Belfius FY 2020 Results

Presentation to analysts and investors

26 February, 2021

1. Summary Highlights

- **Belfius' net income 2020 stands at EUR 532m**, lower than last year (EUR 667m), due to the Covid-19 crisis impact. In 2020, the bank contributed for EUR 319m (-31%) and the insurer for EUR 212m (+3%). With the insurer contributing for more than one third of the total net income, it is again the demonstration of the resilience of a bank insurance model in a challenging environment.

- Even in these unprecedented times, Belfius continues to focus on its strategic long term development by investing in its business model and its customers as well as in human and digital capacities. This results in **continued dynamic commercial activities** in all segments of the Belgian economy.

- In the current challenging sanitary and macroeconomic context, Belfius is **still able to further grow its net interest, net fee and commission and non-life insurance income**, and to **contain its operating costs**, leading to **a growing pre(impairment)-provision[1] income, to EUR 1,149m in 2020**, even considering some negative impacts from the financial markets' turmoil especially in 1H 2020, impacting negatively the fair value of financial instruments accounted in fair value through P&L (pre-provision income stood at EUR 1,036m in 2019):

  - increase of net interest income bank (EUR 1,590m in 2020 vs EUR 1,488m in 2019) mainly thanks to (i) higher outstanding loans with, on average, a higher margin, more than offsetting the negative impact from lower interest rates on higher volumes of non-maturing deposits in 2020, (ii) positive impacts from the TLTRO III and ECB deposit tiering, (iii) a large restructuring of a specific corporate leasing file, leading to a material pre-payment interest, (iv) in spite of the negative impact from the moratorium on mortgage loans

  - excellent net fee and commission income bank (EUR 622m in 2020 vs EUR 563m in 2019) mainly due to higher asset management and entry fees

  - increased non-life insurance income (EUR 244m in 2020 vs EUR 199m in 2019), mainly thanks to an improved NCR

  - these positive evolutions have been somewhat offset by the impact of the negative financial markets, especially during 1H 2020, mainly translating into (i) lower life insurance income (EUR 273m in 2020 vs EUR 295m in 2019) and (ii) negative impact on fair value adjustments on derivatives due to the general credit spread widening

  - the operating costs remained fairly stable at EUR 1,465m in 2020 vs EUR 1,452m in 2019. C/I ratio further improved to 56.0% in 2020, compared to 58.4% in 2019

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

1. Summary Highlights

- In light of the Covid-19 crisis, **Belfius made a detailed review of its credit risk portfolio, and materially increased its IFRS9 provisions in line with the strongly deteriorated economic environment**, leading to a cost of risk through P&L strongly increasing from EUR 111m in 2019 to EUR 453m in 2020 (or approximately 35 bps of the outstandings), of which EUR 331m (26 bps) can economically be labelled as our current best estimate “ex-ante provisioning” of expected losses due to the effects of the Covid-19 crisis.

- In terms of financial solidity metrics, in current unprecedented circumstances, **Belfius continues to display sound solvency, liquidity and risk metrics**, with Belfius consolidated CET1 ratio of 17.1%, SII ratio for Belfius Insurance of 200% and LCR ratio of 158%. So far, the asset quality ratio (NPL ratio) remains sound with a slight increase from 1.96% to 2.02% (still below the Belgian market’s average). This is accompanied by a prudent coverage ratio of 60.0%.

- Belfius also displays a **solid resilience on non-financial risk dimensions**. Despite a general context of increasing (internal and external) non-financial risks, Belfius demonstrated strong operational resilience during 2020, being able to apply swiftly and efficiently massive teleworking and remote clients’ servicing, on the basis of sound IT systems and our digital applications that have proven their resilience and servicing capacities. Losses stemming from fraud remain low, despite the sharp increase in external threats, thanks to our continued investments in fraud prevention and monitoring. Belfius also continues to invest in its IT and human capital, including within the Compliance domain, in order to keep also these non-financial risks within Belfius’ risk appetite.

- Belfius’ consolidated **Net Asset Value stands at EUR 10.2bn** end December 2020 (vs close to EUR 10bn end 2019). In its session of 25 February 2021, the Board of Directors has decided to propose, to the General Assembly of 28 April 2021, an ordinary dividend of EUR 77m for the full year 2020, fully in line with the ECB recommendation d.d. 15 December 2020. At the same time, the Board of Directors has validated its intention to pay an additional dividend of EUR 130m relative to full year 2020 results (as such leading to an intended overall pay-out ratio of 40%), in the course of the fourth quarter, if Belfius’ financial stance at that time reconfirms that pay-out capacity, and subject to the ECB having repealed its current recommendation before or on 30 September 2021.

Belfius' financial capacity allows to continue to support the Belgian society and to invest in a sustainable business model, even though management overlays for cost of risk related to Covid-19 crisis materially impact the net result

2019		2020
€1,036m	Pre-provision income	€1,149m
€667m	Net income	€532m
58.4%	Cost / income ratio	56.0%
15.9%[1]	CET1 ratio	17.1%[1]
€20.6bn	LT loans production	€20.0bn
€10.0bn[1]	Net Asset Value	€10.2bn[1]
€100m	Dividend	€77m (+ €130m)[2]

Note: 1. 31 December figures 2. In its FY2020 solvency ratios, Belfius reserved for a pay-out ratio of 40% with respect to FY 2020 accounts. Belfius' Board of Directors will propose to the shareholders' Annual General Meeting to pay out a cash dividend of EUR 77m in April 2021, equivalent to 15% of 2020 adjusted net income and corresponding to the maximum amount stated in the European Central Bank recommendation of 15 December 2020. The Board of Directors intends to pay out the remaining 25% pay-out (i.e. EUR 130m) in the course of the fourth quarter. It is to note that Belfius retains full discretion to reduce or even cancel the intended distribution beyond 30 September 2021, if the ECB recommendation would be extended or if such intended distribution would not be consistent with the outcome of the 2021 supervisory cycle

2. Belfius at a glance

- **Integrated bank-insurer**
  - net Income of EUR 532m, of which EUR 319m Bank and EUR 212m Insurance
  - **bank-insurance approach shows material resilience,** since current Covid-19 crisis has only had a limited impact on Belfius Insurance ‘s commercial activities and profit contribution so far
  - **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 21.9k customers in Public & Corporate (PC)
  - **loans to customers of EUR 97.3bn**, o.w. EUR 56.9bn to RC clients and EUR 40.4bn to PC clients
  - **savings and investments of EUR 163.8bn**, o.w. EUR 122.5bn in RC and EUR 41.4bn in PC
  - well distributed physical distribution network all over the country, complemented by top-notch digital and remote service channels

