2% in 1H 2021, slightly higher than in 1H 2020 (89.7%, thanks to the low frequency in motor insurance) but significantly improved compared to 1H 2019 (103.4%)
- Continued strategic transformation of product mix towards more non-life and unit-linked products
- Life insurance contribution strongly increased from EUR 115m in 1H 2020 to EUR 144m in 1H 2021, thanks to continued solid ALM management and strict pricing, resulting in further increasing income on BR21 (Life Guaranteed Rate) contracts, despite decreasing average outstanding, and supported by strong sales on BR23 contracts

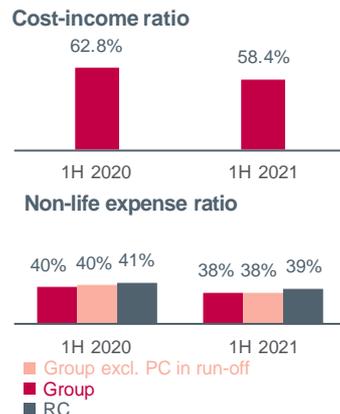
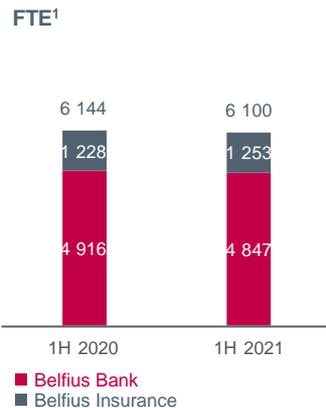
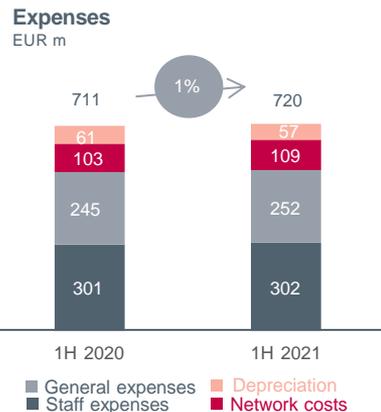
- Other income 1H 2021 is in line with 1H 2020
- As always, the other income is negatively impacted by the upfront booking of the bank levies² (EUR 258m for 1H 2021 vs EUR 222m for 1H 2020). The higher levies are offset by positive trading and hedge results compared to 1H 2020 that was hit by the Covid-19 crisis

- Strong commercial dynamics and strict balance sheet management discipline lead to increasing total revenue base, mainly thanks to:
 - excellent fees activities
 - continued lending growth at strict pricing
 - good performance in life insurance
- Total income amounted to EUR 1,232m in 1H 2021 (vs EUR 1,132m in 1H 2020)

These income dynamics, combined with continued cost containment, led to strongest pre-provision income since Belfius' origins

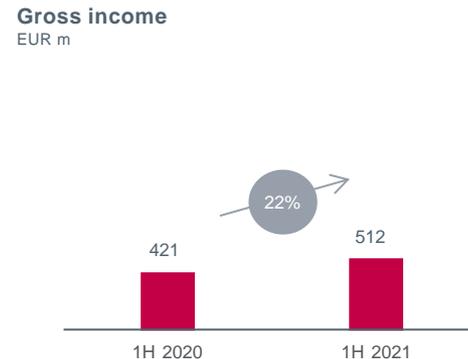
Even with strategic investments in IT & digital, costs remain well contained

Group



All in all, leading to a strongly improved pre-provision income

Group



- 1H 2021 expenses remained fairly stable compared to 1H 2020 thanks to general cost control measures, notwithstanding Belfius' continued growth journey driven by digitalization and modernization. The excellent service quality that Belfius was able to give to its customers during the Covid-19 lockdown and leading to strong commercial dynamics underlines the pertinence of this digital transformation strategy. C/I ratio decreased to 58.4% per 1H 2021 compared to 62.8% per 1H 2020
 - staff expenses remained stable compared to 1H 2020, which is in line with this transformation journey, as number of FTE decreased slightly and personnel costs for in-house developments of software are partially activated, as such compensating for the standard natural wage drift
 - general expenses increased slightly towards EUR 252m, up with EUR 6m compared to 1H 2020, in line with commercial activity leading to higher marketing & external workforce costs
 - network costs have slightly increased, due to the excellent commercial performance
 - depreciation costs decreased compared to prior year, mainly due to accelerated write offs performed in 2H 2020 given the rapid changes in technology and the accelerated uptake of digital services as a consequence of the COVID-19 pandemic

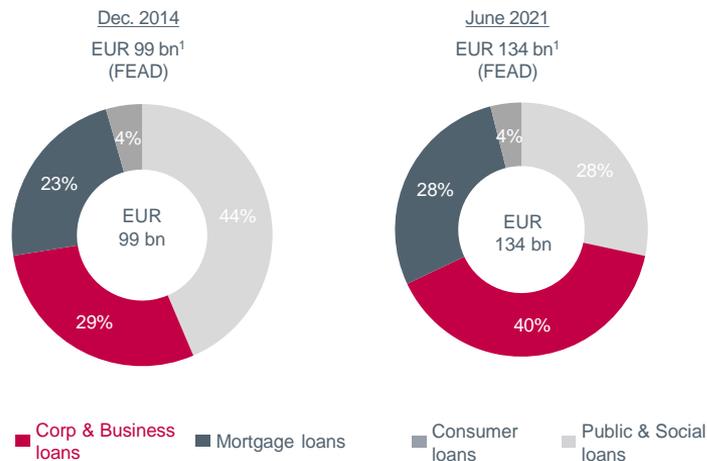
- All in all, the combination of strong income dynamics, despite the lower-for-longer interest rate environment, and well contained operating expenses, while continuing to invest structurally in our commercial activities, in Belgian talents, and in IT and digitization, led to a strong increase in pre-provision income to EUR 512m in 1H 2021 (vs EUR 421m in 1H 2020)

Resilience of the loan portfolio following gradual diversification since 2015 and continued strict risk management discipline

Especially from 2015 onwards our commercial loan & commitments franchise has been further developed and diversified

Evolution of the loan and commitments portfolio

%



- Belfius, focusing on supporting all segments of the Belgian economy especially since 2015, has since then been able to develop a more balanced loan portfolio
- The mortgage loan portfolio increased from EUR 22.9bn per end 2014 to EUR 37.6bn per end June 2021, reaching 28% of the FEAD
- The corporate and business loan portfolio increased from EUR 28.8bn per end 2014 to EUR 53.0bn per end June 2021, reaching 40% of the FEAD

Stable asset quality supported by portfolio diversification and strong portfolio management

Evolution of impaired loans to customers

EUR m

Asset quality ratio (—)



- The impaired loans to customers remained globally stable in the last years and landed on EUR 2,032m in 1H 2021, still reflecting the solid quality of the portfolio
- The asset quality ratio has improved since 2015-2016 and remained stable in 1H 2021, reflecting the intrinsic resilience level of the portfolio and the relevance of support measures, including moratoria and a well targeted write-off policy

Zoom on cost of risk

IFRS 9 impairment methodology

IFRS 9 impairment methodology at Belfius and Covid-19 elements

- In the unprecedented context of the Covid-19 events, Belfius' basic principles for ECL (expected credit losses) computations have in design remained largely unchanged, however some material Covid-19 related adjustments to the existing approach were required in order to:
 - maintain adequate coverage ratios on estimated credit-risk impaired exposures and avoid cliff effects
 - comply with updated regulations, for instance on forbearance and guidelines to avoid too strict pro-cyclicality
- The following adjustments were made:
 - Expected Credit Loss calculations are based on a long-term average (2009-2022) for all the relevant macroeconomic factors, with a backward and a forward looking part
 - In Q2 2020, more probability weight has been put on the pessimistic and stress scenarios in Belfius' four probability weighted forward-looking scenarios, i.e. optimistic, neutral, pessimistic and stress cases, each of them based on their own macroeconomic parameters, more severe than end 2019 parameters
 - crisis dampening measures implemented by national and regulatory authorities are included in the ECL estimates to avoid, to some extent, pro-cyclicality and to account for moratoria and guarantee schemes
 - expert overlays focused on the most vulnerable sectors and counterparts in case best estimate credit risk coverage from more "mechanical calculations" is estimated to be (potentially) insufficient
- The current approach is deemed to reflect the expected credit losses in a best estimate way, including our current best estimate "ex-ante provisioning" of expected losses due to the effects of the Covid-19 crisis. However since the evolution of the Covid-19 pandemic and its economic impacts remain uncertain, upward or downward adjustments remain therefore possible in the coming quarters

Belfius worked on complementary approach to estimate the cost of risk

Pillar 1

The **macroeconomic methodology** to assess stage 1 and stage 2 provisioning has been changed to account for the ECB/EBA recommendations to adjust the macroeconomic factors in order to introduce a more 'through the cycle approach' instead of a 'Point in Time' in order to avoid excessive pro-cyclicality

Pillar 2

Expert judgment layer based on line-by-line assessment of the portfolio, taking into account the materiality of the impact of Covid-19 on the different sectors

Additional expert judgment based on Early Warning Signals, enriched by real-time information such as transactional data

All in all, stress testing was used as complementary tool shocking the business and corporate loan portfolio by decreasing the companies' turnover, but taking into account an adjustment for their cost of operations to reflect a.o. governmental measures

Zoom on cost of risk

IFRS 9 macroeconomic scenarios

Pillar 1: Belfius revised its IFRS 9 macroeconomic scenarios to reflect improved macroeconomic parameters

Neutral scenario

GDP (%y-o-y)	2021	2022
Belgium	5.5	3.3
Eurozone	4.4	4.0
United States	6.5	4.0

CPI (%y-o-y)	2021	2022
Belgium	1.8	1.4
Eurozone	-	-
United States	-	-

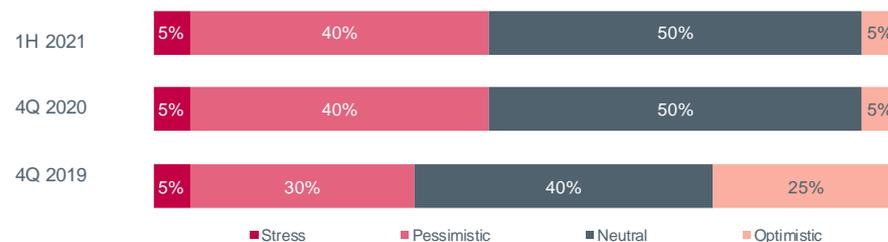
Unemployment (%y-o-y)	2021	2022
Belgium	7.9	6.6
Eurozone	9.1	8.5

Four scenarios GDP Belgium

Scenarios	As of end 2020			As of 1H 2021		
	for year	2020	2021	2022	2020	2021
Optimistic	(7.30)	9.0	3.3	(6.30)	6.5	3.9
Neutral	(8.00)	3.9	3.3	(6.30)	5.5	3.3
Pessimistic	(10.30)	3.1	2.5	(6.30)	4.2	2.0
Stress	(12.50)	2.3	1.7	(6.30)	2.0	1.4

Pillar 1: The weights allocated to each macroeconomic scenario were kept unchanged from end 2020 levels, reflecting remaining uncertainties

Probability weighted forward-looking scenarios



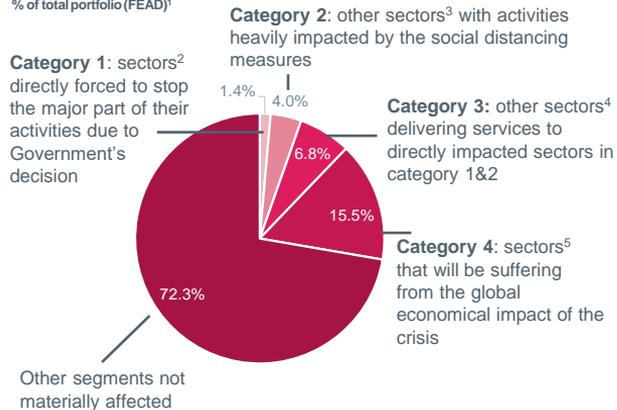
- Due to the Covid-19 crisis, Belfius adjusted the weights of its four economic scenarios at the end of 1H 2020 to reflect the Covid-19 crisis' impacts. Since then, the scenario weights have been maintained

Zoom on cost of risk

IFRS 9 detailed analyses leading to expert overlays

Pillar 2: Covid-19 impacted (sub)sectors mainly in the corporate and business loan book

% of total portfolio (FEAD)¹



- Belfius mapped the impacts of the Covid-19 crisis and established four categories of estimated impact level
- So far, Belfius' detailed analysis revealed that only a small fraction of its outstanding exposure (FEAD) is situated in the highly impacted categories 1 and 2
- In addition to the existing risk monitoring, processes and policies before the crisis, Belfius has put in place an additional robust risk mitigation strategy with specific action plans, reporting and monitoring processes

Pillar 2: Expert overlays added to mechanical provisioning

Risk pockets

Covid-sensitive exposures

- vulnerable companies with low ratings belonging to sectors identified as highly impacted by Covid-19 and flagged as having lower resilience
- commercial real estate loans, with focus on retail-trade linked real estate
- mortgage loans with indicators reflecting potentially higher risk pockets (buy-to-let loans, loans to borrowers with low ratings)

Moratoria

- for matured moratoria with a stable repayment pattern post-maturity date of moratorium, since at least 6 months, release of the Covid-19 layer, both for mortgages and for corporate & business customers
- for still running moratoria for more than 9 months (mortgages and corporate & business), increase of the Covid related provisions, especially in sensitive sectors, f.i. by increasing the applied stress factors for lower ratings.

Individual names

- expert analysis pointing to counterparts with a potentially increased credit risk, that were not detected by the mechanical approach and not yet classified "as unlikely to pay"

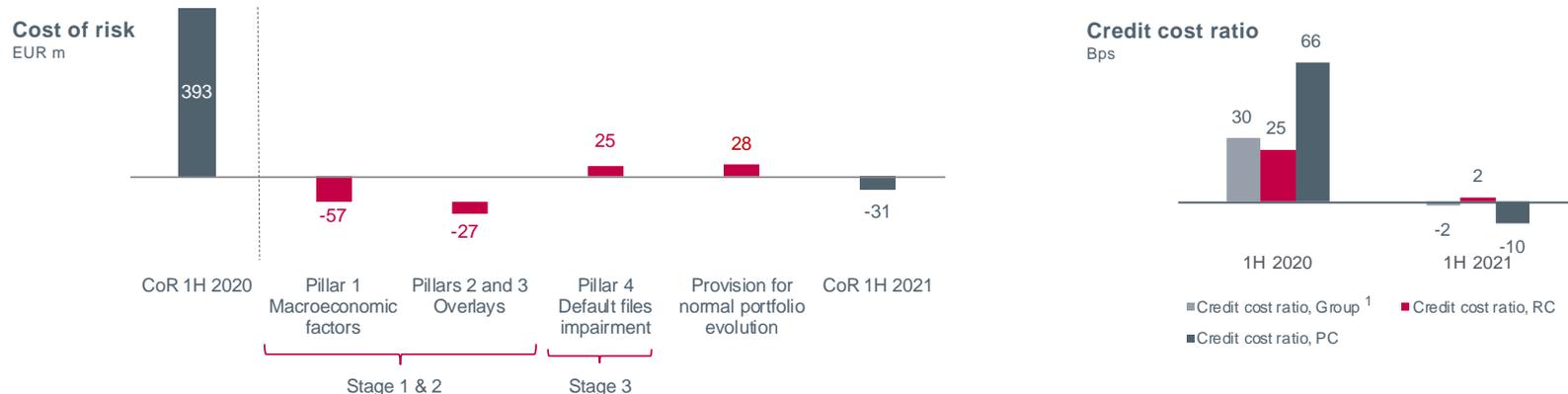
- Belfius combines the "Covid-19 adjusted" mechanical calculations with expert overlays. These overlays are designed to result, overall, in best estimate total coverage of ECL in some specifically identified risk pockets (defined in terms of sectors, groups of companies or individual exposures) when the credit risk is estimated to be (potentially) insufficiently covered by the mechanical provisions
- In 2020, an extensive Covid-screening of the loan portfolio was set up ; this analysis by multi-disciplinary teams, started with the sectors, portfolios and companies considered most at risk and it was gradually extended ; at the end of 2020 over 90% of total exposure on corporates, SME's and self-employed was re-assessed. From 2021 on, this screening is integrated in the recurring risk management process (with sectoral and individual credit reviews and renotations).
- Based on this process, the overlays for sensitive exposures are adjusted, with an increase of provisions for deteriorating credit risks and reversals for risks that evolve positively, with reclassifications to another risk category and rating evolutions as ECL driver. This is part of the regular quarterly impairment process and allows to shift individual files or risk pockets from stage 1 to 2 and to increase the coverage ratio, for instance, by considering stressed LGD.

Notes: 1. Total loans and debt instruments portfolio (FEAD) in Belfius Bank balance sheet amounts to EUR 192bn (incl.GC) as per end June 2021; 2. Such as hospitalities, arts, events and retail trade excluding food; 3. Such as travel, transport, airlines, automotive and wholesale trade; 4. Such as construction, shipping, warehousing, non-residential real estate and service companies; 5. Macro-economic effect with demand and production disruptions

Zoom on cost of risk

Resulting cost of risk metrics 1H 2021 (1/2)

Belfius' Covid-related provision remains at solid level (EUR 247m end 1H 2021 vs EUR 331m end 2020). 1H 2021 CoR positively impacted by macro-economic recovery and successful policy measures



- Belfius' anticipated approach on credit risk remains prudent, especially because of the (still) somewhat uncertain impact from Covid-19 variants, and is based on four pillars:
 - Pillar 1: provisions for stage 1 and stage 2 are calculated in a mechanical way, based on macro-economic assumptions (past & future), taking into account ECB and EBA recommendations
 - Pillar 2: additional expert overlays are added for stage 2 when Belfius considers that certain risk pockets are not sufficiently covered by the mechanical provisions
 - Pillar 3: additional management adjustment on the ECL in stage 2 if provisions are deemed insufficient when certain individual counterparts indicate significantly increased credit risk, but not yet in default
 - Pillar 4: for counterparts in default (stage 3), the normal impairment process is run and specific provisions are calculated and booked
- For 1H 2021, the cost of risk amounts to EUR -31m (net reversal). The combined effect of the natural portfolio evolutions of EUR 28m (allowance) and the adjustments to the Pillars 1 to 3 of EUR -84m (reversal) is a net reversal of ECL in stage 1 and 2 for an amount of EUR -56m. Stage 3 (Pillar 4) provisioning contributes for EUR 25m, reflecting the fact that the inflow of new defaults remains at a very moderate level.
- This more granular assessment has allowed to provision ex-ante for upcoming defaults and avoid cliff effects. Following the adjustments in 1H 2021, the ex-ante provision (EUR 331m) at the end of 2020 has declined to reach EUR 247m in 1H 2021.