- **Focused on customer satisfaction**
  - **1.6m customers using Mobile/Tablet application at least (on average) once a day**
  - **Belfius’ mobile banking app ranked #1 in Belgium[1]** and #2 in the world[2]
  - Belfius’ mobile insurance app ranked #1 in Belgium[2]

- Belfius’ long standing, native and authentic DNA already includes in a very natural way many ESG considerations:
  - Belfius is **certified CO2 neutral[3]** company (early March 2020)
  - Belfius is the only Belgian bank-insurer **financing all 8 offshore wind farms** of Belgium
  - Belfius launched **4 double-impact thematic future funds**. End 2020, approximately EUR 740k out of their management fees were donated to good causes
  - as part of its SBRS[4] commercial offering, Belfius committed to **support 41 social sector entities[5]** in the technical, financial, administrative and legal aspects of new projects, for a total amount of more than EUR 300m

- **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 very high level of workforce and customer applications' availability

Note: 1. Source: D-Rating; 2. Source: Sia Partners; 3. CO2 neutral in 3 scopes: scope 1 (groups the direct emissions linked to heating using primary energy), scope 2 (includes the emissions associated with the production of the electricity Belfius consumes) and scope 3 (relates to other indirect emissions associated in first instance with commuting); 4. Smart Building and Renovation Solution; 5. Schools, police & fire brigade buildings, retirement homes, cultural centres, sports infrastructure, administrative centres, shelters for young kids and homes for people with disabilities

Integrated bank-insurer servicing and supporting all segments of the Belgian economy

- 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
- 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]

- #2[2] bank-insurer in Belgium with more than 3.7m customers
- #1 in mobile banking[3] in Belgium
- # 2 best bank app[4] in the world
- #3[5] bank to 300,000 professional customers
- EUR 56.9bn loans to customers
- EUR 122.5bn savings and investments

Public & Corporate (PC)[1]

- #1 bank to 10.4k Public & Social sector customers
- #3[5] bank to 11.5k Corporate customers
- EUR 40.4bn loans to customers
- EUR 41.4bn savings and investments

Group Center (GC)[1]

- ALM Liquidity Bond portfolio (EUR 7.5bn)
- Run-off portfolios
  - ALM Yield Bond portfolio (EUR 3.4bn)
  - Derivatives (EUR 12.2bn)
  - Credit guarantees (EUR 3.2bn)
- Other non-core activities

Notes: 1. Situation as of December 2020; 2. Market penetration as main bank based on market research GfK Belgium; 3. Based on rating of App score (Google Play Store, Apple Store); 4. Based on report of Sia Partners 2020; 5. Own estimate based on market share of loans

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 the 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**. During 2020:

  - 23,879 accepted requests for deferred payments on EUR 4.7bn of loans, including renewals on roll-over loans, to corporate and business customers

  - 13,840 accepted requests for deferred payments on EUR 870m of leasing contracts of corporate and business customers

  - 424 accepted requests for deferred payments on EUR 400m of loans to the public sector (mainly social sector)

  - 19,464 accepted requests for deferred payments on EUR 2bn of mortgage loans under the general Covid-19 scheme, in addition to 8,863 accepted requests for deferred payments on EUR 995m of mortgage loans under contractual terms

  - EUR 509m of new loans, to corporate, business, public and social sector customers, under the Belgian State guarantee scheme, were granted

  - early 2021, out of the EUR 4.7bn of loans to corporate and business customers and out of the EUR 3bn of mortgage loans that were granted moratorium during 2020, EUR 1.1bn respectively EUR 0.1bn are still subject to payment holidays. As such, 99% of corporate, business and mortgage loan customers that were granted a moratorium during 2020 have restarted payments of their formerly deferred amounts

- **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**:

  - total S&I growth by EUR 12.4bn, of which EUR 11.1bn organic growth, the highest growth since Belfius’ existence, also due to heightened Covid-19 related savings-tendency within the Belgian population, especially towards non-maturing deposits (growing with EUR 10.2bn)

  - despite financial markets turmoil and the negative returns on the equity markets during 1H 2020, off balance sheet AuM increased by EUR 3.9bn (of which EUR 1.4bn organic growth)

3. Group Highlights

- **The 2020 net result (EUR 532m) was heavily impacted by the Covid-19 crisis**, mainly through the related Loan Loss Provisioning charge ("cost of risk"). The cost of risk of EUR 453m (equaling a credit cost ratio of 35 bps) mainly resulted from stage 3 provisioning (for EUR 122m) and from ex-ante provisioning (stage 1 and stage 2) for EUR 331m. The latter results from the combination of (i) deteriorated macroeconomic parameters (EUR 124m), and (ii) expert layers for vulnerable sectors and individually assessed counterparts (EUR 207m).

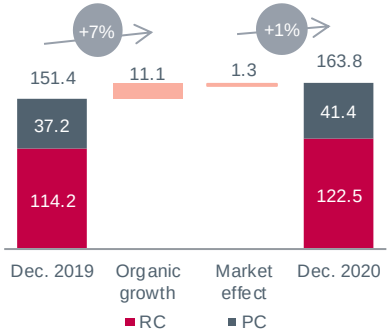
- **The growing pre-provision income** (EUR 1,149m in 2020 vs EUR 1,036m in 2019) **is the result of increasing NII** (EUR 1,590m in 2020 vs EUR 1,488m in 2019), **higher fee & commission income** (EUR 622m in 2020 vs 563m in 2019) **and non-life insurance contributions** (EUR 244m in 2020 vs EUR 199m in 2019), despite some headwinds from negative financial markets in 2020, negatively affecting (a) life insurance income (EUR 273m in 2020 vs EUR 295m in 2019) through lower investment results, and (b) fair value of derivatives due to widening credit spreads and lowering interest rates. **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 1,465m in 2020 (vs EUR 1,452m in 2019). All-in-all, Belfius ended up in 2020 with a cost-income ratio of 56.0%, down from 58.4% in 2019.