Notes: 1. Calculated as the cost of risk divided by the sum of (i) loans and advances due from credit institutions (excl. cash collateral) and from customers measured at amortized costs, (ii) debt securities and equity instruments measured at amortized costs and at FV through OCI (excl. participations and equity) and (iii) guarantees granted

Zoom on cost of risk

Resulting cost of risk metrics 1H 2021 (2/2)

Asset quality metrics 1H 2021 – Consolidated Bank balance sheet

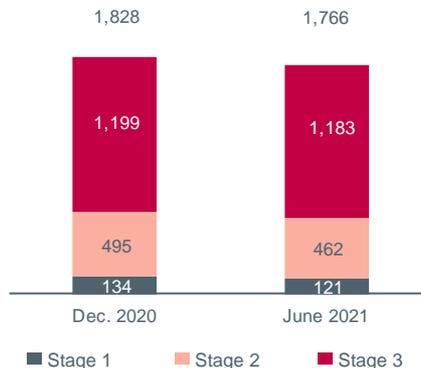
Gross outstanding loans to customers

EUR bn



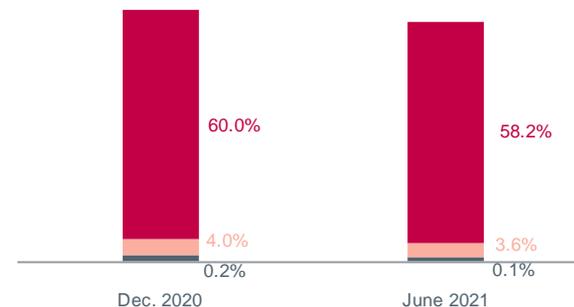
Stock of impairments on loans to customers

EUR m



Coverage ratio

%



- The outstanding stock of impairments under IFRS9 slightly decreased with 3% towards EUR 1.8bn per 1H 2021.
- The decrease is visible in all three stages, thanks to the improving macroeconomic conditions, effectiveness of policy & support measures, leading to lower anticipated negative impacts from the Covid-19 crisis.

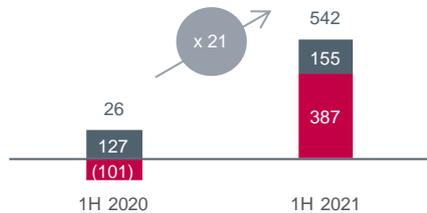
Higher net income, as a result of strong commercial dynamics, at disciplined risk & financial management, and after the recovery of cost of risk

Group Increasing NIBT

Net income before tax

EUR m

■ Insurance
■ Bank



- Net income before tax amounted to EUR 542m in 1H 2021, compared to EUR 26m in 1H 2020, a very strong increase mainly thanks to the change in cost of risk

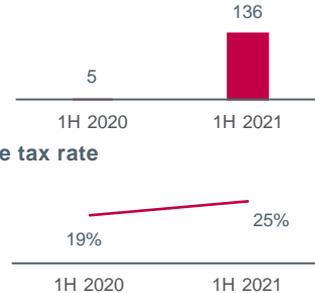
Group Higher tax expenses

Tax expenses

EUR m

Effective tax rate

%



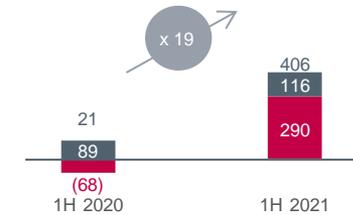
- Consolidated effective tax rate stood at 25% per 1H 2021, in line with the statutory tax rate
- Tax expenses amounted to EUR 136m in 1H 2021, compared to EUR 5m in 1H2020, driven by the materially higher taxable profit

Group Higher net income

Net income

EUR m

■ Insurance
■ Bank



Adjusted net income

EUR m

■ Insurance
■ Bank



- All in all leading to a net income of EUR 406m in 1H 2021 compared to EUR 21m in 1H 2020
- Excluding special items (see appendix), adjusted net income of EUR 503m in 1H 2021, compared to EUR 90m in 1H 2020

4. Segment results¹

1. RC

- **Retail & Commercial segment showing continued strong commercial momentum:**
 - customer savings & investments (+7%): strong organic growth (EUR +4.8bn) since end 2020, combined with a positive market effect (EUR +3.1bn): not only in on balance sheet deposits (EUR +3.8bn), but also in off balance sheet products (EUR +4.3bn), showing strong commercial development of our investment services franchise slightly offset by a decrease in insurance investments (EUR -0.2bn).
 - outstanding loans to customers (+3%) continued to grow in mortgage and business segments
 - continued strong performance in GWP non-life (+7%), especially via bank distribution channel (+11.4%)
- **A strong digital track record in mobile - omnichannel banking**
 - further increase of Belfius' active mobile users: 1.67m active mobile users connecting on average more than once a day
 - Belfius' mobile app ranked #1 in Belgium and #2 in the world
 - social distancing during Covid-19 gave additional boost to customer transactions via remote channels: e.g. in 1H 2021, 67% of the new pension savings contracts were subscribed via direct channels
- **Net interest income** of RC amounted to EUR 426m, an increase of +6% compared to 402 in 1H 2020, driven by the strong loans volume growth at further improving margins on stock partially compensated by the margin pressure on non-maturing deposits
- **Strong increase in fee & commission income** of 19% that is mainly driven by higher entry and management fees on asset management services and by higher fees from payment services
- **Increasing total insurance income contribution** as a result of strong increase of life insurance income towards EUR 124m in 1H 2021 compared to EUR 105m in 1H 2020, partially offset by a decrease in RC non-life results of 6% towards EUR 113m
- **Operating expenses only slightly increased** compared to 1H 2020 in such strong commercial dynamics, benefiting from strict cost controls, even considering the continued investments in strategic priorities such as Investment Services, IT and digitization
- **Strong growth of pre-provision income** of EUR 386m (vs EUR 325m in 1H 2020)
- The **cost of risk** in RC amounted to EUR 14m in 1H 2021 compared to EUR 132m in 1H 2020. This material decrease is mainly due to the partial reversal of the anticipative best estimate provisions that were set up last year in the context of the Covid-19 crisis
- As a result, **net income RC strongly increases to EUR 282m**, up from EUR 142m in 1H 2020

Note: 1. Begin 2021, the Local Corporate clients have been transferred from RC to PC Corporate business line. A proforma has been applied on 2020 figures. Local Corporate clients are companies with an annual turnover between EUR 10m and 25m. The results and volumes generated by these customers were previously reported under the RC segment. Since the beginning of 2021, the results and volumes generated by these clients are included in the Corporate segment of PC, even if they are served by local corporate advisers & bankers

Solid commercial activity leads to further volume growth and developing asset management services franchise

Retail & Commercial

Bank-Insurance

Solid growth in savings and investments and loans to customers

Outstanding savings & investments

EUR bn



- Deposits
- Life reserves (investment products)
- Off-balance sheet investments

Outstanding loans to customers

EUR bn



- Other loans
- Consumer loans
- Mortgage loans (Bank)
- Mortgage loans (Ins.)
- Business loans

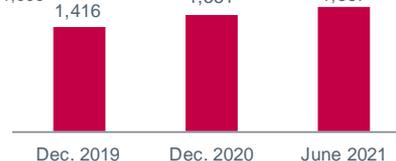
- Retail & Commercial continues to show overall excellent activity dynamics despite increased pressure from continuing growth of non-maturing deposits:
 - strong organic growth (EUR +4.8bn), both in non-maturing deposits as in off-balance sheet products, testimony of growing investor base of Belfius and the positive market effects despite the Covid-19 crisis
- Outstanding loans increased by EUR 1.9bn (+3.4%) compared to end 2020. The increase is driven by an equal growth in business loans and mortgage loans

Bank

Growing activity on direct channels

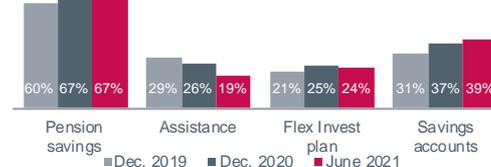
Active mobile users

x 1,000



Sales through direct channels¹

%



Credit cards



~40% of credit cards are sold through direct channels¹

Customer equipment rate

3.12

Products per customer

- Continued strong customer engagement resulting into steady increase of active mobile users (+5% vs. Dec. 2020), with on average 34 active mobile interactions per user, per month in 1H 2021. Belfius' app is not only the best rated Belgian banking app for five years in a row but also the second² best banking app in the world
- Belfius continues to extend the functionalities of its direct channels. In 1H 2021, 67% of the new pension savings contracts, 40% of the new credit cards and 39% of the new savings accounts were subscribed via direct channels
- Average equipment rate of RC customers remained stable at 3.12 compared to December 2020

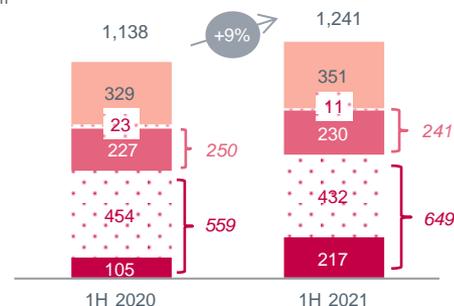
Bank-insurance strategy continues to support Belfius' insurance activities and their product mix transformation

Insurance

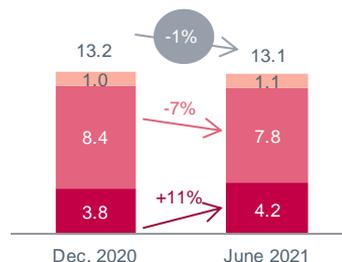
Bank-Insurance

Insurance sales & reserves in line with product mix evolution

Insurance production EUR m



Insurance reserves EUR bn



■ Unit-linked (Br23, GWP) ■ Guaranteed products (Br21/26, GWP) ■ Non-life
 ▨ Unit-linked (Br23, TCA⁴) ▨ Guaranteed products (Br21/26, TCA)

■ Unit-linked (Branch 23) ■ Guaranteed products (Branch 21 & 26) ■ Non-life

Continuously solid bank-insurance cross-sell

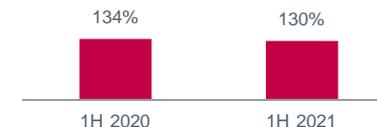
Property insurance

Belfius Home & Family cross-sell (%)



Credit linked life insurance

Belfius Home Credit Protect cross-sell (%)³



- RC non-life insurance premiums in 1H 2021 stood at EUR 351m, up 6.6% compared to 1H 2020, boosted by the bank distribution channel (+11.4%)
- RC life insurance (unit-linked and traditional) production stood at EUR 890m in 1H 2021¹, up 10% compared to 1H 2020²
 - unit-linked (Branch 23) production increased by 16.2% as 1H 2021 was particularly strong in terms of Branch 23
 - traditional life (Branch 21/26) production decreased with -3.5% following the low interest rates environment
- Total RC insurance reserves stood at EUR 13.1bn per 1H 2021: unit-linked reserves increased by 11.2% showing combination of good production and positive market effect, while traditional life reserves decreased by -7.2%, demonstrating the ongoing life product mix transformation from guaranteed products to unit-linked products
- Belfius continues to show solid mortgage loans related cross-sell ratios, confirming strong bank-insurance development. The slight decrease in credit-linked life insurance cross-sell is mainly due to lower insured amounts, in line with demographic trend towards more single-person mortgage loans and dwellings

Notes: 1. Of which EUR 447m GWP and EUR 443m transfers; 2. Of which EUR 331m GWP and EUR 477m transfers; 3. Mortgage-related cross-selling ratio based on contractual data and showing the average insured amount compared to the mortgage; 4. Transfers, Conversions and Arbitrage

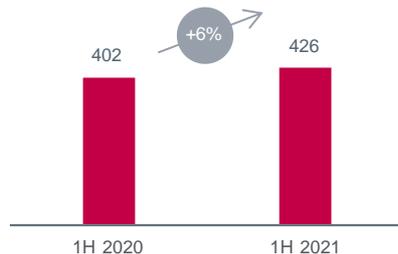
Strong increase of F&C income as a result of successful “Bank for Investors” strategy

Bank

Growing NII even in continuously low interest rate environment

Net interest income

EUR m



- Strong RC NII amounting to EUR 426m in 1H 2021:
 - An increase of 6%, especially driven by the strong loans volume growth at disciplined pricing partially compensated by the margin pressure on non-maturing deposits

Bank

Strong Fee & Commission income

F&C income

EUR m

- Distribution from insurance¹
- Savings & investments²
- Payments, credits & other



Assets under management³

EUR bn, end of period (■) and average (—)



- Strongly increasing fee and commission income (+19%):
 - higher fees from savings & investments driven by increasing entry and management fees, thanks to the successful launch of our “Funds of the future” (Climate, Cure, Wo=Men, Be=Long and Move)
 - Higher fees from payments, credits and other, contributing an additional EUR 12m

Notes: 1. Classical life and non-life; 2. Including insurance distribution from insurance investment products; 3. Discretionary management as well as off-balance sheet customer investments in mutual funds, mandates and other products such as bonds, equities, etc.

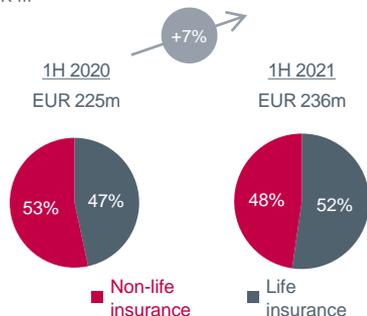
Lower non-life insurance and other income, partially compensated by strong increase of life income. Overall growing total income

Good contribution from insurance

Insurance income

EUR m

Insurance



Life margin¹



Non-life net loss ratio



Other income

Other income

EUR m

Bank-Insurance

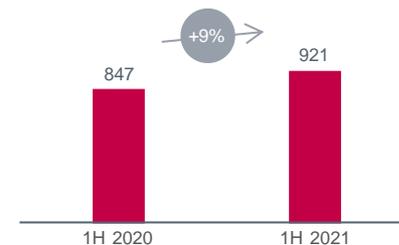


Growing total income

Total income

EUR m

Bank-Insurance



- RC life insurance contribution amounted to EUR 124m, up 18% compared to 1H 2020. Life income is benefiting from solid ALM management leading to strong financial margins, and some release of technical provisions, compared to the negative fair value impacts in less benign financial markets
- RC non-life insurance contribution reached EUR 113m (-6% vs. 1H 2020) following lower results on previous' years' claims

- Other income decreased by 23% towards EUR 72m, mainly due to higher bank levies, partially offset by higher received dividends in financial markets activities underpinning RC products & services

- Strongly increasing revenues (+9%) demonstrating the pertinence of Belfius' RC strategy in the context of the recovering macroeconomic environment

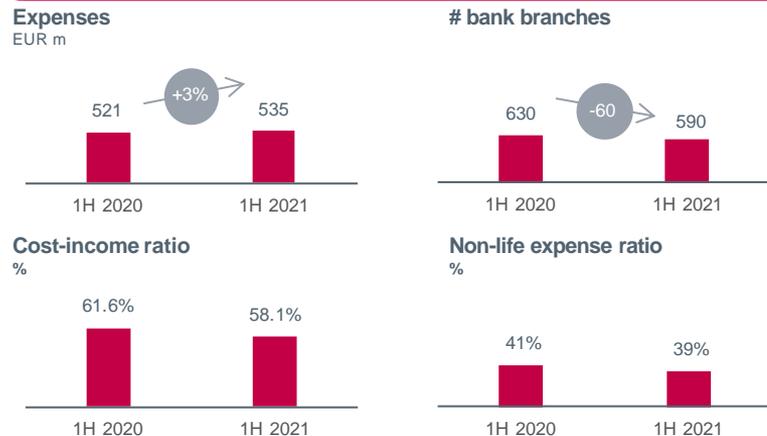
Strategic initiatives with further investments in Investment Services, IT and digital are executed within strict overall cost control framework. Reversals of Covid-19 related provisioning further contributing to higher net income

Retail & Commercial

Bank-Insurance

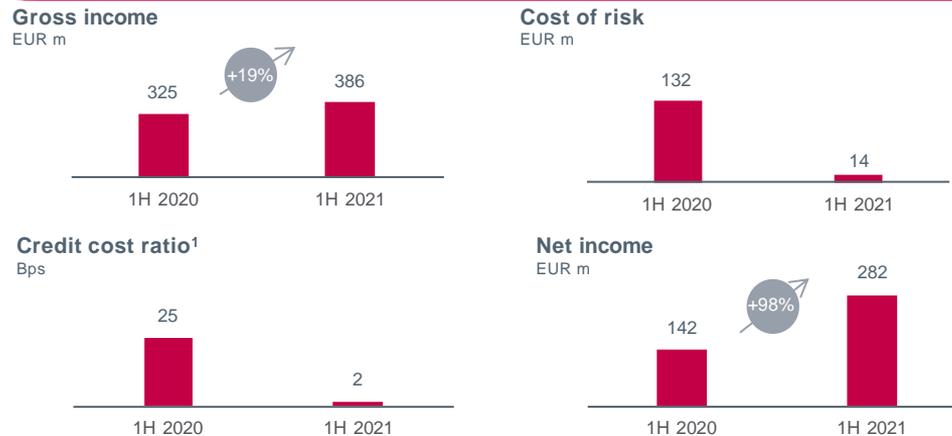
Bank-Insurance

Well controlled operating expenses



- Expenses in 2020 only slightly increased compared to 1H 2020 thanks to (i) cost control measures notwithstanding Belfius' ambitious growth journey driven by digitalization and modernization, and (ii) accelerated depreciation during 2H 2020 of some internally developed software.
- Belfius continues to gradually adjust its physical branch network, in line with customer behaviour, digitalisation trend and bank-insurance platform integration
- Increasing income and stable expenses lead to a decrease of the cost-income ratio to 58.1% (from 61.6% in 1H 2020)

Growing pre-provision income, high net income



- High pre-provision income of EUR 386m (vs EUR 325m in 1H 2020), showing strong increase due to growing business model of RC
- High cost of risk and credit cost ratio per 1H 2020, which was heavily impacted by the Covid-19 crisis. Benign credit stats so far during 1H 2021 lead to:
 - business loans: EUR 20m CoR in 1H 2021 (13.1 bps)
 - mortgage loans (Bank): EUR -5m CoR (net reversal) in 1H 2021 (-1.4 bps)
 - consumer loans: EUR 0.3 CoR in 1H 2021 (1.4 bps)
- Total net income amounts to EUR 282m in 1H 2021 (up from EUR 142m in 1H 2020)

Notes: 1. Calculated as the cost of risk divided by average outstanding loans for the segment