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

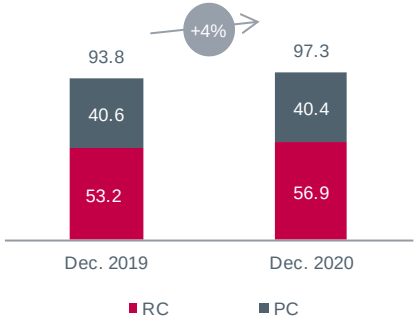
Group

Strong performance in savings & investments and loans to customers

Outstanding savings & investments
EUR bn



Outstanding loans to customers
EUR bn

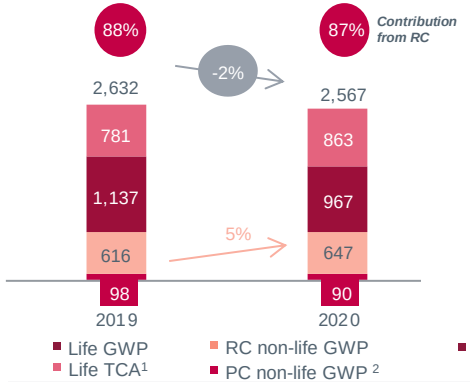


- As customary during economic downturns, 2020 has also been marked by very strong organic growth in on-balance sheet deposits; at Belfius, this has been accompanied by strong performance in off-balance sheet investments, leading overall to EUR 163.8bn of savings & investments as of end 2020, up 8% compared to end 2019
- RC displays strong organic growth of EUR +7.2bn mainly in non-maturing products combined with a positive market effect of EUR +1.1bn, while PC realised an organic growth of EUR +3.9bn
- Increase of loans outstanding (+4%) mainly driven by a strong increase in business and corporate loans and a further strong increase in mortgage loans (although to a somewhat lesser extent than in 2019 which was exceptionally affected by the abolition of the 'woonbonus' in Flanders)

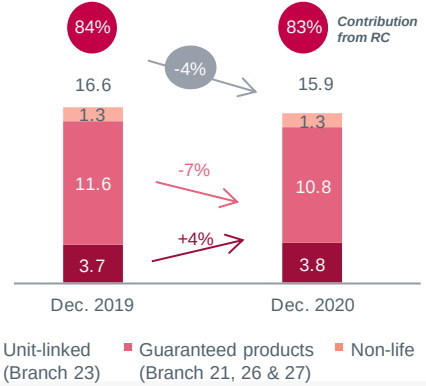
Insurance

Continued growth in non-life and evolution towards higher Branch 23 proportion in life reserves

Insurance production
EUR m



Insurance reserves
EUR bn



- Overall increasing non-life GWP (+3.2%) as the strong growth of RC non-life GWP to EUR 647m in 2020 (up 5.0% compared to 2019), especially in the bank-insurance channel (+11.9% compared to 2019), 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 lead to increasing life insurance transfers[2] up 10.4% compared to 2019, to EUR 863m
- Continued implementation of the strategy to switch from guaranteed yield products to unit-linked products (+4% increase in unit-linked reserves), boosted by the bank distribution channel

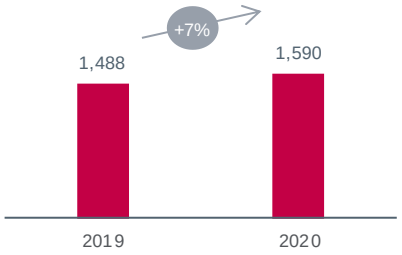
Notes: 1.TCA in life insurance products relates to transfers (Transfers from Br21 to another contract), Conversions (transfers between funds of Br23 contracts) and Arbitrages (transfers between Br 21 and Br23 towards Br 44 and between two Br23 contracts);
2. Of which EUR 24m for PC activities in run-off in 2020, and EUR 58m in 2019

In this challenging context, strong commercial dynamics and strict balance sheet management discipline enabled to further increase NII and F&C income

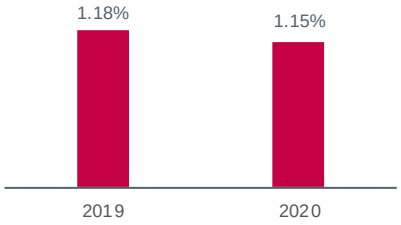
Bank

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

Net interest income Bank
EUR m



NIM[1]

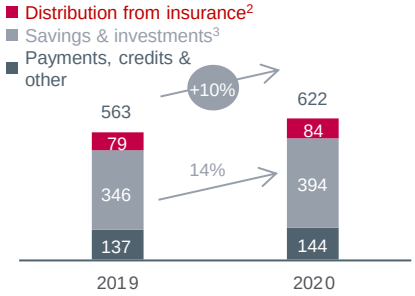


- NII strong performance mainly resulting from increasing commercial loan volumes at increasing margins on stock, the ECB's measures (TLTRO III and deposit tiering) and a large restructuring of a specific corporate leasing file; hence counterbalancing the negative impact of the historically low interest rate environment especially on interest margin of further increasing volumes of non-maturing deposits and of the modification loss (EUR -9.7m) booked on mortgage loans moratoria
- Strict pricing discipline on both sides of the balance sheet enabled to contain the decrease of NIM to only 3 bps, from 1.18% in 2019 to 1.15% in 2020

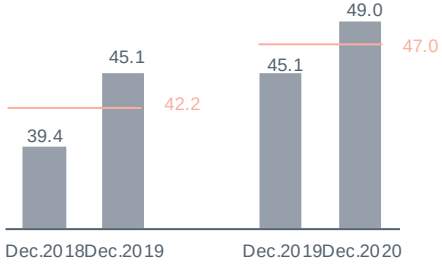
Bank

Increase in bank fee & commission income

F&C income Bank
EUR m



Assets under management[4]
EUR bn, end of period (■) and average (—)



- Strongly increasing fee and commission income (+10%)
  - increasing fees from RC savings and investments mainly following higher entry fees and higher recurring fees driven by good organic growth in individual mandates and in new thematic future funds (Climate, Cure, Wo=men and Be=long) and thanks to higher average AuM
  - higher fees from non-life insurance products sold through bank-insurance channels (especially on Home & Family and Car insurance) and from payment services in RC segment thanks to higher client equipment and transaction volumes

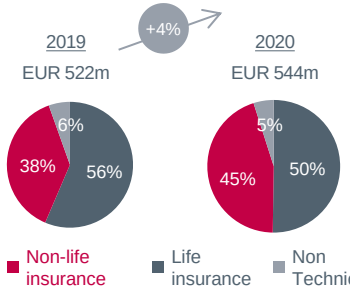
Notes: 1. NIM calculated as the sum of quarterly NII at Belfius Bank (without dividend income) of the last 4 quarters divided by the average of the interest earning assets at Belfius Bank of the last 4 quarters (see also APM document on Belfius' website); 2. Classical life and non-life; 3. Including 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.