4. Segment results¹

2. PC

- Even more relevant during Covid-19 crisis times, **Public & Corporate** continues to develop into full-blown bank for Belgian corporates, and remains the leading full service provider in the Belgian Public & Social segment
 - continued slight increase in loans to PC customers (+1.2%)
 - continued momentum in Debt Capital Markets; participation rate of 87% within the Public and Social segment and 58% within the Corporate segment in the Belgian market
 - 9 equity capital market transactions for various corporate clients, continuously building on the partnership with Kepler Cheuvreux
- **Resilient NII** despite low interest rate environment, showing slight decreased of 1% towards EUR 256m per 1H 2021
- **Strong increased contribution of fees and commissions** (+19%) towards a net F&C income of EUR 33m in 1H 2021
- **Increasing income contribution from insurance activities** due to strongly increasing contribution from life insurance activities, mainly from better financial markets and solid ALM management
- **Very well contained increase of operating expenses** of EUR 4m compared to 1H 2020
- **Growing pre-provision income**, to EUR 215 in 1H 2021 (vs EUR 174m in 1H 2020)
- The **cost of risk** amounted to EUR -41m (net reversal) in 1H 2021, especially thanks to net reversal of some Covid-19 related provisioning made in 2020, and in light of continued benign credit stats in Belgian market so far
- All-in-all leading to a **strong net income** of EUR 194m in 1H 2021, compared to EUR -83m in 1H 2020

Note: 1. Begin 2021, the Local Corporate clients have been transferred from RC to PC Corporate business line. A proforma has been applied on 2020 figures. Local Corporate clients are companies with an annual turnover between EUR 10m and 25m. The results and volumes generated by these customers were previously reported under the RC segment. Since the beginning of 2021, the results and volumes generated by these clients are included in the Corporate segment of PC, even if they are served by local corporate advisers & bankers

Belfius continues to develop into a leading bank for Corporates, and remains leading full service provider in the Public & Social segment

Public & Corporate

Bank-Insurance

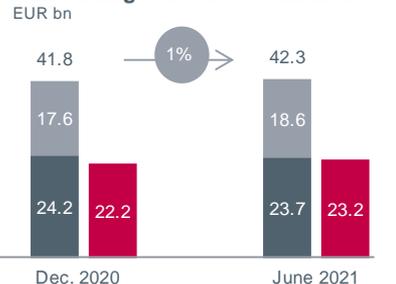
Savings & investments and loans & commitments to customers

Outstanding savings & investments



■ Deposits
■ Life reserves (investment products)
■ Off-balance sheet investments

Outstanding loans and commitments



■ Off-balance sheet
■ On-balance sheet Corporate Banking (CB)
■ On-balance sheet Public & Social Banking (PSB)

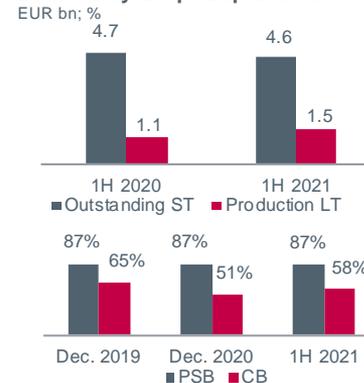
- Public & Corporate continues to grow towards full-blown lead bank for Belgian corporates and remains the reference for the Public & Social segment:
 - total customer balances amounted to EUR 41.3bn, down 2% compared to end 2020, a combination of a limited positive market effect (EUR +0.2bn) and a negative organic growth of EUR -1.0bn
 - the outstanding loans slightly increased compared to Dec. 2020, driven by Corporate Banking (CB)

Notes: 1. Belfius Lease and Autolease for PC customers included

Bank

Debt and Equity Capital Markets activities and PCB loan production

DCM activity and participation rate



PSB and corporate long term loan production¹



Equity Capital Markets (ECM)

9 Transactions in 1H 2021

- PC clients maintain diversified financing profiles through DCM activity
 - during 1H 2021, Belfius has placed a total of EUR 4.6bn short term notes and EUR 1.5bn long term notes for P&S & corporate sector clients
- Belfius kept its participation rate for P&S sector clients stable at 87% and participated in more than half of the corporate bond transactions in the Belgian market, hence confirming its leadership position
- The production of corporate LT loans reached EUR 2.7bn, production of PSB LT loans reached 1.1 bn, both remaining stable compared to 1H 2020.
- Belfius also structured and placed a total of 9 capital market transactions within ECM for various corporate clients in close cooperation with Kepler Cheuvreux with whom Belfius entered, into a strategic partnership in November 2017

Resilient NII thanks to disciplined pricing, alongside continued growth in fees and commissions

Public & Corporate

Bank

Rather stable net interest income despite challenging interest rate environment

Net interest income
EUR m



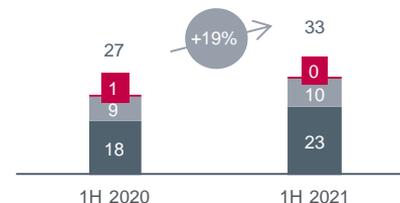
- The net interest income for PC remains stable at EUR 256m a decrease of 1% compared to 1H 2020. Note that the first semester of 2020 benefitted from the extensive restructuring of a specific corporate leasing file. High loan volumes, disciplined control of the margins and pricing in a negative rate environment, allow to maintain the net interest income at resilient level

Bank

Increasing fees & commissions

F&C income
EUR m

- Distribution from insurance¹
- Savings & investments²
- Payments, credits & other



- Good commercial interaction between lending and non-lending services lead to an increase of 19% in fee and commission income

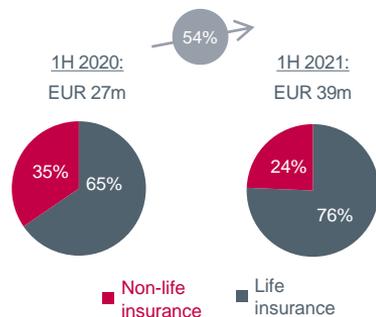
Higher insurance contribution and strong other income, leading to increasing PC income

Insurance

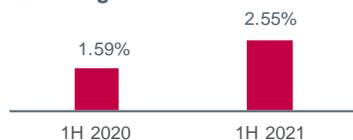
Increase of insurance contribution

Insurance income

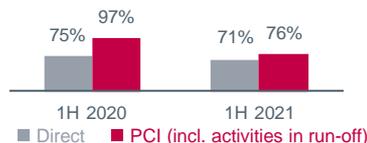
EUR m



Life margin¹



Non-life net loss ratio

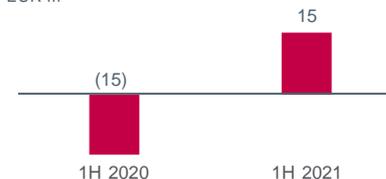


Bank-Insurance

All-in-all leading to an increase of total income

Other income

EUR m



Total income

EUR m



- PC life insurance results evolving positively in 1H 2021 (EUR 30m, up EUR 12m vs 1H 2020) mainly due to better financial markets and solid ALM management
- Non-life results are in line with last year and continue to benefit from a historically benign current year claims charge

- Other income increased with EUR 30m compared to last year. This positive result is mainly explained by better results from financial market activities underlying PC product & services

- Resilient NII, higher fee and commission income, combined with higher insurance income and higher other income lead to an increasing PC total income of EUR 343m in 1H 2021

Strategic initiatives with further investments in Corporate Banking, IT and digital, are executed within strict overall cost control framework. Material net Reversal in cost of risk in 1H 2021

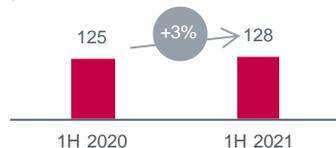
Public & Corporate

Bank-Insurance

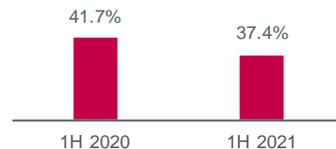
Improved cost-income ratio

Expenses

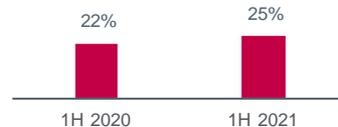
EUR m



Cost-income ratio



Non-life expense ratio



- The impact of Belfius' strategic development and digital and IT investment programs is partially compensated by strict cost control measures
- Reported cost-income ratio (37.4%) significantly improved vs 1H 2020 (41.7%)

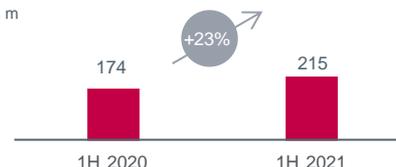
Notes: 1. Calculated as the cost of risk divided by the average outstanding loans for the segment

Bank-Insurance

Growing pre-provision income leading to strong rebound in net income

Gross income

EUR m



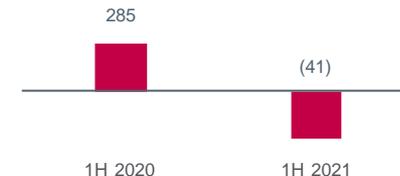
Credit cost ratio¹

Bps



Cost of risk

EUR m



Net income

EUR m



- Overall, pre-provision income PC showed strong growth
- Decrease of the credit cost ratio mainly stemming from the macroeconomic recovery and our expert judgement analyses, within Covid-19 context:
 - Corporate loans: EUR -41m CoR (net reversal) in 1H 2021 (-23 bps)
- In comparison to 1H 2020, the net income of PC rebounds to EUR 194m in 1H 2021

4. Segment results

3. GC

- **GC income** amounted to EUR -32m in 1H 2021, EUR 18m lower than last year, mainly due to higher bank levies (which are still 50% allocated to GC in analytical terms at the end of the June 2021)
- **Costs decreased** from EUR 65m in 1H 2020 to EUR 56m in 1H 2021, benefitting from general cost control framework
- **Pre-provision income** GC lower than in 1H 2020 (EUR -88m vs -79m) due to higher bank levies
- The **cost of risk** stood at EUR -3m in 1H 2021, compared to EUR -24m in 1H 2020 (the latter was mainly related to the reversal of some credit risk provisions)
- **GC tax expenses** amounted to EUR 17m in 1H 2021 compared to EUR 16m in 1H 2020
- Overall, **GC net income** decreased compared to last year and stood at EUR -70m in 1H 2021 compared to EUR -38m in 1H 2020
- The run-off portfolios continue their gradual (natural) run-off, accompanied by some opportunistic derisking actions (unwinds or novations)

Reminder – summary overview of Belfius' Group Center

Belfius' Group Center (notional amounts as of June 2021)

		Bond portfolio		Derivatives and guarantees	Other GC activities
		ALM Liquidity	Run-off ALM Yield	Run-off portfolio	
		<ul style="list-style-type: none"> LCR eligible bonds (EUR 7.5bn) 	<ul style="list-style-type: none"> Non-LCR eligible bonds (EUR 3.5bn) Bought credit protection for some ALM yield bonds 	<ul style="list-style-type: none"> Collateralized derivatives with Dexia entities, intermediated and hedged with Financial Markets (notional of EUR 8.6bn) Non-collateralized derivatives with international counterparts (notional of EUR 2.3bn) Credit guarantees: protection given, partly reinsured with monolines (notional of EUR 2.9bn) 	<ul style="list-style-type: none"> Management of specific credit risk files (Holding Communal & Arco entities) Various other items: <ul style="list-style-type: none"> ALM derivatives for B/S management Financial markets services (mostly to business lines and ALM) Central assets Insurance GC Other
Considerations	<ul style="list-style-type: none"> Part of Belfius Bank's total LCR liquidity buffer Well diversified, high credit quality and highly liquid portfolio 	<ul style="list-style-type: none"> Bond portfolio historically used to manage excess liquidity Mainly high quality bonds of international issuers with a ~19 years residual duration Managed in natural run-off and standard credit risk management 	<ul style="list-style-type: none"> Originates from former competence center for derivatives within the Dexia Group Derivatives and credit guarantees managed in natural run-off and standard risk management 		

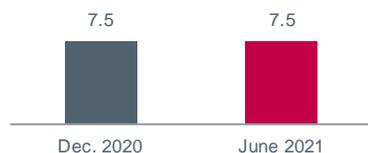
Run-off portfolios

Evolution of GC portfolios

ALM Liquidity

ALM Liquidity bond portfolio

Notional value ⁽¹⁾
EUR bn



Average Rating

A- A-

Expected average life (years)

6.9 7.2

Investment grade (%)

99.9% 100%

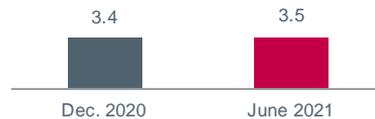
Credit regulatory risk exposures (EUR bn)

1.9 2.2

Run-off portfolios

ALM Yield bond portfolio

Notional value
EUR bn



A⁽¹⁾ A⁽¹⁾

19.2 18.9

97% 97%

3.4 4.1

Derivatives

Notional value⁽³⁾
EUR bn



BBB BBB

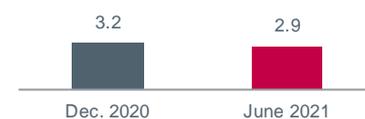
12.8⁽³⁾ 12.2⁽³⁾

92% 93%

0.6 1.0

Credit guarantees

Notional value
EUR bn



A- BBB+⁽²⁾

9.0 9.4

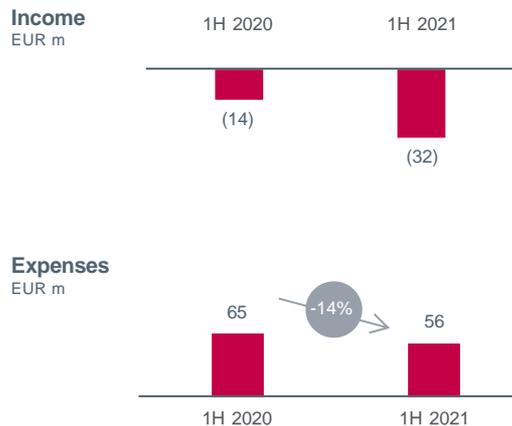
99% 97%

1.5 1.6

Notes: 1. Includes rating impact from bought credit protection for some ALM yield bonds; 2. Decrease in average rating relates to a downgrade of a few positions within the credit guarantees portfolio; 3. Calculated based on EAD

Lower net income for GC mainly driven by higher bank levies and less favorable cost of risk than in 1H 2020

Income and expenses decreasing



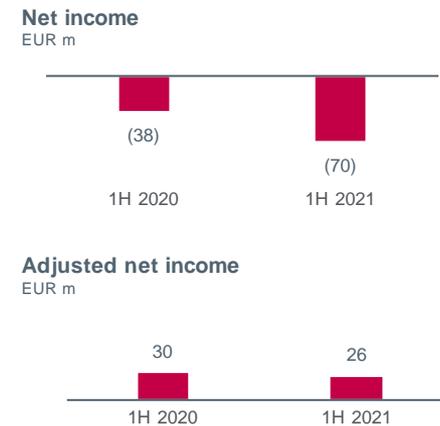
- GC income amounted to EUR -32m in 1H 2021, a decrease of EUR 18m that is mainly due to higher bank levies which are still 50% allocated to GC at the end of June 2021
- Costs decreased from EUR 65m in 1H 2020 to EUR 56m in 1H 2021, benefitting from general cost control framework

Positive but lower CoR and stable tax benefit



- Positive cost of risk of EUR +3m in 1H 2021, compared to EUR +24m in 1H 2020, mainly related to the reversal of some credit risk provisions
- GC tax expenses amounted to EUR +16m in 1H 2021 compared to EUR +17m in 1H 2020. Stable tax income in spite of the lower pre-tax income of GC in 1H 2021. This is mainly due to the impact of the negative result at our Irish subsidiary for which no deferred tax assets were recognized in 1H 2021 (whereas the realized profit of 1H 2020 at this subsidiary was untaxed)

Higher net loss



- All in all, **GC net income** is lower than last year and stood at EUR -70m in 1H 2021 compared to EUR -38m in 1H 2020

4. Segment results¹

4. RoE

- Belfius' strategy is based on the development of a **strong and diversified commercial franchise** that is to be supported by **solid risk and financial profile** foundations, a strategy even more relevant since the Covid-19 crisis
- This translates into **growing commercial activities, further growing their footprints in a through-the-cycle profitable way** and investments in sustainable business model developments, on the basis of solid solvency foundations
- The **relevant diversified strategy has materialised in a solid RoE**, after the adverse impact of the Covid-19 crisis. The RoE increased markedly to 9.3%, against 4.1% in 1H 2020. For RC, the RoNRE stood at 16.8% compared to 13.5% in 1H 2020, whereas the RoNRE for PC stood at 10.0% in 1H 2021 compared to -0.5% in 1H 2020.

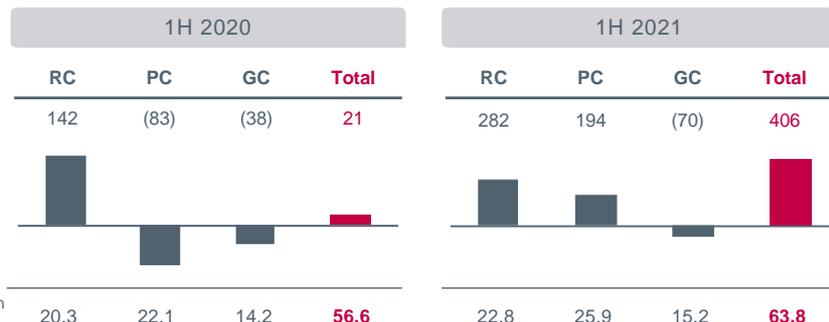
Note: 1. Begin 2021, the Local Corporate clients have been transferred from RC to PC Corporate business line. A proforma has been applied on 2020 figures. Local Corporate clients are companies with an annual turnover between EUR 10m and 25m. The results and volumes generated by these customers were previously reported under the RC segment. Since the beginning of 2021, the results and volumes generated by these clients are included in the Corporate segment of PC, even if they are served by local corporate advisers & bankers

Materially higher RoE for the Group, stemming from increasing RoE at RC and PC level

Increasing net income for RC and PC and increasing RWA in line with commercial dynamics

Net income

EUR m

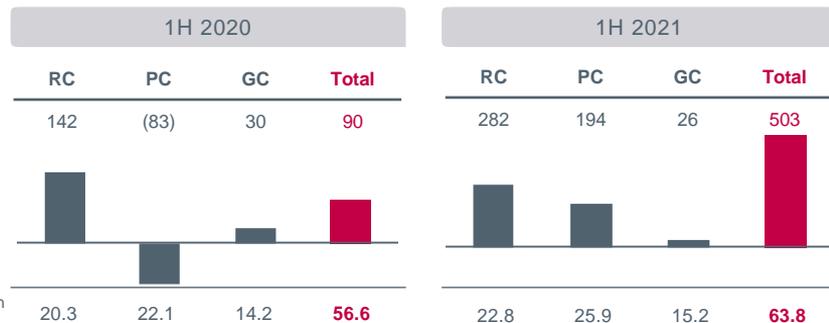


RWA

EUR bn

Adjusted net income

EUR m

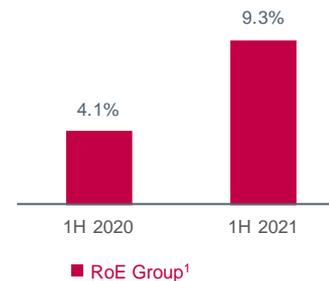


RWA

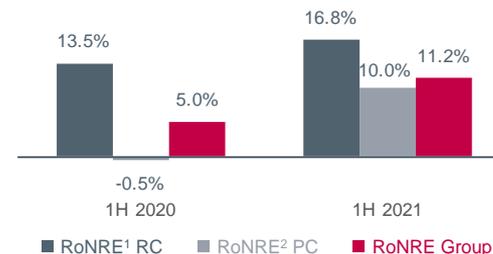
EUR bn

Materially higher RoE at group level

Return on Equity at group level



Return on Normative Regulatory Equity



Notes: 1. New RoE calculation method: sum of the net result of the last 4 quarters divided by the 4 quarter rolling average of the Shareholders Equity. Therefore 4.1% in 1H 2020 differs from 0.5% per publication of 1H 2020; 2. Return on average normative regulatory equity based on Common Equity Tier 1 capital at 13.5% of RWA

5. Financial solidity¹

- Even though deploying a strategy to continue to put our capital at work to support our commercial dynamics and to support our customers during the Covid-19 crisis, Belfius continues to **show resilient solvency metrics**:
 - CET1 ratio of 16.16% as of end June 2021, down 95 bps compared to December 2020. This as a result of the increase in risk weighted assets towards EUR 63.8bn, partially compensated by a positive impact of higher CET1 capital
 - continued solid leverage ratio of 6.9%; excluding the allowed adjustment for certain exposures to Central Banks, the leverage ratio would stand at 5.7% in 1H 2021
- This solid capital base still **compares well to Belfius' minimum SREP level and internally defined minimum operational zone**
 - minimum CET1 supervisory requirement amounts to 9.635% compared to 10.82% end 2019. The lower CET1 supervisory requirement follows (i) decisions of various national supervisors to release the countercyclical buffer rates due to the Covid-19 crisis, (ii) the implementation of the notification of the ECB measure whereby P2R (Article 104-a of CRD IV) can be partially met with capital instruments that do not qualify as Common Equity Tier 1 (AT1 and Tier 2 instruments) and (iii) the decline in P2R requirements for Belfius
 - CET1 of 16.16% well above the internally defined minimum operational CET1 ratio zone, during the Covid-19 crisis, of 12.5% to 13.5%
 - The resilience of Belfius' solvency has been confirmed by the latest EBA stress test, published on 30 July 2021. With a stronger capital position at the start and the lowest CET 1 ratio depletion (-2.7%) ever after the most severe stress since the start of the EBA stress testing framework, Belfius shows a strong resilience to extreme financial and economic shocks. The outcome confirms the resilience of Belfius' business models and highlights the relevance of its diversification strategy framed within a disciplined risk and financial management, which includes solid capital position, opportunistic de-risking, hedging strategies and prudent provisioning approach in the Covid-19 crisis
- **Insurance activities also show continued solid solvency metrics**, with Solvency II ratio of 197% end of June 2021
- **Continued strong liquidity and funding profile**
 - LCR of 189% and NSFR of 136%
 - liquid asset buffer as of June 2021 representing 8.3x next year wholesale refinancing needs
 - loan to deposit ratio (for commercial balance sheet) decreased from 89% at end December 2020 to 88% per end June 2021
- **Asset quality still well contained although impacted by Covid-19 crisis**
 - Belfius decreased its LLP for loans to customers from EUR 1,828m end 2020 to EUR 1,766 end June 2021
 - Overall, Belfius' loan loss provisioning decreased in all three stages, NPL ratio remaining stable compared to December 2020 at 2.02%. This translated into a coverage ratio of 58.2% as per end June 2021 (vs. 60.0% in Dec. 2020)

Note: 1. Begin 2021, the Local Corporate clients have been transferred from RC to PC Corporate business line. A proforma has been applied on 2020 figures. Local Corporate clients are companies with an annual turnover between EUR 10m and 25m. The results and volumes generated by these customers were previously reported under the RC segment. Since the beginning of 2021, the results and volumes generated by these clients are included in the Corporate segment of PC, even if they are served by local corporate advisers & bankers

Belfius continues to show solid capital and leverage ratios

Group

CET1, Tier 1 and Total capital ratio¹

■ CET1
■ Add. Tier 1
■ Tier 2

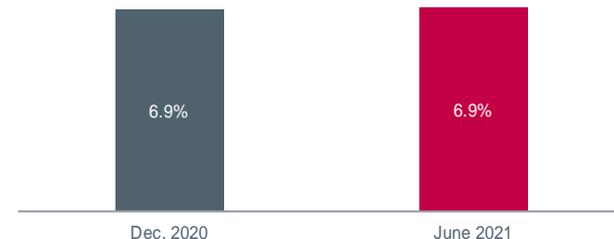


EURm	June 2020 DC book value	Dec. 2020 DC book value	Dec. 2020 DC equity value	June 2021 DC equity value
CET1	8,793	9,495	10,150	10,318
T1	9,290	9,992	10,647	10,815
CAD	10,749	11,425	12,080	12,218
RWA	56,643	56,810	59,309	63,848

- CET1 ratio stood at 16.2%, 95 bps down compared to Dec. 2020 as a result of the increase in risk weighted assets towards EUR 63.8bn, partially compensated by a positive impact of higher CET1 capital
- Total Capital ratio stood at 19.1%
- Since 4Q 2020, Belfius applies the Danish compromise based on Belfius Insurance equity value instead of book value in the consolidated accounts

Bank

Leverage ratio²



- Leverage ratio stood at 6.9%³, which is in line with Dec. 2020

Note: 1. Regulatory ratios at Belfius Bank consolidated level using the Danish compromise. For the determination of the Common Equity Tier 1 capital: the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the equity instruments held by Belfius Bank in Belfius Insurance after deduction of goodwill. Since 4Q 2020, Belfius applies the Danish compromise based on Belfius Insurance equity value in the consolidated accounts (instead of based on the historical book value before) - comparison between the two methods is shown in the graph above; 2. Based on the prudential consolidation perimeter, where Belfius Insurance is considered as an external party (hence not consolidated); 3. The leverage ratio without the allowed Covid-19 relief measure to exclude part of the exposures to Central Banks amounts to 5.7% per 1H 2021

Continued solid CET1 ratio is enabling Belfius to continue to support the Belgian economy and to execute its commercial strategy

Group

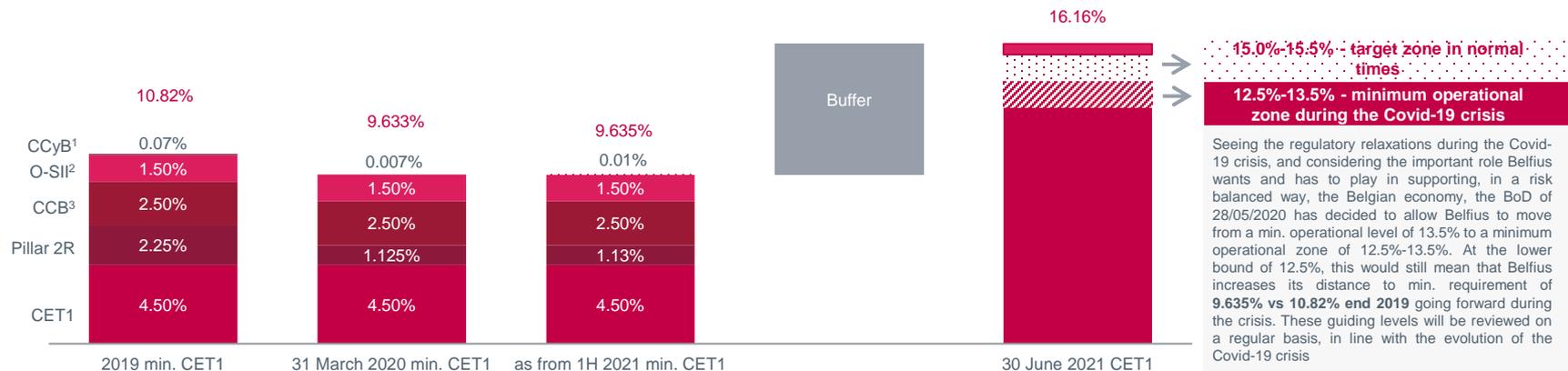
This solid capital base compares comfortably with Belfius' minimum SREP level and internally defined minimum operational zone



- CET1 ratio of 16.16% as of end June 2021, - 95 bps compared to December 2020
- In 2021 H1, the increase in RWA results mainly from strong commercial growth particularly in corporate banking. Note that credit quality indicators remained good showing the resilience of retail and corporates segments to the Covid-19 crisis also thanks to policy measures; a more stringent regulatory environment with TRIM decisions affecting Belfius' internal models for PD/LGD on large corporates and banks and with the implementation of CRR 2 affecting a.o. multiplier to be applied on derivatives' EaD
- Using the deduction method² instead of the Danish compromise (equity value), the CET1 ratio would further increase by 15 bps and would amount to 16.3% as of June 2021

Unchanged capital framework from end 2020, in line with strategic priorities, also during Covid-19 crisis

Belfius' minimum CET1 requirements vs. Belfius' June 2021 CET1 capital position & target



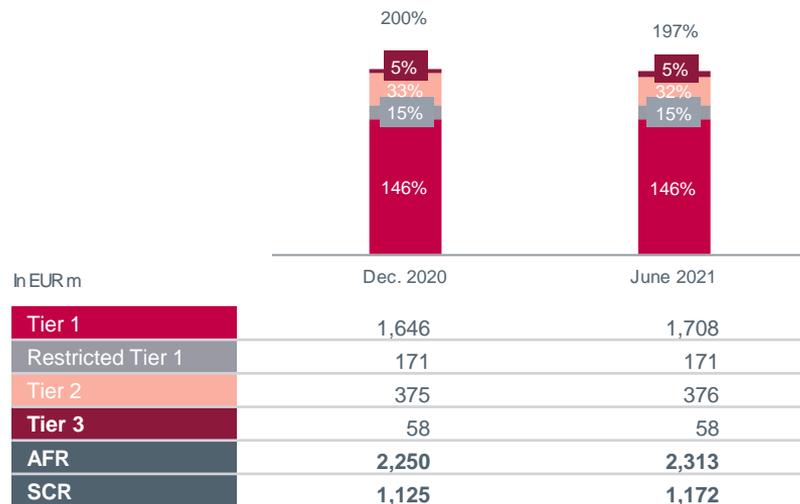
- In November 2020, the ECB notified Belfius that the SREP is not modified. Per 1H 2021, this results in a minimum CET1 requirement of 9.635% with a countercyclical buffer of 0.01%
- Belfius has a Pillar 2 Guidance (P2G⁴) of 1% CET1 ratio for 1H 2021 (same as in 2020), a recommended buffer to be held over the minimum requirements set forth above
- As of June 2021, Belfius' CET1 ratio stood at 16.16%, well above both the minimum supervisory requirement and Belfius' internally defined minimum operational CET1 ratio zone

Notes: 1. Countercyclical buffer. Note that the countercyclical buffer is quarterly assessed and the main countercyclical buffers applying to Belfius were set at 0.01% in 1H 2021; 2. Other Systemically Important Institutions Buffer; 3. Capital Conservation Buffer; 4. P2G is set above the level of binding capital requirements (Pillar 1 and Pillar 2 Requirement (P2R)) and on top of the combined buffers. According to the EBA clarification, the Pillar 2 capital guidance is not relevant for the Maximum Distributable Amount trigger and calculation.

Belfius Insurance continues to display solid solvency metrics

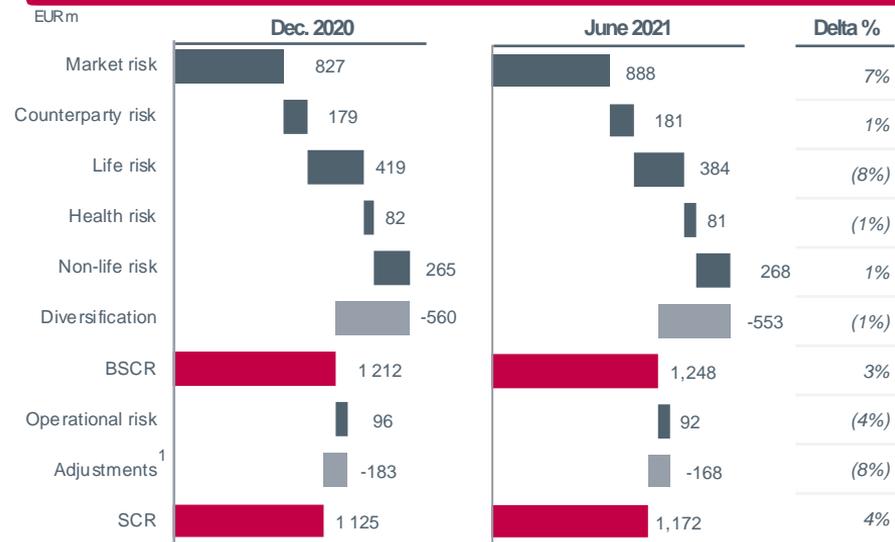
Insurance

Strong and high quality solvency levels



Insurance

Decomposition of Solvency Capital Requirement



- Compared to December 2020, the AFR after foreseeable dividend of Belfius Insurance has increased by EUR 63m towards EUR 2,313m in 1H 2021 thanks to the good performance of the financial markets in the first half of 2021, which was partly compensated by the annual review of the non-economic liability assumptions
- The required capital amounted to EUR 1,172m at the end of June 2021, which is EUR 47m higher compared to end 2020. Market risk remains the main contributor to the required capital due to spread and equity risk. SCR linked to interest rate risk was rather limited thanks to the ALM management of Belfius Insurance, targeting a limited global duration mismatch between assets and liabilities

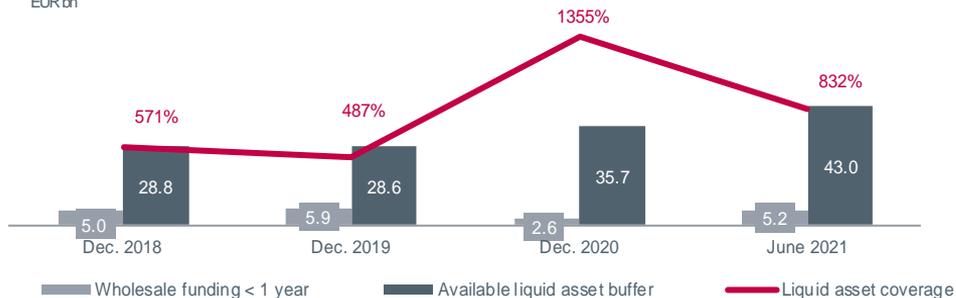
Notes: 1. Loss absorbing capacity of deferred taxes

Belfius Bank continues to display strong liquidity stance, even further boosted during Covid-19 crisis

Bank

Exceptional refinancing need coverage

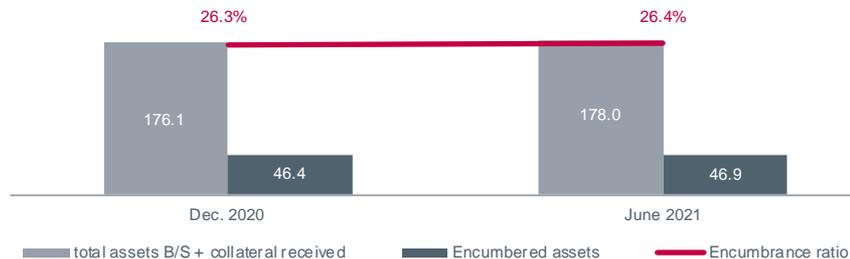
EURbn



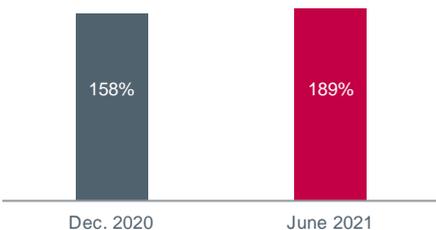
Bank

Encumbered assets³

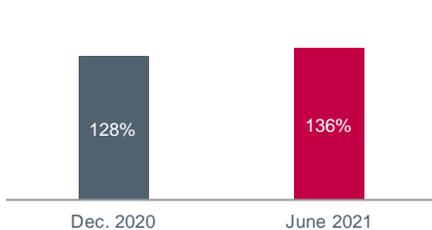
EURbn



LCR¹

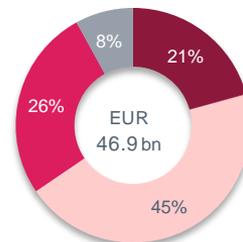


NSFR²



Detail of the encumbered assets

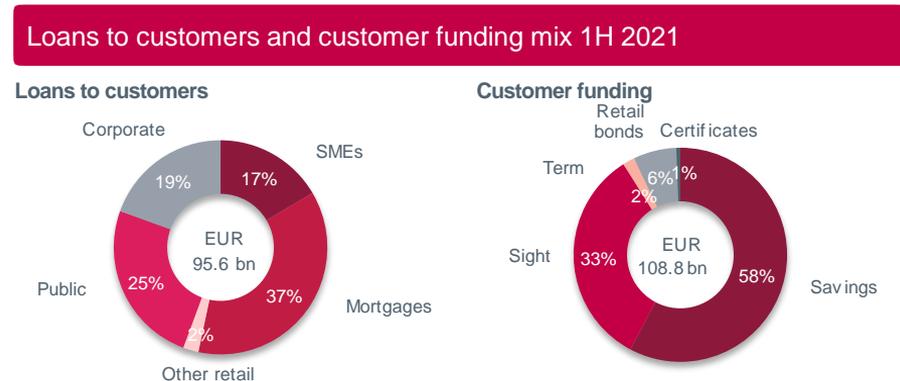
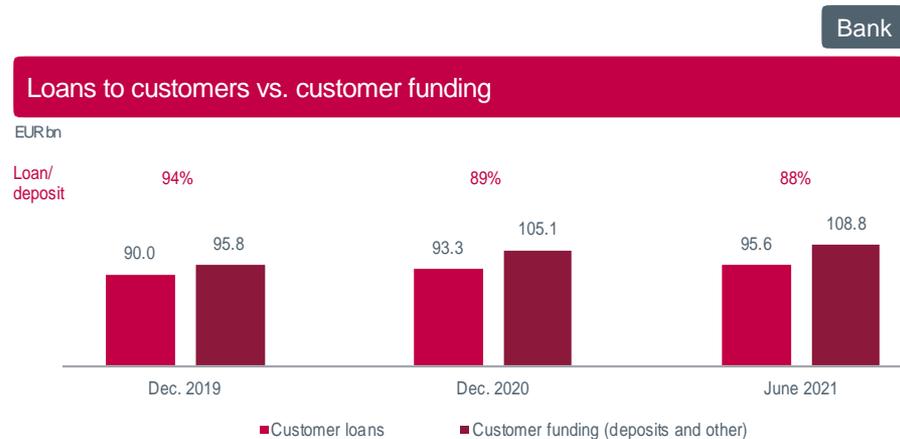
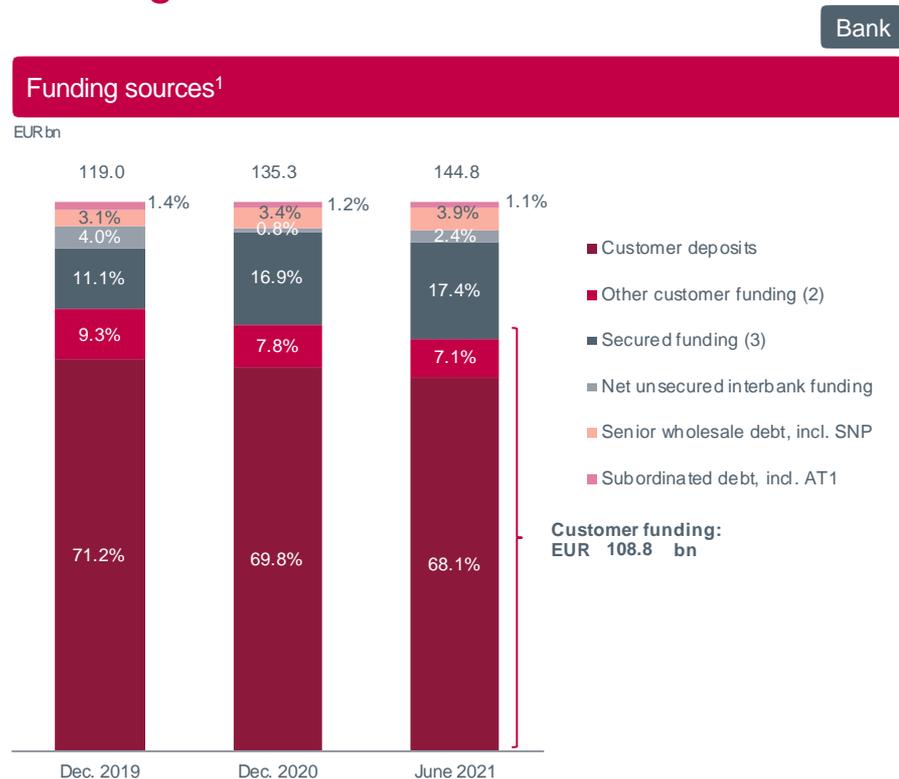
EURbn