Diversified bank-insurance business model: lower life insurance contribution more than compensated by higher non-life insurance contribution

Insurance

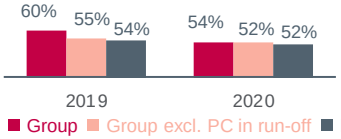
Strong non-life income; life insurance contribution impacted by lower investments results

Insurance income[1]
EUR m



Life margin

Non-life net loss ratio

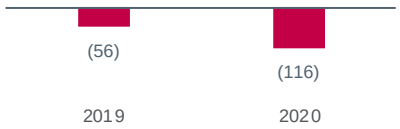


- Non-life insurance increased strongly from EUR 199m in 2019 to EUR 244m in 2020 mainly thanks to an improved Net Combined Ratio, linked to the lower claims frequency during Covid-19 lockdown and a reassessment of technical provisions in line with Risk Appetite Policy, partly offset by large claims for natural catastrophes (the winter storms in 1Q 2020) and anticipation of higher reserves for bodily injuries' claims, in line with higher expected NPV of potential claims in lower-for-longer yield environment
- Continued strategic transformation of product mix towards more non-life and unit-linked products
- Life insurance contribution decreased from EUR 295m in 2019 to EUR 273m in 2020, mainly due to the negative impact of financial markets on some investments booked in fair value through P&L and to lower realised capital gains in the life insurance bond portfolio, partly compensated by increasing contribution of branch 23. Overall, still solid financial margin in life of 1.84% in 2020

Group

Other income decreased due to market turmoil

Other income
EUR m

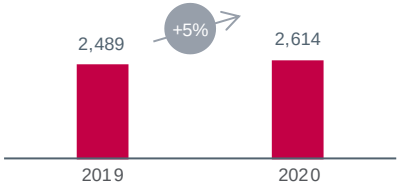


- Other income amounted to EUR -116m in 2020, more negative than 2019 (EUR -56m). The y-o-y delta is mainly stemming from higher bank levies[2] compared to 2019, lower trading and hedge results mainly due to the impact of increased credit spreads on non basic financial instruments and credit derivatives during 1H 2020, partly compensated by higher net income on investments mainly thanks to realized gains on some real estate

Group

Increasing total revenues

Total income
EUR m



- Strong commercial dynamics and strict balance sheet management discipline lead to increasing total revenue base, mainly thanks to:
  - continued lending growth at increasing margins
  - volume growth in customer investments, leading to further increasing F&C income
  - improved NCR in non-life insurance activity
- Total income amounted to EUR 2,614m in 2020 (vs EUR 2,489m in 2019)

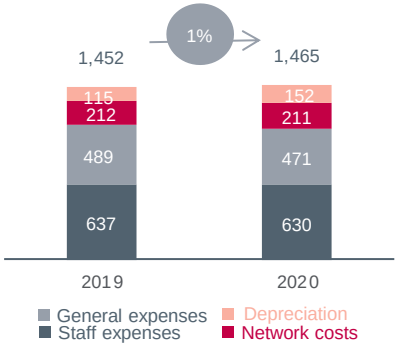
Notes: 1. Full insurance income including non technical insurance income is also included in group other income figures; 2. EUR 222m in 2020 and EUR 205m in 2019. Note that sector levies of Belfius Insurance (EUR 17m in 2019 and EUR 15.3m in 2020) are included in insurance income

These income dynamics, combined with continued cost containment, led to strong pre-provision income

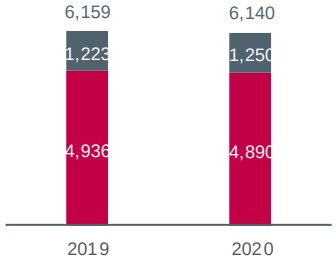
Group

Contained costs with strategic investments in IT & digital

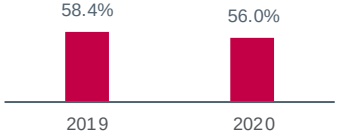
Expenses
EUR m



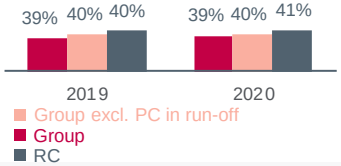
FTE[1]



Cost-income ratio



Non-life expense ratio

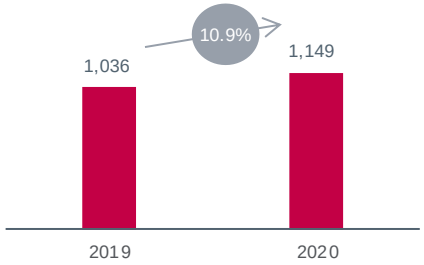


- 2020 expenses remained fairly stable compared to 2019 thanks to general cost control measures, notwithstanding Belfius' continued growth journey driven by digitalization and modernization, hence impacting IT expenses. The excellent service quality that Belfius was able to give to its customers during the Covid-19 lockdown underlines the pertinence of this digital transformation strategy. C/I ratio decreased to 56.0% in 2020
  - staff expenses decreased in line with this transformation journey, as number of FTE decreased and personnel costs for in-house developments of software are partially activated
  - general expenses decreased thanks to a strict cost control, also in line with Covid-19 sanitary measures
  - network costs slightly decreased further, in line with the digitalization strategy and continued network density adjustment
  - depreciation costs increased further, in line with the intensified IT/digitalization investments and also due to accelerated depreciation of some internally developed software, given the rapid changes in technology and the accelerated uptake of digital services as a consequence of the COVID-19 pandemic
- Expenses also include Belfius' efforts for having CO2 neutral buildings: Belfius is a certified CO2 neutral (scope 1, 2 and 3) company