- Covered bonds
- Repo, ECB (TLTRO) & other collateralized deposits
- Collat. pledged for derivatives exposures
- Other

Notes: 1. Calculation based on 12 months average. The Liquidity Coverage Ratio (LCR) refers to the regulatory ratio between the stock of high quality liquid assets and the total net cash outflow over the next month under stress ; 2. The Net Stable Funding Ratio (NSFR) refers to the regulatory ratio between the available amount of stable funding and the required amount of stable funding and is based on Belfius' interpretation of the current Basel Committee guidelines, which may change in the future; 3. Based on median values as required by the EBA.

Belfius Bank has a continuously increasing funding base, driven by significant contribution from RC and PC customers, and further increased by additional TLTRO III drawing

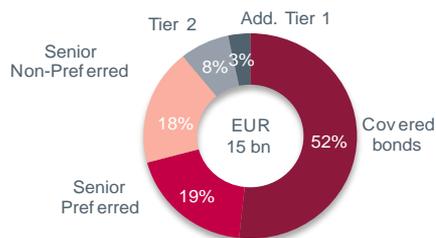


Notes: 1. Belfius Bank only; 2. Other customer funding includes retail bonds and savings certificates (6.6% and 0.5% as percentage of total funding, respectively); 3. Secured funding includes Covered Bonds (5.4%), TLTRO (10.8%) and other longer term secured funding (1.3%). Please note: end 2020, Belfius' TLTRO funding amounted to EUR 14,25bn, end 1H 2021, Belfius' TLTRO funding amounted to EUR 15.65bn

Belfius continues its diversified funding strategy

MLT wholesale funding strategy

As of June 2021

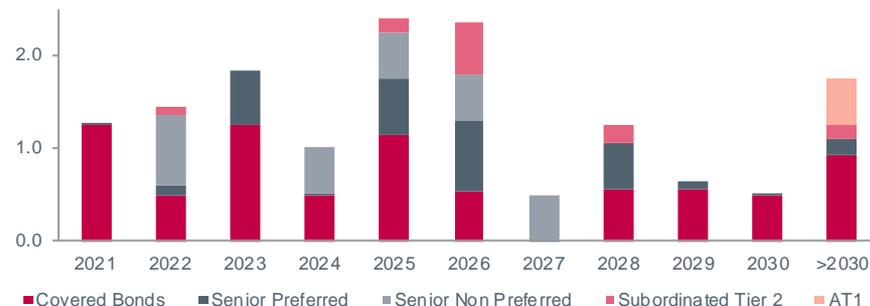


- Focus on diversification of funding sources and investor base
 - Inaugural Green Senior Non Preferred benchmark (June 2021)
 - First Preferred Senior benchmark since 2014 (Aug 2018)
 - Inaugural AT1 issuance (1Q 2018)
 - First Belgian Issuer Senior Non Preferred (Sept 2017)
 - Inaugural Tier 2 issued (Apr 2016)
 - First (since 2007) Belgian Issuer of a public RMBS transaction (Oct 2015)
 - First Issuer of Belgian Public Covered Bonds (Oct 2014)
 - First Issuer of Belgian Mortgage Covered Bonds (Nov 2012)
- In first half 2021, Belfius successfully issued a EUR 500m seven year Senior Preferred benchmark and further diversified its funding sources by issuance of its inaugural EUR 500m six year Green Senior Non Preferred benchmark

Group

Redemption profile MLT wholesale funding

EUR bn

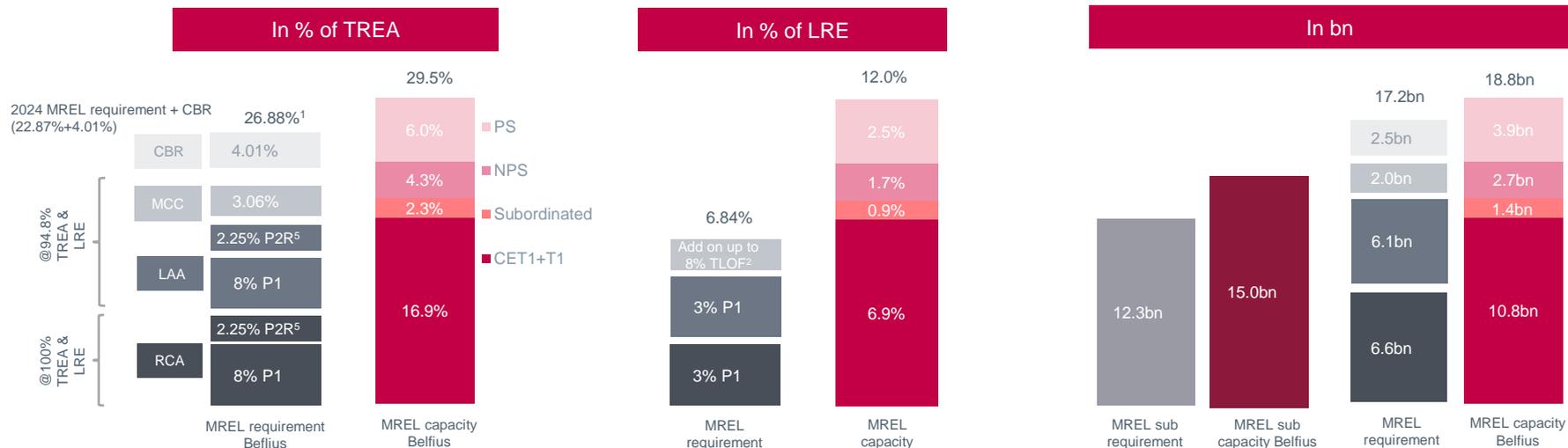


Group

- Due to material TLTRO funding, Belfius' effective wholesale funding needs could be limited in the next two years
- Over the coming 3 years, approximately EUR 4.5bn wholesale funding comes to maturity
- Hence, current intention is that new wholesale issues will be mainly calibrated towards MREL compliance

SRB MREL requirement for Belfius

SRB methodology and formal requirement compared to Belfius' compliance⁶



- On 28 January 2021, the NBB notified Belfius that going forward it is to execute the SRB MREL instruction regarding the minimum requirement for equity and eligible liabilities at the consolidated level of Belfius Bank under BRRD2. For Belfius Bank, the MREL requirement on a consolidated basis is set at 22.87% of TREA³ (not including CBR requirement) and 6.84% of LRE⁴. Belfius Bank must meet the target no later than 1 January 2024 and must provide for a linear build-up of equity and eligible liabilities towards the requirement. The SRB also determined an intermediate target of 22.37% of TREA and 6.84% of LRE which must be met by 1 January 2022. The SRB MREL instruction also provides for a subordination requirement: Belfius Bank must meet at least 15.25% of TREA and 6.84% of LRE by means of subordinated MREL. Own funds used to meet the combined buffer requirement (CBR) set out in Directive 2013/36/EU (at 4.01% of TREA for Belfius currently) are not eligible to meet the requirements expressed in TREA. Belfius Bank must comply with this subordination requirement by 1 January 2024, taking into account an intermediate requirement of 15.25% of TREA (not including CBR requirement) and 6.84% of LRE that must be met by 1 January 2022
- With the annual review of MREL requirements by SRB, Belfius currently estimates that its MREL subordination requirement could be lowered from 2023 onwards, to 13.5% of TREA (or 17.51% of TREA including current CBR requirement), based on forward looking assessment of the formula applied by SRB

Overall, Belfius' loan loss provisioning decreased in all three stages, NPL ratio remaining stable compared to December 2020

IFRS 9 Credit risk impairments

Loan Loss Provision (Loans to customers)

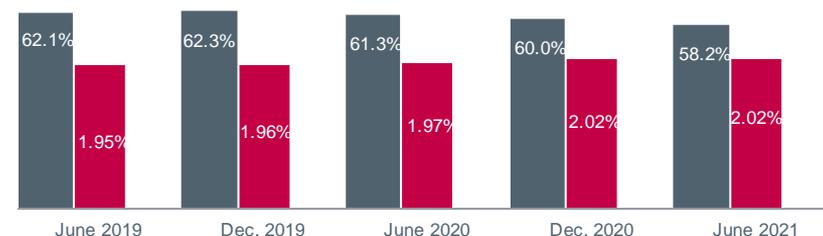
EUR m

	Dec. 2018	June 2019	Dec. 2019	June 2020	Dec. 2020	June 2021
Stage 1	163	181	198	144	134	121
Stage 2	174	188	159	453	495	462
Stage 3	1,147	1,121	1,158	1,197	1,199	1,183
Total LLP	1,484	1,490	1,516	1,794	1,828	1,766
Impaired loans	1,863	1,806	1,859	1,952	1,997	2,032
Gross outstanding	90,786	92,758	94,907	99,068	98,640	100,638

Asset quality ratio and coverage ratio

Asset quality ratio¹ and coverage ratio²

%



- The asset quality of Belfius' portfolio has been impacted by the Covid-19 crisis, but is recovering well
 - Belfius decreased its LLP from EUR 1,828m end 2020 to EUR 1,766m end June 2021
 - as of end June 2021, the loan loss provisions are decreasing in all three stages, with a NPL ratio of 2.02% that is stable compared to Dec. 2020. This translates into a coverage ratio of 58.2% in June 2021 (vs. 60.0% in Dec. 2020)
- We refer to the specific zoom on Covid-19 / cost of risk at the beginning of this presentation

Growing loan portfolio combined with still historically low inflow to non performing loans, also thanks to policy measures, currently lead to overall asset quality ratios that remain in line with historical levels

Asset quality ratio¹ per business line

RCB¹
%

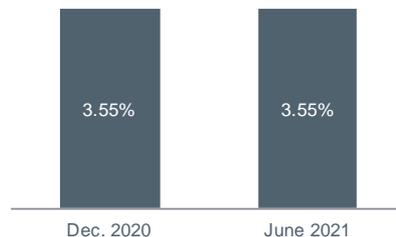


PCB²
%

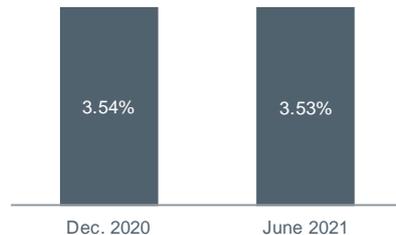


Asset quality ratio¹ by segment

Business loans
%

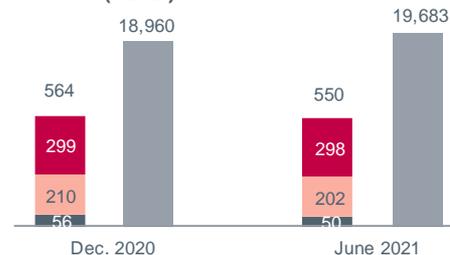


Corporate loans
%

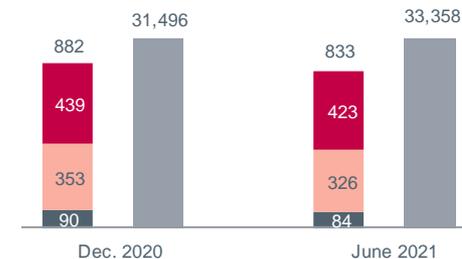


Impairments² and gross outstandings³ by segment

Business loans (FEAD)
EUR m



Corporate loans (FEAD)
EUR m



■ Stage 1 ■ Stage 2 ■ Stage 3 ■ Gross outstanding

- Business loans and Corporate loans represent the most impacted segments, under current IFRS9 provisioning for Covid-19 crisis, with LLP decreasing to EUR 550m for business loans (from EUR 564m end 2020) and EUR 833m for corporate loans (from EUR 882m end 2020)

6. ESG at Belfius

Belfius, meaningful & inspiring for Belgian Society
Together

ESG is not new for Belfius

Sustainability is in our DNA since origin...

Generate positive impact on society

180,000

social accounts, part of a unique & dedicated offer to support the more vulnerable in society

#1

in financing of municipalities, cities, hospitals & care sector

> EUR 4m

Philanthropic Funds in Succession planning

Promote renewable energy

Only

Belgian bank-insurer involved in financing of all 8 offshore wind farms in Belgium

EUR 1.65bn

financing for renewable energy since 2005

3 million

families having green energy thanks to Belfius loans

Operate in an authentic & engaged way

33.8%

women in top management

Gender equality

in terms of equal pay

Remote work

Front runner in remote work, Improving work-life balance & Avoiding CO₂ from commuting

And continues to colour the characteristics of our business strategy

...and is consistently embedded in our offerings and solutions

Funds of the future

Enable meaningful investing

Align with sustainable Development Goals

> EUR 1.2m transferred to good causes

CO2 Impact Loan

A joint offer with Belgian partner CO2Logic

Accompany & encourage clients in their transition...

...via consulting & financing for CO2 reduction projects

Re=Bel

Make investing, with a cause, accessible to all

Fully embed the Transition Acceleration Policy¹

Create transparency & awareness on ESG impact

Green bond

First emission in June 2021

EUR 500m funding allocated to green assets

ICMA compliant green bond framework

Beats

Introduce an innovative joint bank/telco offer

Contribute to Belgian society...

...via societal themes health, people, planet

Banx

Create a new, fully digital & sustainable experience

Introduce #slowbanking

Promote sustainable behavior via insights (CO₂ dashboard) & rewards

Belfius implements this deeply rooted ESG in its own way

Accelerate the transition towards a sustainable society together with our customers

Walk the talk

Do what we say, to limit our own negative impact and be credible in front of our customers

In own operations & logistics

from reducing emissions of own buildings & mobility to more sustainable procurement & IT

In own HR & reward policies

from our best in class diversity to integrating sustainability targets into remuneration

In own investments

applying our sustainable Transition Acceleration Policies in our own investment portfolio

Put the customer in the driver's seat

Advice and guide our customers in tackling societal challenges to accelerate the sustainable transition

Distinctive solutions to accompany our customers in their transition

Meaningful & sustainable investments
Positive impact loans & infrastructure financing
Insurance policies encouraging sustainable behavior

An active ESG dialogue & advice

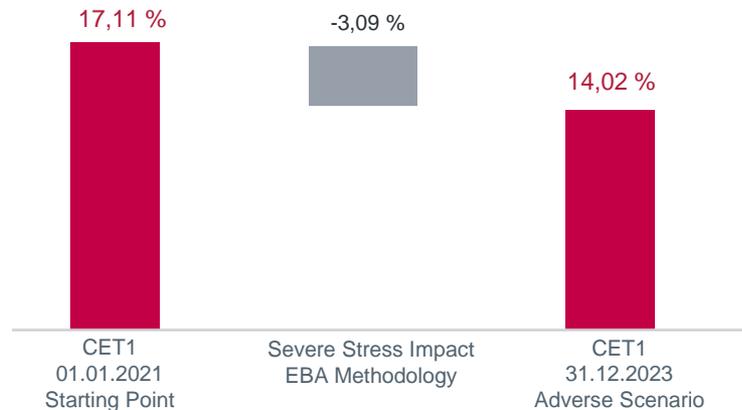
Active conversations about ambitions & challenges
Creating awareness and educating on ESG in a non-prescriptive way, using engaging language of inclusion

7. EU-wide EBA 2021 Stress Test

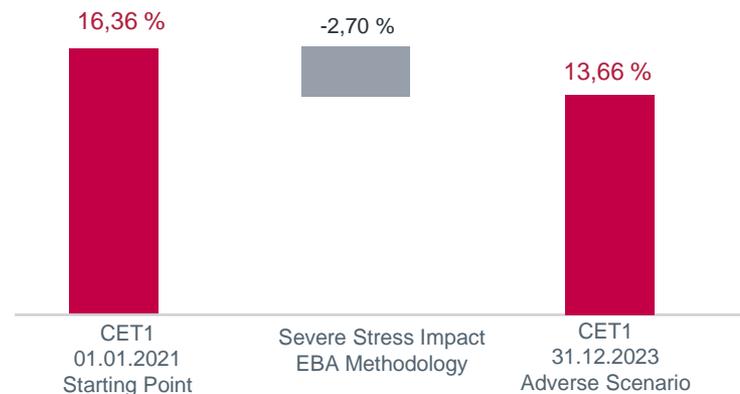
- Belfius has shown a **strong resilience to extreme financial and economic shocks**, according to the most severe stress test conducted by the ECB/ESRB ever
- The resilience of Belfius Business Model relies on a **diversified strategy** and a **disciplined risk and financial management**
- The **impact on CET1 ratio fully loaded is -2.70%** from 16.36% (01.01.2021) to 13.66% (31.12.2023), lower than EBA EU stress tested banks

2021 stress impact on Belfius' CET 1 ratio

IFRS9 restated¹



Fully Loaded



Under the adverse scenario, the impact of the EU-wide stress test on Belfius' fully loaded CET 1 ratio amounts to 270 bps at the end of the 3-year stress horizon

Belfius shows a strong resilience to stress

The IFRS9 restated CET 1 depletion of -309 bps can be split as follows:

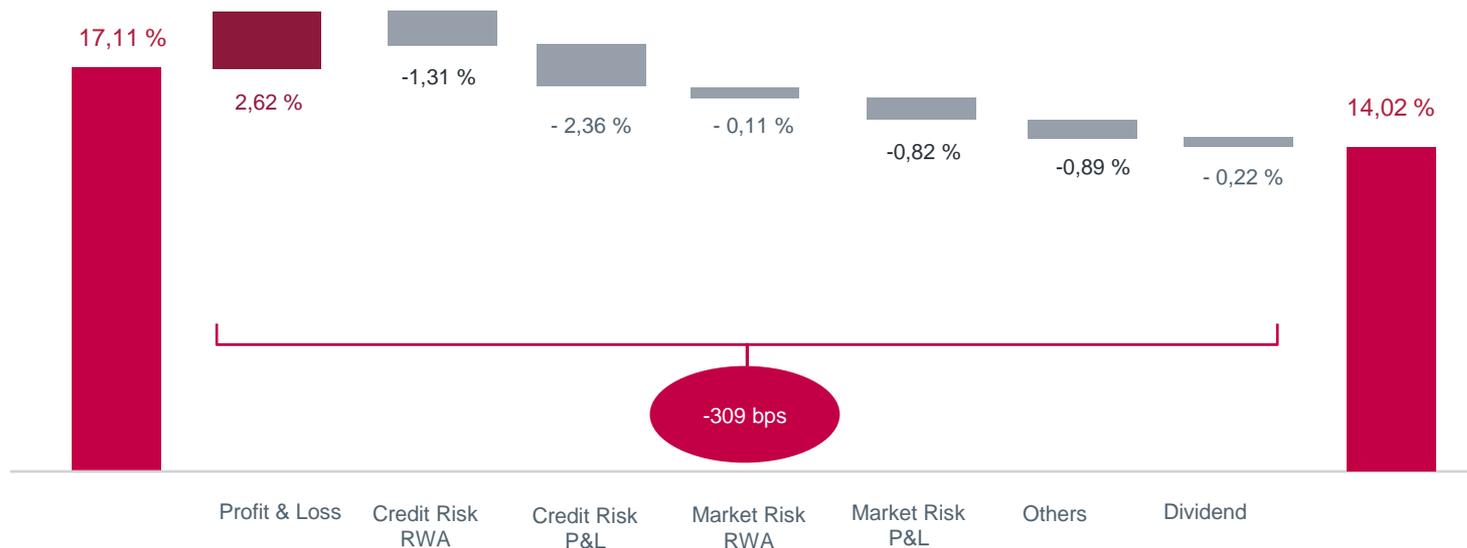
- An impact of -165 bps stemming from CET 1 capital decrease
- An impact of -144 bps stemming from RWA increase

The fully loaded CET 1 depletion of -270 bps can be split as follows:

- An impact of -133bps stemming from CET 1 capital decrease
- An impact of -137 bps stemming from RWA increase

A limited depletion of 309 bps on Belfius Transitional CET 1 ratio

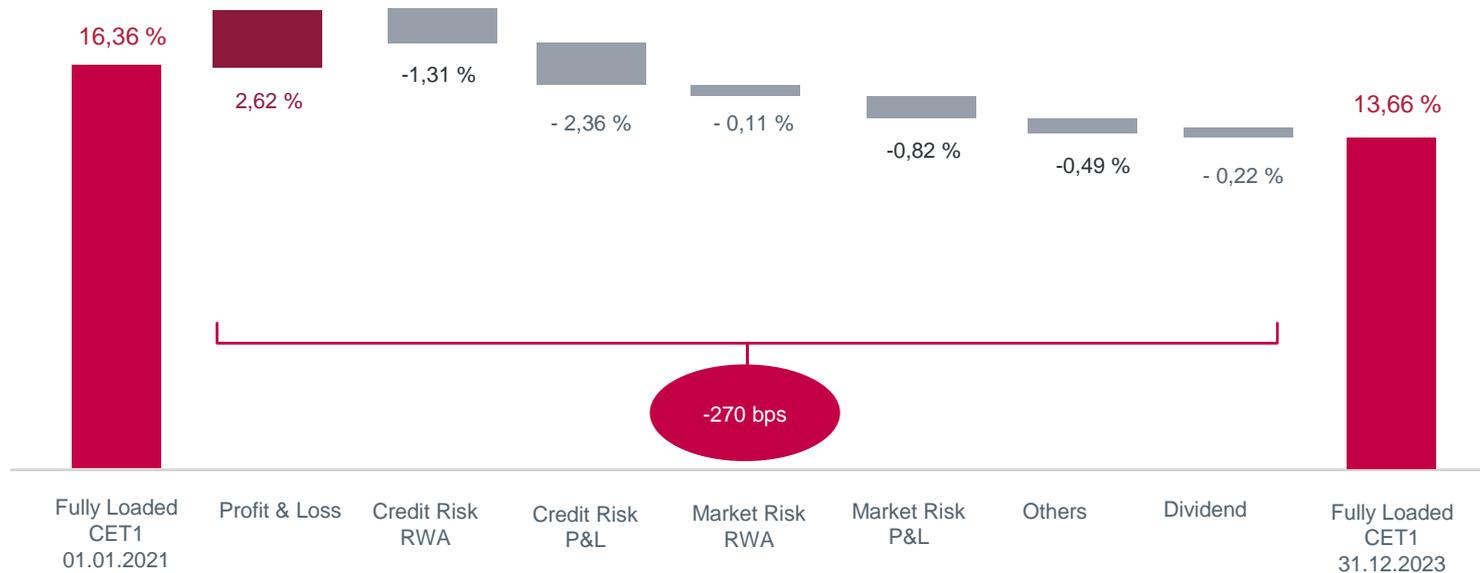
The Waterfall impact 2021 stress on Belfius Transitional CET 1 ratio



- **Profit & Loss:** Profit or (-) loss before tax from continuing operations before credit risk losses and market risk losses, Loss hedges accounting, CCR
- **Credit risk:** RWA Credit, Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss, backstop
- **Market risk:** RWA Market, Market risk losses (mainly from CVA, Liquidity reserve P&L, Equity & bonds OCI's, AVA OCI, HFT Trading)
- **Dividends:** Distributed amount after MDA-related adjustment
- **Others:** mainly from Belins OCI's, Pension Fund, Other reserves MDA, Belins REA, reduction in capital due to IFRS9 transitional arrangements

A similar impact of 270 bps on Belfius Fully Loaded CET 1 ratio

The Waterfall impact 2021 stress on Belfius Fully Loaded CET 1 ratio



- **Profit & Loss:** Profit or (-) loss before tax from continuing operations before credit risk losses and market risk losses, Loss hedges accounting, CCR
- **Credit risk:** RWA Credit, Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss, backstop
- **Market risk:** RWA Market, Market risk losses (mainly from CVA, Liquidity reserve P&L, Equity & bonds OCI's, AVA OCI, HFT Trading)
- **Dividends:** Distributed amount after MDA-related adjustment
- **Others:** mainly from Belins OCI's, Pension Fund, Other reserves MDA, Belins REA, increase of RWA due to IFRS9 transition

8. Key takeaways

- **Belfius' net income 1H 2021 stands at EUR 406m**, significantly higher than last year (EUR 21m) which was heavily impacted by the start of the Covid-19 crisis
- These very positive results demonstrate that our **Belgian anchored bank-insurance approach** continues to translate into **strong commercial dynamics** and sustained support to the Belgian economy:
 - Record production of EUR 10.5bn of new long-term loans, a growth of 13% vs 1H 2020;
 - Outstanding Savings & Investments reaching EUR 171.0bn, among others thanks to a strong success of our "Funds of the future" (reaching AuM stock of EUR 1.5bn as of end of June 2021);
 - The insurance business continues to grow strongly, with the non-life GWP reaching EUR 406m
- Beyond these strong financial results, Belfius continues to **invest in its business model**, with a very clear strategic focus on sustainability, as illustrated by some major initiatives launched in 1H 2021
- **Still solid solvency ratios and sound liquidity position**, with a CET 1-ratio amounting 16.16% and a total capital ratio equal to 19.14%. LCR and NSFR stand at 189% and 136% respectively. Solvency II-ratio for Belfius Insurance equals a solid 197% at the end of June 2021

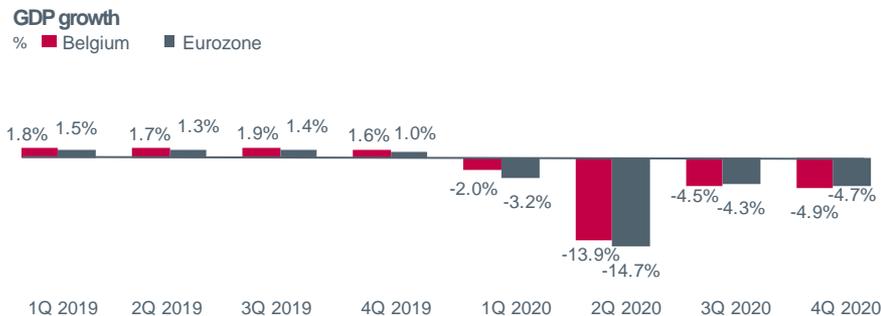
Note: 1. Pre(impairment)-provision income is gross income before impairments on financial instruments and provisions for credit commitments and impairments on tangible and intangible assets



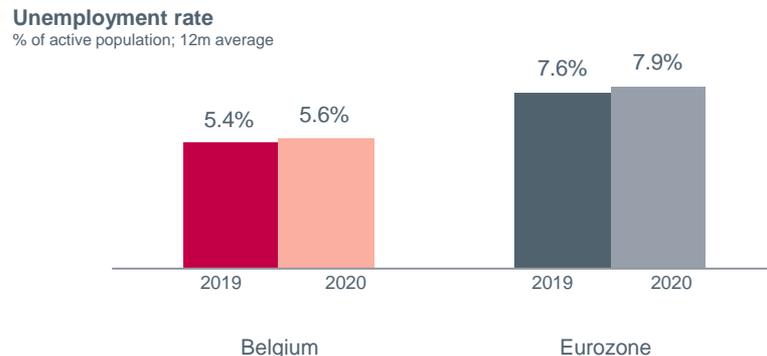
Appendices

Some Belgian economic statistics

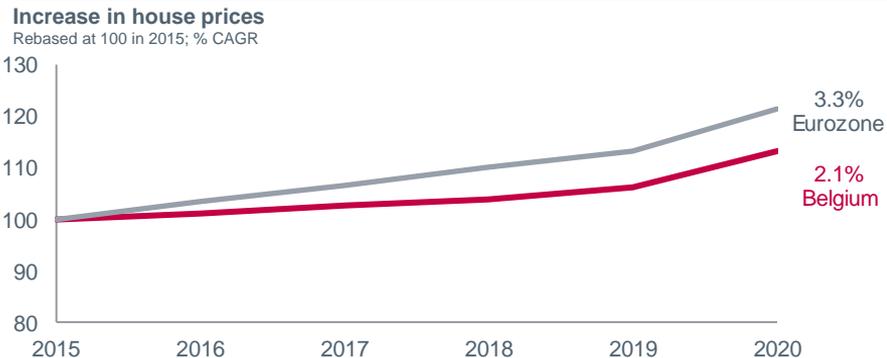
Belgian GDP aligned with the average GDP growth in the eurozone



Belgian unemployment on average more than 2% below the eurozone level

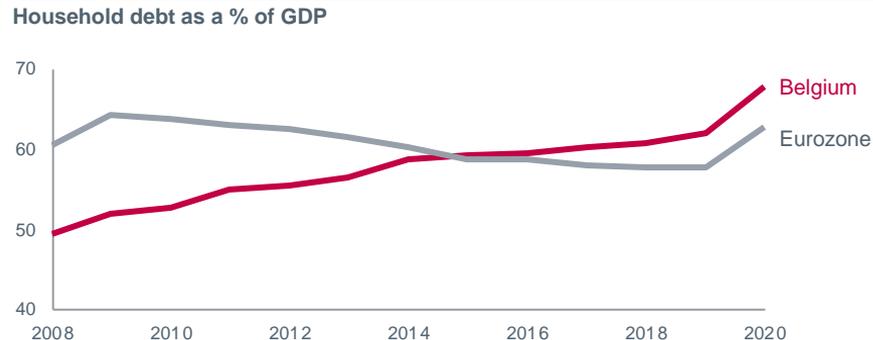


The rate of house price inflation since 2015 lower than in the euro area



Sources: ECB Supervisory Banking Statistics, Eurostat, OECD.

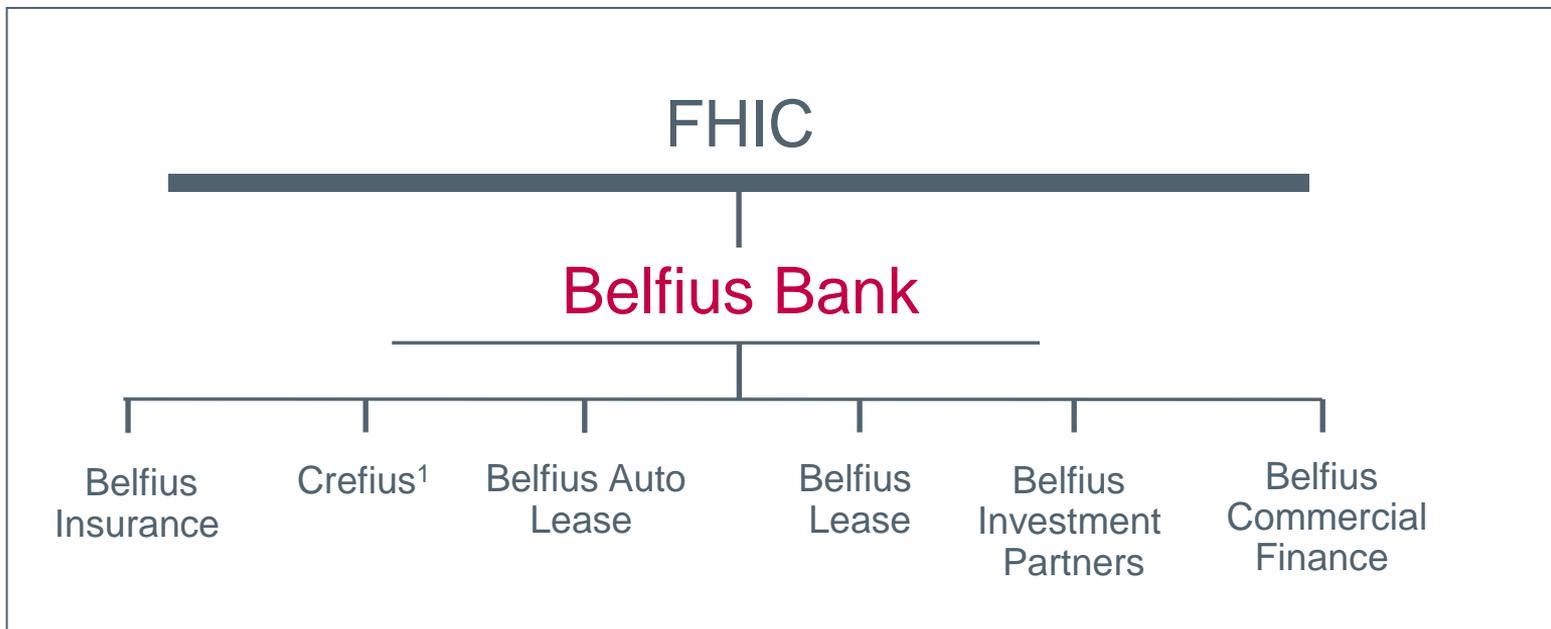
Belgium's household debt continues to increase, reaching 67,7% of the country's nominal GDP in 4Q 2020



Sources: Bank of International Settlements, BIS.