Group

All in all, leading to improved pre-provision income

Gross income
EUR m



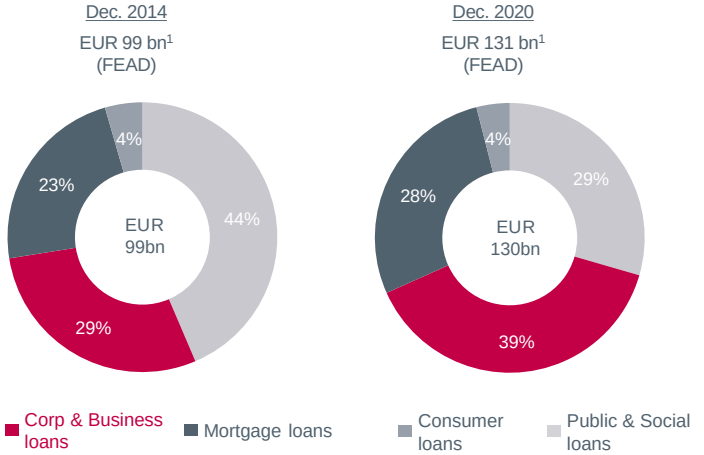
- All in all, the combination of good income dynamics, despite some headwinds from volatile financial markets and lower-for-longer interest rate environment, and well contained operating expenses, while continuing to invest structurally in our commercial activities, our ESG DNA and in IT and digitization, led to an increase in pre-provision income to EUR 1,149m in 2020 (vs EUR 1,036m in 2019)

Notes: 1. Average active FTEs

Belfius' loan portfolio has been screened in detail in light of the Covid-19 situation and remains well balanced

From 2015 onwards the commercial franchise has been further developed

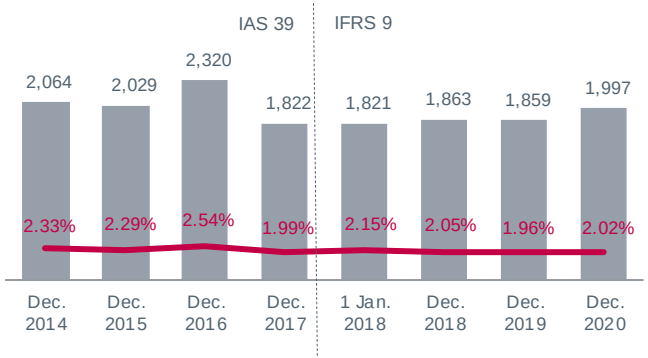
Evolution of the loan portfolio
%



- Belfius, focusing on supporting all segments of the Belgian economy since 2015, has developed a balanced loan portfolio
- The mortgage loan portfolio increased from EUR 22.9bn per end 2014 to EUR 36.0bn per end 2020
- The corporate and business loan portfolio increased from EUR 28.8bn per end 2014 to EUR 51.3bn per end 2020

Slightly increasing NPL but credit quality of the portfolio remains good

Evolution of impaired loans to customers
EUR m
Asset quality ratio (—)



- The impaired loans to customers decreased since 2016, remaining stable over the years thereafter before slightly increasing in 2020, however still reflecting the solid quality of the portfolio
- The asset quality ratio has improved from 2014-2016 levels and went up only slightly in 2020, reflecting the intrinsic resilience level of the portfolio and probably also thanks to the continued and material public support measures, having a delaying effect on the occurrence of NPLs

Notes: 1. Bank loan portfolio excluding GC based on Full Exposure at Default

Zoom on Cost of Risk
IFRS 9 impairment methodology

IFRS 9 impairment methodology at Belfius and Covid-19 elements

- In current unprecedented context, Belfius' basic principles for ECL 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
  - 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
  - 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 are 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 which tends to shock the business and corporate loan portfolio by decreasing their 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

Neutral scenario

GDP (% y-o-y)	2020 *(2Q20)*	2021 *(2Q20)*	2022 *(2Q20)*
Belgium	-8.0 *(-10.6)*	3.9 *(8.2)*	3.3 *(2.1)*
Eurozone	-7.9 *(-10.9)*	3.6 *(8.1)*	2.6 *(3.5)*
United States	-4.0 *(-8.0)*	3.3 *(4.8)*	2.8 *(3.5)*

CPI (% y-o-y)	2020 *(2Q20)*	2021 *(2Q20)*
Belgium	0.2 *(0.2)*	1.3 *(1.3)*
Eurozone	-	-
United States	-	-

Unemployment (% y-o-y)	2020 *(2Q20)*	2021 *(2Q20)*
Belgium	9.2 *(7.9)*	7.4 *(8.4)*
Eurozone	10.6 *(10.4)*	9.0 *(9.6)*

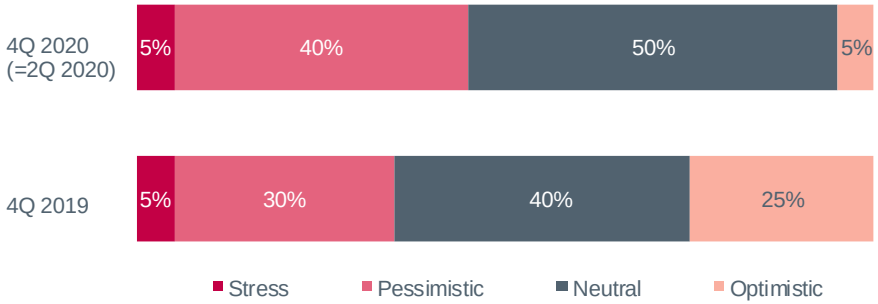
Four scenarios

GDP Belgium (% y-o-y)

Scenarios	As of end 2019	As of 4Q 2020	
for year	2020	2020 *(2Q20)*	2021 *(2Q20)*
Optimistic	1.5	-7.3 *(-6.0)*	9.0 *(5.0)*
Neutral	1.1	-8.0 *(-10.6)*	3.9 *(8.2)*
Pessimistic	0.8	-10.3 *(-12.5)*	3.1 *(6.0)*
Stress	-0.5	-12.5 *(-13.9)*	2.3 *(6.4)*

Pillar 1: Belfius materially increased the weight of more negative macroeconomic scenarios (unchanged from 2Q 2020)