Simplified organizational chart Belfius

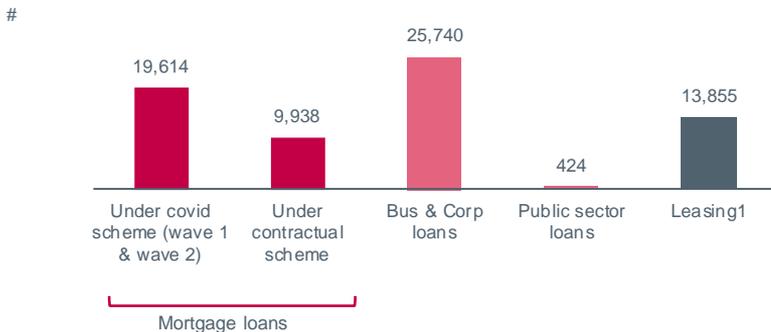
A bank-insurer with one sole shareholder



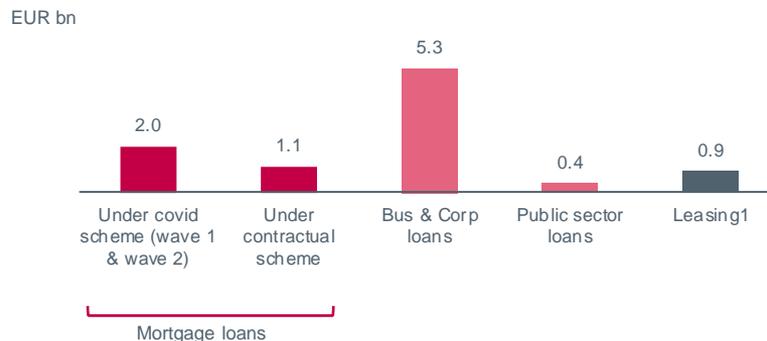
- Since October 2011, the Belgian federal state, through the Federal Holding and Investment Company (FHIC) has been the sole shareholder of the bank

Belfius' support to the Belgian society and economy through payment deferrals and loans under guarantee scheme

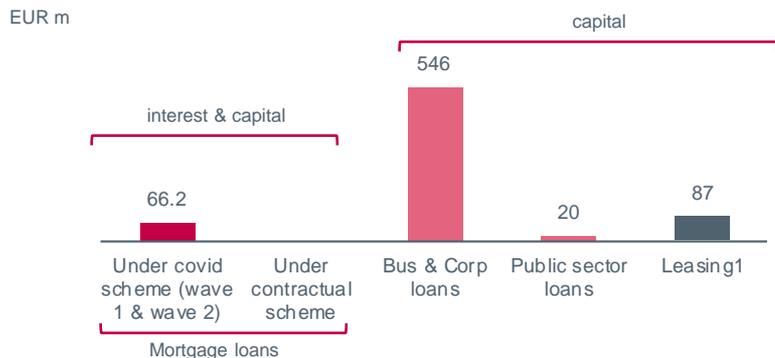
Number of applications since start of the Covid-19 crisis



Total outstanding granted loans with payment deferrals since start of Covid-19 crisis



Deferred amount



Expired payment deferrals²

- At the end of 1H 2021, out of the EUR 5.3bn of loans to corporate and business customers that were granted moratorium since start of the Covid-19 crisis, EUR 0.8bn are, as of end 1H 2021, still subject to payment holidays. 98% of corporate and business loans for which the moratorium came to an end, have resumed their normal payments of formerly deferred amounts. For the mortgage loans, 99% of the clients have resumed the payments (100% in the public sector).
- EUR 556m of new loans, to corporate, business, public and social sector customers, under the Belgian State guarantee scheme, were granted

Consolidated statement of income

Belfius Bank Conso

EUR m	1H 2020				1H 2021				Evolution
	RC	PC	GC	Total	RC	PC	GC	Total	%
Income	847	299	(14)	1,132	921	343	(32)	1,232	9%
Net interest income bank	402	259	117	779	426	256	115	797	2%
Fee and commission bank	278	27	(4)	302	331	33	(4)	360	19%
Life insurance contribution	105	18	(8)	115	124	30	(10)	144	25%
Non-life insurance contribution	120	9	0	129	113	10	0	122	-6%
Other ¹	(59)	(15)	(120)	(193)	(72)	15	(134)	(191)	-1%
Expenses	(521)	(125)	(65)	(711)	(535)	(128)	(56)	(720)	1%
Gross income	325	174	(79)	421	386	215	-88	512	22%
Cost of risk	(132)	(285)	24	(393)	(14)	41	3	31	
Impairments	(2)	-	-	(2)	(1)	-	0	(1)	
Net Income before tax	191	(110)	(55)	26	372	256	(86)	542	
Taxes	(50)	28	17	(5)	(90)	(62)	16	(136)	
Non-controlling interests	1	-	(1)	1	0	-	(1)	(0)	
Net income group share	142	(83)	(38)	21	282	194	(70)	406	
o/w bank	65	(92)	(41)	(68)	185	174	(69)	290	
o/w insurance	77	9	3	89	97	20	(1)	116	

Notes 1. Consolidated other income; i.e. other income bank and insurance

A consolidated view on the cost of risk of Belfius Group for 1H 2021

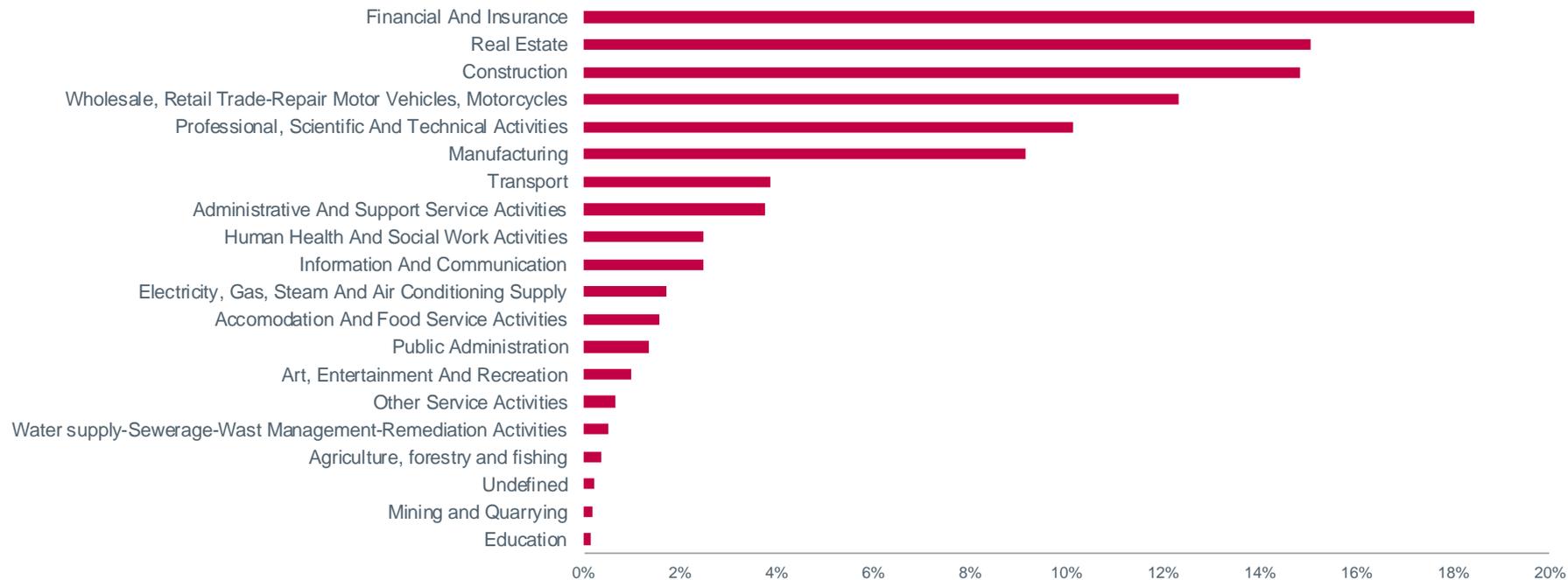
Belfius Bank Conso

EUR m	1H 2020 ¹			1H 2021			
	Stage 1&2	Stage 3	CoR	Stage 1	Stage 2	Stage 3	CoR
RCB	-107.2	-19.2	-126.3	6.0	-4.3	-17.4	-15.6
o.w . Mortgages	-16.1	1.2	-14.8	1.6	2.5	0.9	5.0
o.w . Consumer Loans & Lines	-0.1	-1.9	-1.9	0.3	0.1	-0.6	-0.3
o.w . Business Banking	-91.0	-18.5	-109.5	4.1	-6.8	-17.6	-20.3
PCB	-196.2	-87.2	-283.4	7.5	42.8	-8.4	42.0
o.w . Corporate Banking	-195.7	-87.4	-283.1	7.2	42.4	-8.5	41.0
o.w . Public & Social Banking	-0.5	0.2	-0.4	0.3	0.5	0.2	1.0
GC	-3.6	26.1	22.5	0.5	2.8	0.0	3.3
BANK	-307.0	-80.3	-387.3	14.0	41.4	-25.7	29.6
INSURANCE	-5.6	0.2	-5.4	2.9	-2.3	0.3	0.9
BANK + INSURANCE	-312.6	-80.1	-392.7	16.9	39.1	-25.4	30.5

Note: 1. Begin 2021, the Local Corporate clients have been transferred from RC to PC Corporate business line. A proforma has been applied on 1H 2020 figures and an additional correction has been performed on some classifications in stage 2 vs stage 3 for the 1H 2020 figures

Sector composition of the business and corporate banking loan portfolios¹

Belfius Bank Conso



Note: 1. Expressed in FEAD (EUR 53bn in 1H 2021)

From reported to adjusted net income¹

	Reported	Excluding special items				Adjusted
		Sale/unw ind w within the ex-legacy portfolio	IFRIC 21 adjustment for sector levies	Impact of restructuring ²	Other items ³	
1H 2020, EUR m						
Income	1,132		-119		23	1,228
Expenses	-711					-711
Cost of risk	-393	-0.5				-392
Impairments	-2					-2
Net income before tax	26	-0.5	-119		23	122
Taxes	-5		30		-2	-33
Net income	21	-0.5	-89		21	90
<i>Impact mainly in</i>		GC	GC		GC	
1H 2021 EUR m						
Income	1,232		-136			1,368
Expenses	-720			7		-726
Cost of risk	31					31
Impairments	-1					-1
Net income before tax	542		-136	7		671
Taxes	-136		34	-2		-168
Net income	406		-102	5		503
<i>Impact mainly in</i>			GC	GC		

Note: 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; 3. Other items are composed of capital gains for the bank of the (partial) sale of some operational buildings; Note that some amounts may not add up due to rounding

Statement of income Belfius Insurance, consolidated accounts

Belfius Insurance

EUR m	1H 2020	1H 2021	Evolution
Income	256	280	9.3%
<i>Of which</i>			
Net interest income	202	190	-5.5%
Dividend income	22	29	29.5%
Net income from equity method companies	1	0	-
Net income from financial instruments at fair value through profit or loss	-36	2	-105.6%
Net income on investments and liabilities	36	1	-98.0%
Net fee and commission income	10	12	21.6%
Technical result from insurance activities	15	32	116.8%
Expenses	-125	-126	0.9%
Gross income	131	154	17.3%
Impairments on financial instruments and provisions for credit commitments	-5	1	-117.0%
Impairments on tangible and intangible assets	-2	0	-82.4%
Net income before tax	123	154	25.1%
Tax (expense) income	-34	-39	15.6%
Current tax (expense) income	-45	-23	-49.8%
Deferred tax (expense) income	12	-16	-240.4%
Attributable to non-controlling interests	-1	0	...
Net income group share	90	115	27.4%

Consolidated balance sheet

Belfius Bank Conso

EUR m	Dec. 2020	June 2021	Evolution
TOTAL ASSETS	187 991	193 962	5 970
of which			
Cash and balances with central banks	25 434	33 721	8 288
Loans and advances due from credit institutions	11 912	10 596	-1 315
Loans and advances	98 108	100 104	1 996
Debt securities & equity instruments	28 849	28 348	-501
Unit linked products insurance activities	3 813	4 228	414
Derivatives	12 188	9 752	-2 436
TOTAL LIABILITIES	177 258	182 870	5 612
of which			
Cash and balances from central banks	14 174	15 676	1 503
Credit institutions borrowings and deposits	5 008	6 616	1 608
Borrowings and deposits	95 338	99 364	4 026
Debt securities issued and other financial liabilities	24 402	26 732	2 330
Unit linked products insurance activities	3 813	4 228	414
Derivatives	18 310	14 878	-3 432
Provisions for insurance activities	12 659	12 034	-625
Subordinated debts	1 151	1 134	-17
TOTAL EQUITY	10 733	11 092	359
of which			
Shareholders' core equity	10 209	10 568	359
Gains and losses not recognised in the statement of income	393	418	24
Additional Tier-1 instruments included in equity	497	497	0
Non-controlling interests	28	27	-1

Balance sheet Belfius Insurance, consolidated accounts

Belfius Insurance

EUR m	Dec. 2020	June 2021	Evolution
Total assets	21 511	21 573	62
Of which			
Loans and advances due from credit institutions	316	254	-62
A Measured at amortised cost	316	254	-62
Loans and advances	4 692	4 802	110
A Measured at amortised cost	4 552	4 617	65
B Measured at fair value through other comprehensive income	0	9	9
C Measured at fair value through profit or loss	141	177	36
Debt securities & equity instruments	11 630	11 163	-467
A Measured at amortised cost	5 931	5 742	-189
B Measured at fair value through other comprehensive income	4 969	4 707	-262
C Measured at fair value through profit or loss	730	714	-16
Unit linked products insurance activities	3 813	4 228	414
Derivatives	0	0	0
Investments in equity method companies	69	52	-17
Tangible fixed assets	533	573	39
Intangible assets	42	38	-4
Technical insurance provisions - part of the reinsurer	107	104	-3
Total liabilities	19 431	19 420	-11
Of which			
Credit institutions borrowings and deposits	1 746	1 968	222
Unit linked products insurance activities	3 813	4 228	414
Provisions for insurance activities	12 671	12 041	-630
Subordinated debts	583	585	2
Total equity	2 079	2 153	73
Of which			
Shareholders' core equity	1 707	1 802	95
Gains and losses not recognised in the statement of income	345	325	-20

Focus on regulatory capital

EUR m	Dec. 2020 full ¹	June 2021 transitional ²
Core shareholders' equity	9,816	10,151
Elimination of Belfius Insurance ³	-	-
Core regulatory equity	9,816	10,151
Elimination of foreseeable dividend	-210	-162
Grandfathering on IFRS9 provisions	413	322
Gains and losses not recognised in the statement of income	404	433
Remeasurement Defined Benefit Plan	69	127
OCI reserves - portfolios measured at FVTOCI	335	306
Other reserves	-69	-80
Prudential filter on the fair value reserves related to gains and losses on cash flow hedges on financial instruments	69	80
Items to deduct	-273	-425
Deferred tax assets	-	-
Other	-273	-425
Common equity Tier 1 - CET1	10,150	10,318
Additional own funds Tier 1	497	497
Tier 1 equity	10,647	10,815
Tier 2 - Capital instruments	1,066	1,022
Other	366	381
Total regulatory capital	12,080	12,218

Notes: 1. Fully phased-in; 2. Transitional measures; 3. For the determination of the Common Equity Tier 1 capital the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the equity instruments held by Belfius Bank in Belfius Insurance, after deduction of goodwill. This is commonly known as "Danish compromise". Since 4Q 2020, Belfius applies the Danish compromise based on Belfius Insurance equity value in the consolidated accounts (instead of based on the historical book value before)

Focus on regulatory risk exposures

Regulatory risks exposures - by type of risk

EUR m	Dec. 2020 full	June 2021 transitional
Regulatory credit risk exposure	44,559	48,722
Regulatory CVA exposure	740	755
Regulatory market risk exposure	1,373	1,288
Regulatory operational risk exposure	3,245	3,246
Danish Compromise ¹	9,391	9,641
Additional risk exposure (Art 3 CRR)	-	195
Total Regulatory Risks Exposures	59,309	63,848

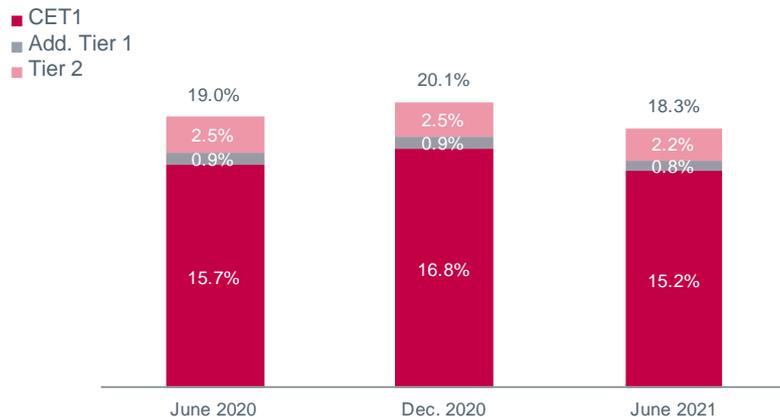
Regulatory risks exposures - by segment

EUR m	Dec. 2020 full	June 2021 transitional
Retail and Commercial	23,791	22,788
Public and Corporate	22,410	25,874
Group Center	13,108	15,186
Total Regulatory Risks Exposures	59,309	63,848

Notes: 1. For the determination of the Common Equity Tier 1 capital under Basel III, the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the equity instruments held by Belfius Bank in Belfius Insurance, after deduction of goodwill. This is commonly known as "Danish compromise". Since 4Q 2020, Belfius applies the Danish compromise based on Belfius Insurance equity value in the consolidated accounts (instead of based on the historical book value before)

Focus on solo capital ratios

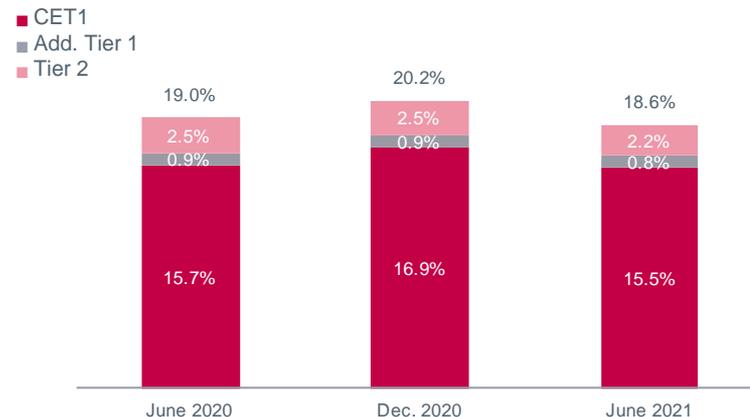
Basel III ratios Belfius Bank Solo¹, excluding result of the year



EURm

CET1	8,930	9,516	9,328
Tier 1	9,427	10,013	9,825
CAD	10,848	11,406	11,205
RWA	56,995	56,801	61,379

Basel III ratios Belfius Bank Solo¹, including result of the year



EURm

CET1	8,930	9,604	9,508
Tier 1	9,427	10,101	10,005
CAD	10,848	11,494	11,386
RWA	56,995	56,801	61,379

- At the end of June 2021, the available distributable items on statutory level amounted to EUR 4,425m, up 9% compared to end of 2020

Continued positive rating actions

Ratings of Belfius Bank as at 5 August 2021

	Moody's	S&P	Fitch
Preferred Senior	A1 Stable outlook	A- Stable outlook	A- Stable outlook
Standalone Rating	baa1	a-	a-
Non-Preferred Senior	Baa1	BBB+	
Tier 2	Baa2	BBB	BBB+
Additional Tier 1	Ba1	BB+	

- During the first half of 2021, the rating agencies took the following decisions:
 - on 24 June 2021, S&P confirmed the long-term rating of Belfius Bank at A- with Stable outlook
 - on 13 July 2021, Moody's upgraded Belfius Bank Junior Senior Unsecured (Non-Preferred Senior) debt to Baa1 from Baa2 and the Junior Senior Unsecured MTN rating to (P)Baa1 from (P)Baa2. They also confirmed the long-term rating of Belfius Bank at A1 with Stable outlook

Ratings of Belfius Insurance as at 5 August 2021

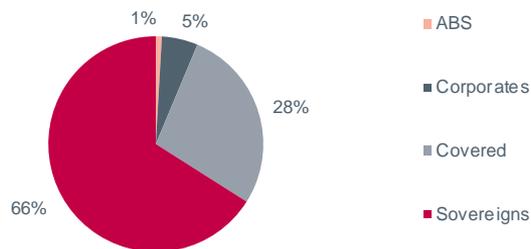
	S&P
Issuer credit rating	A- Stable outlook