Probability weighted forward-looking scenarios

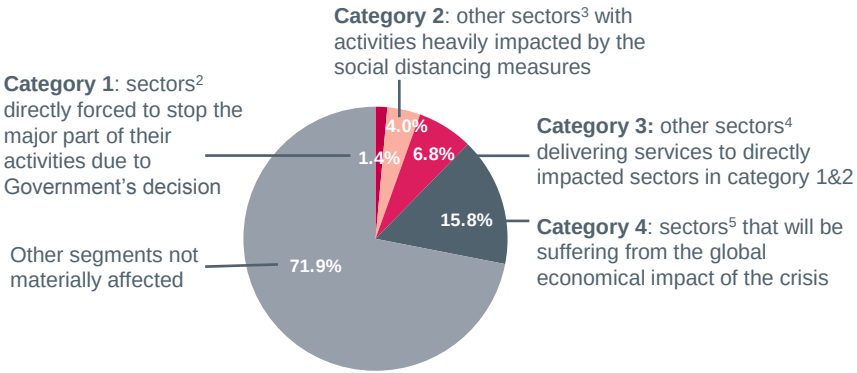


- Due to the Covid-19 crisis, Belfius has adjusted the weights of its four economic scenarios at the end of 2Q 2020 to reflect the Covid-19 crisis' impacts. At the end of 4Q 2020 the scenario weights have been maintained at their 2Q 2020 levels
- A weight of 50% has been assigned to the neutral scenario. The probability of more severe scenarios has also increased due to the Covid-19 crisis, bringing the probability of such scenarios to 45% at the end of 4Q 2020 compared to 35% at the end of 4Q 2019

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

Vulnerable companies	Companies with low ratings belonging to sectors identified as highly impacted by Covid-19 and flagged as having lower resilience
Commercial real estate	Sensitive market segments (e.g. retail, leisure, hospitality)
Mortgages	Loans at risk: to borrowers using moratorium and loans with indicators reflecting potentially higher risk pockets (buy-to-let loans, loans to borrowers with low 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"

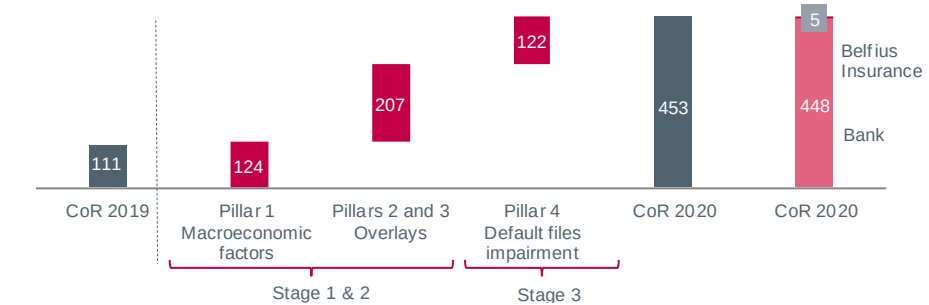
- Belfius combines the "Covid-19 adjusted" mechanical calculations with expert overlays. These overlays are designed to result, overall, in best estimate total coverage of ECL in some specifically identified risk pockets (defined in terms of sectors, groups of companies or individual exposures) when the credit risk is estimated to be (potentially) insufficiently covered by the mechanical provisions
- This analysis, performed by multi-disciplinary teams, is performed starting with the sectors, portfolios and companies considered most at risk. As of end 2020, Belfius screened on a line-by-line basis 90% of its total exposure on corporates, SME's and self-employed (at bank level). This review feeds the formal quarterly impairment process and is entitled to shift individual files or risk pockets from stage 1 to 2 and to increase the coverage ratio, for instance, by considering stressed LGD

Notes: 1. Total loans and debt instruments portfolio (FEAD) in Belfius Bank balance sheet amounts to EUR 180bn (incl.GC) as per end December 2020; 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

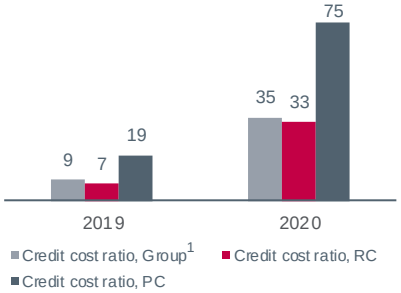
Zoom on Cost of Risk
Resulting cost of risk metrics 2020 (1/2)

The cost of risk in 2020 – P&L impact

Cost of risk
EUR m



Credit cost ratio
Bps



- Belfius' cost of risk approach 2020 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

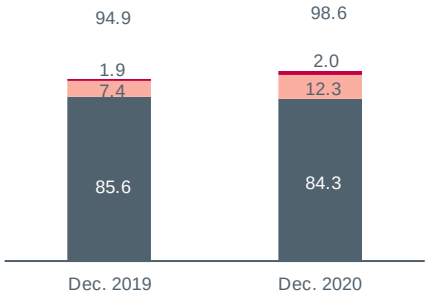
- As a consequence of the Covid-19 crisis, the cost of risk increased strongly from EUR 111m (or 9 bps[1]) in 2019 to EUR 453m (or 35 bps[1]) in 2020, with Covid-19 related anticipative provisioning, amounting to EUR 331m, reflecting the macroeconomic parameters revised downwards and the Covid-19 related anticipative provisioning (especially in stage 2) and management overlays. Stage 3 provisioning contributes for EUR 122m, reflecting default inflows as well as some additional specific impairments for a number of corporate loans that were already higher risk profile pre-Covid-19 crisis and that shifted to default during 2020. However, the number of new defaults in 2020 still remained rather contained

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

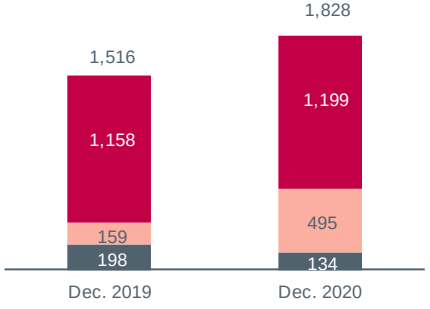
Zoom on Cost of Risk
Resulting cost of risk metrics 2020 (2/2)

Asset quality metrics 2020 – Consolidated Bank balance sheet

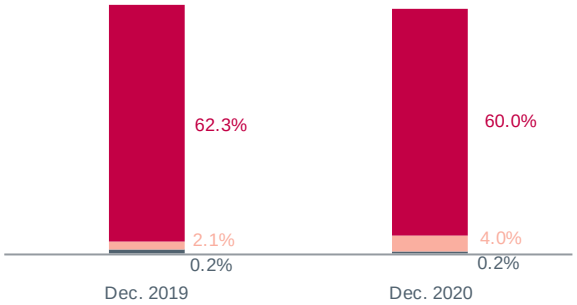
Gross outstanding loans to customers
EUR bn



Stock of impairments on loans to customers
EUR m



Coverage ratio
%



Stage 1 Stage 2 Stage 3

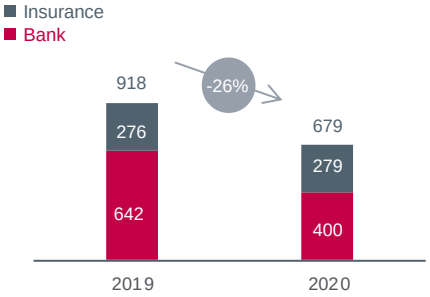
- On the balance sheet this leads to a material increase of outstanding stock of impairments under IFRS9, from EUR 1.7bn end 2019 to EUR 2.0bn in 2020. IFRS9 impairments related to “loans and advances to customers” increased from EUR 1.5bn end 2019 to EUR 1.8bn end 2020
- The increase is especially material in stage 2, due to Covid-19 crisis and revised macroeconomic parameters and management overlays, resulting in an overall migration of loans to customers from stage 1 to stage 2

Covid-19 crisis related cost of risk is leading to substantially lower net income

Group

Decreasing NIBT

Net income before tax
EUR m

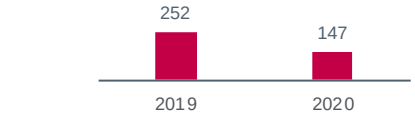


- Net income before tax amounted to EUR 679m, compared to EUR 918m in 2019, a decrease of 26% mainly due to a sharp increase of the cost of risk in the Covid-19 context

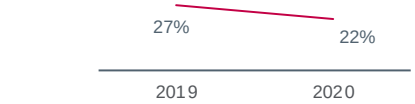
Group

Lower tax expenses

Tax expenses
EUR m



Effective tax rate
%

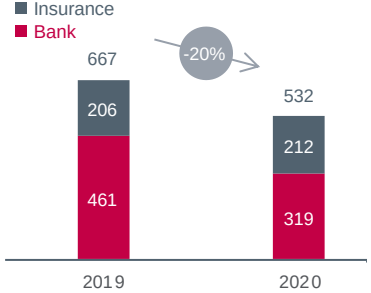


- As NIBT decreased in Covid-19 context , the consolidated tax expenses amounted to EUR 147m in 2020, lower than the level (EUR 252m) of 2019
- Consolidated effective tax rate stood at 22%, below the statutory tax rate (25% in 2020, down from 29.58% in 2019) mainly thanks to innovation income deduction

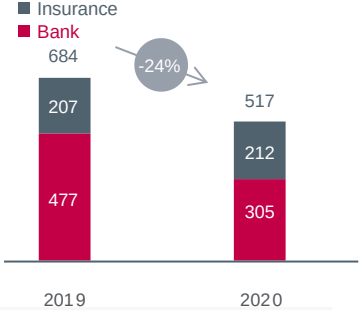
Group

All-in-all lower net income

Net income
EUR m



Adjusted net income
EUR m



- All in all leading to a net income of EUR 532m in 2020 compared to EUR 667m in 2019
- Belfius Bank contributed EUR 319m and with the insurer contributing more than one third (EUR 212m) of the total net income, it is again the demonstration of the resilience of a bank insurance model in a challenging environment
- Excluding special items (see appendix), adjusted net income of EUR 517m in 2020, down from EUR 684m in 2019

4. Segment results

1. RC

- **Retail & Commercial segment showing continued strong commercial momentum:**
  - customer savings & investments (+7%): strong organic growth (EUR +7.2bn) since end 2019, combined with a positive market effect (EUR +1.1bn): not only in non-maturing deposits (EUR +7.3bn), but also, despite Covid-19 crisis, in off balance sheet products (EUR +2.7bn), showing resilience of our investment services franchise.
  - outstanding loans to customers (+7%) continued to grow in mortgage and business segments
  - continued strong performance in GWP non-life (+5%), especially via bank distribution channel (+11.9%)

- **A strong digital track record in mobile - omnichannel banking**
  - further increase of Belfius' active mobile users: almost 1.6m 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 2020, 67% of the new pension savings contracts were subscribed via direct channels

- Covid-19 crisis resulted in material increase in saving levels, and as such in higher volumes on sight and savings accounts. Strong RC loan volume growth at loan margins on average slightly above margins on stock could not fully offset the interest margin pressure on these non-maturing deposits, due to persistent low interest rates and the legal tariff floor on savings deposits, all-in-all leading to a **slightly decreasing NII**

- **Strong increase in fee & commission income** thanks to the good development of fees from (i) classical life and non-life insurance products sold through bank-insurance channels, (ii) payment services due to higher client equipment and transaction volumes and (iii) excellent activity in investment services resulting in higher entry and management fees

- **Slightly lower insurance income contribution** as a result of strong decrease of life insurance income mainly due to lower investment returns due to financial markets turmoil (especially in 1Q 2020), partially offset by excellent RC non-life results also as a consequence of lower claims frequency during the lockdown period

- **Operating expenses slightly increased** compared to 2019, benefiting from strict cost controls, even considering the continued investments in strategic priorities such as Investment Services, IT and digitization

- **Resilient pre-provision income** of EUR 665m (vs EUR 674m end 2019)

- The **cost of risk in RC** (EUR 183m) was materially impacted by the Covid-19 crisis, especially on the business loan segment

- All-in-all, lower **net income of EUR 359m**, down from EUR 464m in 2019 (-23%)

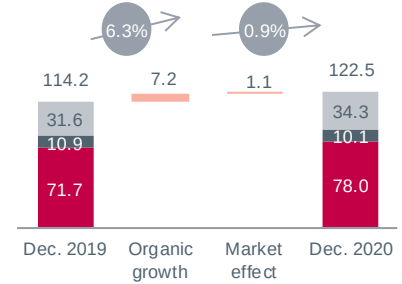
Solid commercial activity leads to further volume growth and developing sales through direct channels