- No decisions were taken by the rating agencies during the first half of 2021

ALM Bank Liquidity bond portfolio

Breakdown by type of counterpart

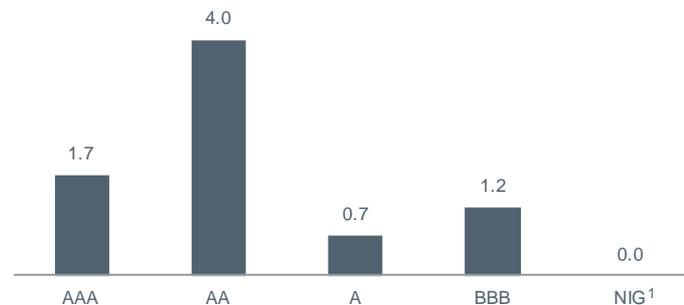
EUR 7.5bn
30 June 2021



Breakdown by rating

EUR bn

Average rating: A-

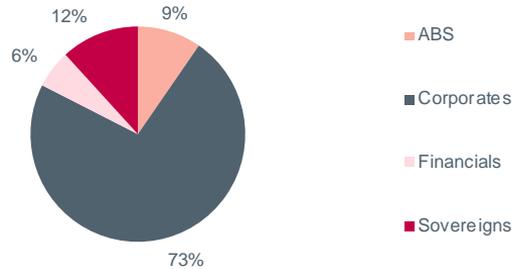


- ALM Bank Liquidity bond portfolio stood at EUR 7.5bn as per end June 2021, stable compared to year end 2020
- The portfolio is of good quality
 - 100% of the portfolio is Investment Grade
 - the average rating stood at A-
- Expected average life: 7.2 years

ALM Bank Yield bond portfolio

Breakdown by type of counterpart

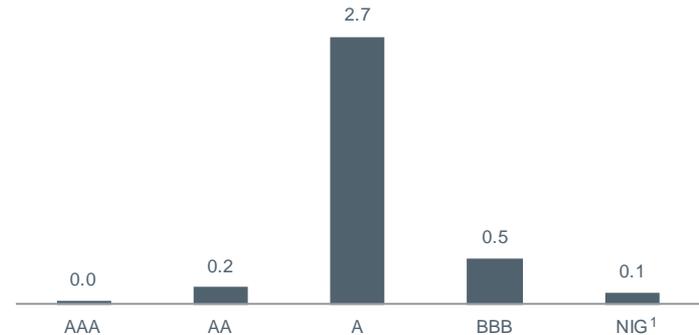
EUR 3.5bn
30 June 2021



Breakdown by rating

EUR bn

Average rating: A

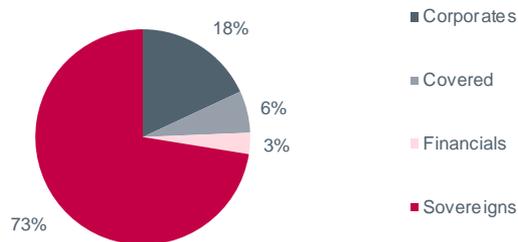


- ALM Bank Yield bond portfolio stood at EUR 3.5bn as at 30 June 2021, compared to EUR 3.4bn year end 2020
- The portfolio is of good quality
 - 97% of the portfolio is Investment Grade
 - the average rating stood at A
- Expected average life: 18.9 years

ALM Insurance Bond portfolio

Breakdown by type of counterpart

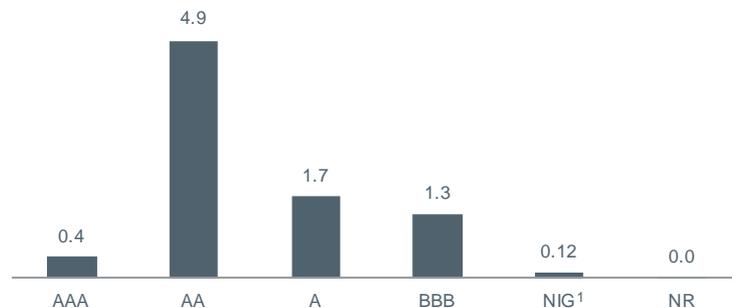
EUR 8.4bn
30 June 2021



Breakdown by rating

EUR bn

Average rating: A-

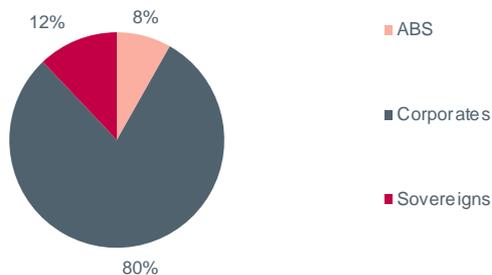


- ALM Insurance fixed income portfolio stood at EUR 8.4bn as at 30 June 2021, compared to EUR 8,7bn at year end 2020
- The ALM Insurance portfolio remains of good quality
 - 98.3% of the portfolio is investment grade
 - the average rating at A-
- Expected average life: 10.2 years

Credit guarantees

Breakdown by type of counterpart

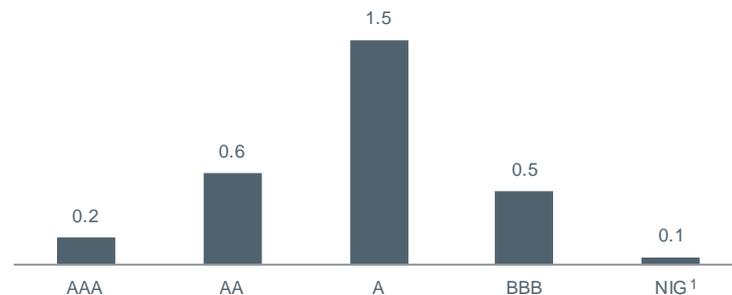
EUR 2.9bn
30 June 2021



Breakdown by rating

EUR bn

Average rating: BBB+



- Credit guarantees portfolio stood at EUR 2.9bn as at 30 June 2021, compared to EUR 3.2bn per year end 2020
- The credit guarantees portfolio is of good quality
 - 97% of the portfolio is Investment Grade
 - The average rating stood at BBB+
- Expected average life: 9.4 years

Hedging strategy to manage residual risks

Run-off portfolios as of June 2021

ALM Yield bond portfolio

- 40% inflation linked bonds issued by high quality UK utilities and infrastructure companies
- Part of the portfolio is insured by Assured Guaranty, leading to an A average rating after credit enhancement
- Inflation component hedged with inflation linked collateralised swaps

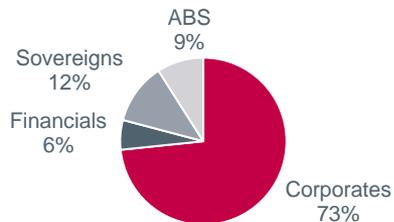
Derivatives

- 79% notional exposure to Dexia, fully cash collateralised, leading to an EaD (including add-on) of EUR 24m end of June 2021
- Derivatives with other foreign counterparts and with CAFFIL are uncollateralised (BBB average rating)

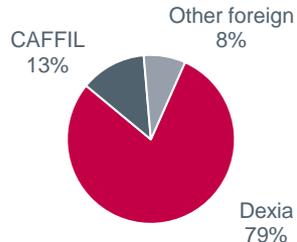
Credit guarantees

- Mostly reinsured CDS with
 - sold protection to market counterparties with two-sided collateral posting agreement
 - bought equivalent protection with monoline insurers (25% from Assured Guaranty) with one-sided collateral posting agreement

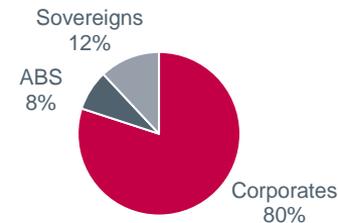
Notional split by type



Notional split by counterparty



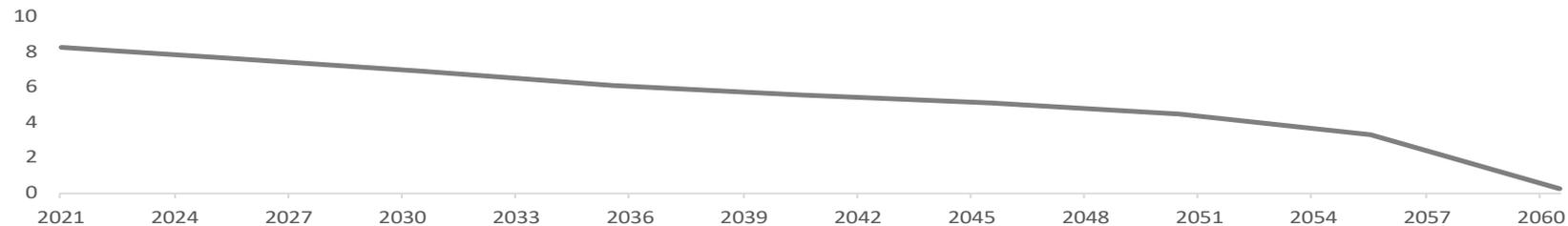
Notional split by type of underlying



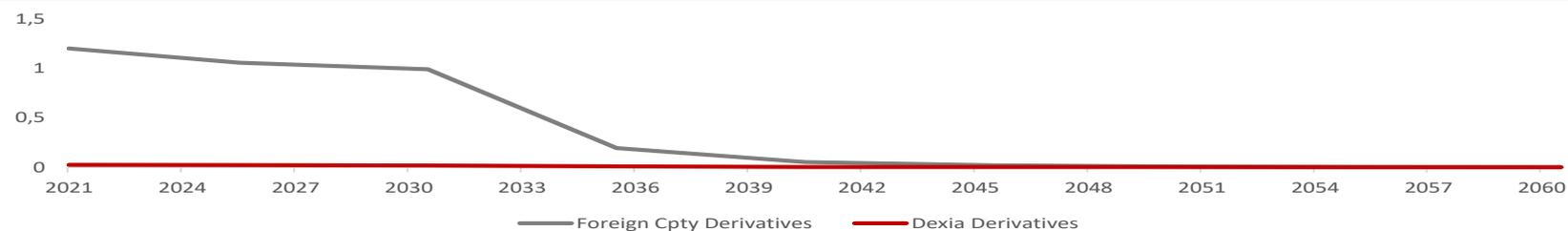
Progressive run-off of GC run-off portfolios in the coming years

Run-off portfolios evolution – EaD; EUR bn

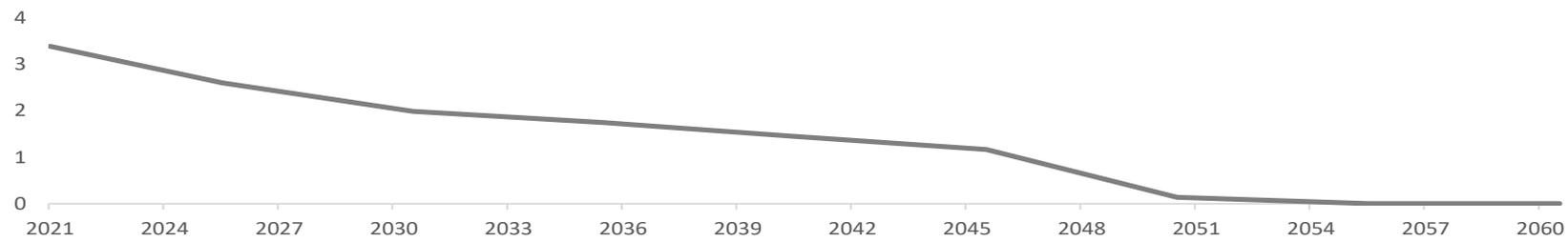
ALM Yield bond portfolio



Derivatives



Credit guarantees



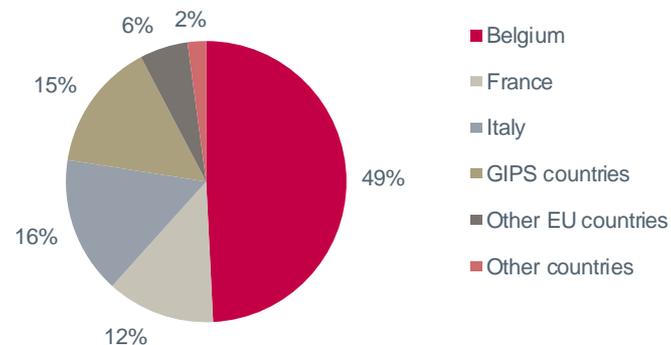
Note: Based on current markets

Outstanding exposures on government bonds

Evolution outstanding exposures¹

EUR m	Dec. 2020	June 2021
Belgium	4,758	4,691
France	1,209	1,188
Italy	1,590	1,506
GIPS countries	1,362	1,414
Other EU countries	579	530
Other countries	206	203
Total	9,703	9,532

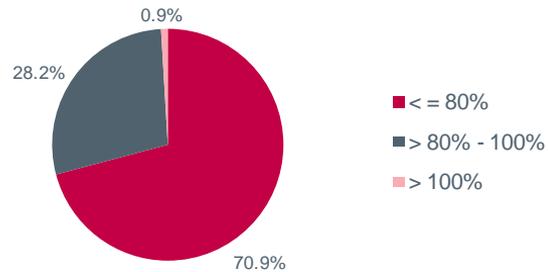
Breakdown as of end of June 2021



- Total government bond portfolio stood at EUR 9.5bn¹, down 2% compared to December 2020
- Almost half of the portfolio (49%) is invested in Belgian government bonds

Credit risk statistics on mortgage loans

Mortgage loans Belfius Bank Loan-to-value ratio

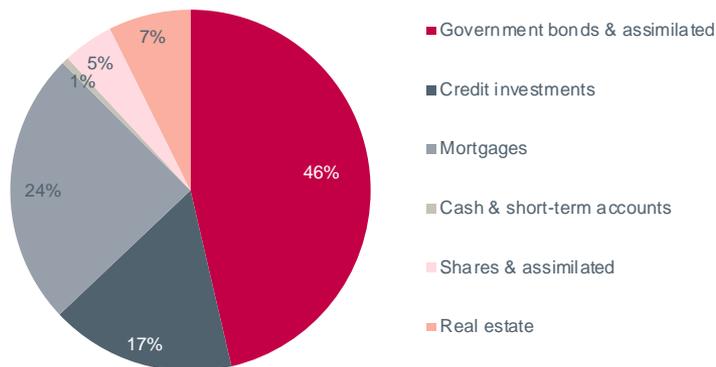


- Very sound LTV-ratio's
 - Average LTV-ratio, based on outstandings (with indexation of real estate prices) stood at 62.6% at end of June 2021
 - The part of the portfolio with an LTV > 100% is limited to 0.9 %

ALM Belfius Insurance

Diversified asset allocation

EUR 18bn
30 June 2021

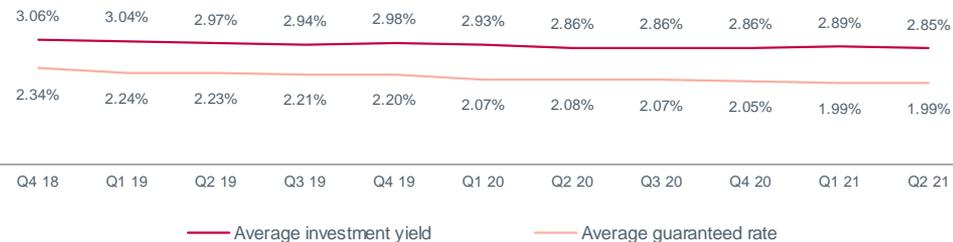


- Prudent investment strategy of the asset portfolio with a well-diversified asset allocation

Duration gap life and non-life

	Dec. 2020	June 2021
Total life	-1.08	-1.31
Total non-life	0.65	2.35
Total	-0.30	-0.41

Investment yield vs. guaranteed rate¹



Notes: 1. Excluding a.o. reassessment of life insurance reserves and capital gains

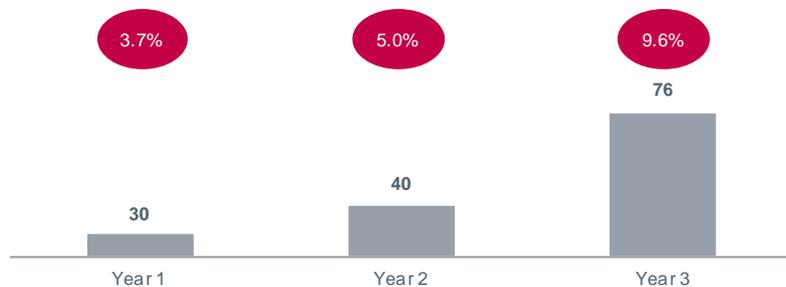
Solvency II ratio sensitivity table

Solvency II Sensitivities 30 June 2021	Δ SCR (in EUR m)	Δ AFR (in EUR m)	Δ Solvency II ratio (in %)
Base Case	1,172	2,313	197%
Interest rate: Shock +50 bps	(6) (1%)	(25) (1%)	196% (1%)
Interest rate: Shock -50 bps	(-14) (1%)	23 1%	202% 4%
Credit spread: Spread on fixed income (corporate) +50 bps	15 1%	(50) (2%)	191% (7%)
Credit spread: Spread on fixed income (government) +50 bps	38 3%	(166) (7%)	177% (20%)
Credit spread: Spread on fixed income (government and corporate) +50 bps	69 6%	(183) (8%)	172% (26%)
Credit Spread: No Volatility Adjuster	(2) 0%	(45) (2%)	194% (4%)
Equity: Downward shock - 30%	(171) (15%)	(357) (15%)	195% (2%)
Real estate: Downward shock -15%	(9) (1%)	(86) (4%)	191% (6%)
UFR: Downward adjustment to 3%	(3) 0%	(42) (2%)	194% (3%)

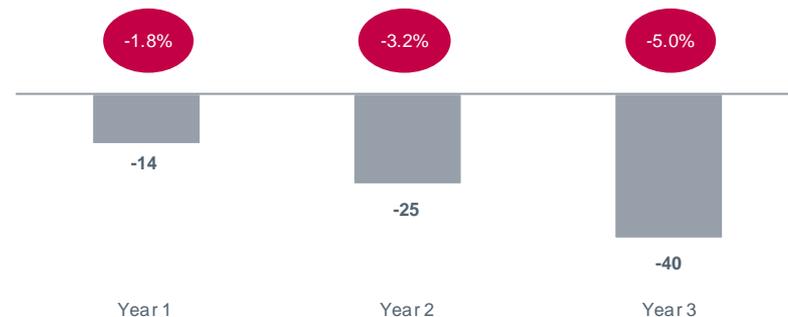
Belfius sensitivity to interest rates



EUR m



EUR m



- Belfius would benefit from rising rates with net interest income increasing 5.0% within two years in case of a +50 bps parallel shift in rate curve
- The bank would then benefit from limited transfer of these rising interest rates to customer deposits while the loan book would be rolled over and produced at higher rates
- To note however, should rates rise sharply, tariffs on non-maturing deposits could increase at a faster pace than historical observations

% Change in net interest income (NII) as % of June 2021 net interest income bank

Notes: NII sensitivity analysis assumes a constant Belfius' balance sheet as of 30 June 2021

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