Bank-Insurance

Solid growth in savings & investments and loans to customers

Outstanding savings & investments

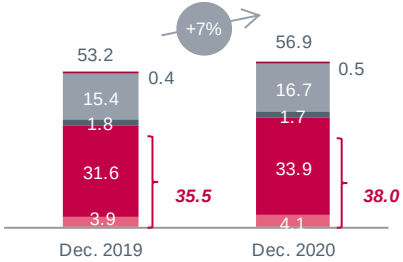
EUR bn



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

Outstanding loans to customers

EUR bn



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

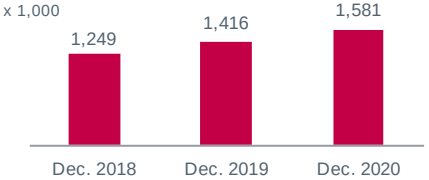
- Retail & Commercial continues to show overall excellent activity dynamics despite difficult circumstances and increased income pressure from continuing growth of non-maturing deposits:
  - strong organic growth (EUR +7.2bn) mainly in non-maturing deposits while off-balance sheet products increased thanks to a combination of (i) organic growth (EUR +1.6bn), testimony of growing investor base of Belfius and (ii) positive market effects despite the Covid-19 crisis and lower branch 21 life insurance investment reserves (EUR -0.8bn) only partially compensated by positive market effect
- Outstanding loans increased by EUR 3.7bn (+7%) compared to Dec. 2019. The increase is driven by a strong growth in business loans (+8.4%) and mortgage loans (+6.9%)

Bank

Growing activity on direct channels

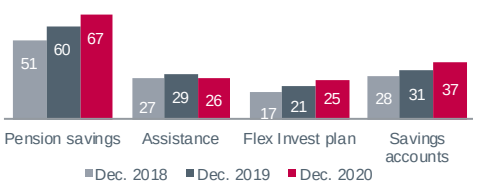
Active mobile users

x 1,000



Sales through direct channels[1]

%



Credit cards

~45% of credit cards are sold through direct channels[1]

Customer equipment rate

3.12 Products per customer

- Growing customer engagement resulting into steady increase of active mobile users (+12% vs. Dec. 2019), with on average 36 logins per active user per day in December 2020. Belfius' app is not only the best rated Belgian banking app for five years in a row but also the second[2] best banking app in the world
- Belfius continues to extend the functionalities of its direct channels. In 2020, 67% of the new pension savings contracts, 45% of the new credit cards and 37% of the new savings accounts were subscribed via direct channels
- Further steadily increasing average equipment rate of RC customers (3.12 in 2020), supported by increasing direct sales

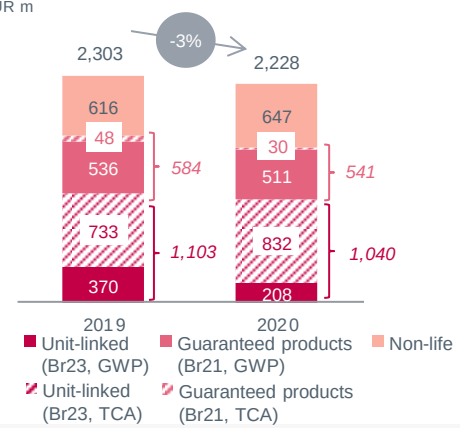
Notes: 1. Belfius' direct channels are Belfius Connect, Belfius Mobile (smartphone and tablet) and Belfius Direct Net (computer); 2. Based on report of SIA Partners 2020

Bank-insurance strategy continues to support Belfius' insurance activities, while continuing their product mix transformation

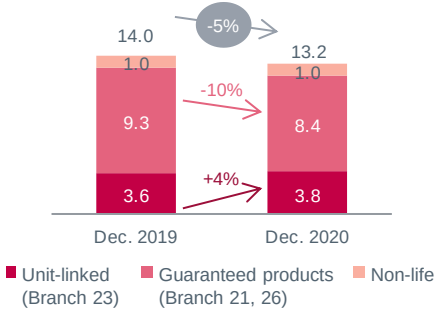
Insurance

Insurance sales & reserves in line with product mix evolution

Insurance production
EUR m



Insurance reserves
EUR bn

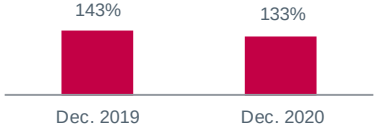


Bank-Insurance

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 2020 stood at EUR 647m, up 5.0% compared to 2019, boosted by the bank distribution channel (+11.9%)
- RC life insurance (unit-linked and traditional) production stood at EUR 1,581m in 2020[1], down 6% compared to 2019[2]
  - unit-linked (Branch 23) production decreased by -5.7% as 2019 was particularly strong in the production of Branch 23 and 2020 was adversely impacted by the Covid-19 crisis as lower GWP were only partly offset by higher TCA[4]'s
  - traditional life (Branch 21/26) production decreased with -7.4% following the low interest rates environment
- Total RC insurance reserves stood at EUR 13.2bn: unit-linked reserves increased by 4% showing good commercial activities on existing portfolio, while traditional life reserves decreased by -10%, 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 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

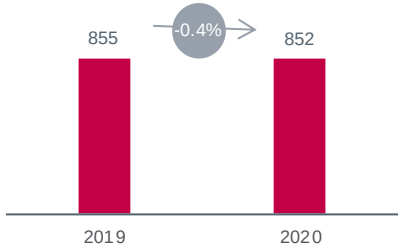
Notes: 1. Of which EUR 719m GWP and EUR 863m transfers; 2. Of which EUR 907m GWP and EUR 781m transfers; 3. Mortgage-related cross-selling ratio based on contractual data and showing the average insured amount compared to the mortgage; 4. Transfers, Conversions and Arbitrage

Increase in non-maturing deposits continues to put pressure on RC NII, however more than compensated by strongly increasing fees

Bank

Resilient NII in a continuously low interest rate environment

Net interest income
EUR m

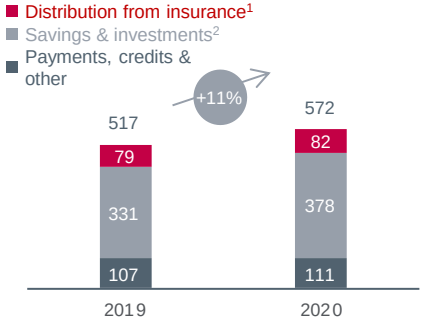


- Resilient RC NII amounting to EUR 852m in 2020:
  - the margin pressure on outstanding non-maturing deposits due to the persistent low interest rate environment and increasing volumes combined with the modification loss attributable to moratoria on mortgage loans was almost fully compensated by the strong growth in RC loan volumes (especially in mortgage and business loans) at margins slightly above the margins in the RC loan stock

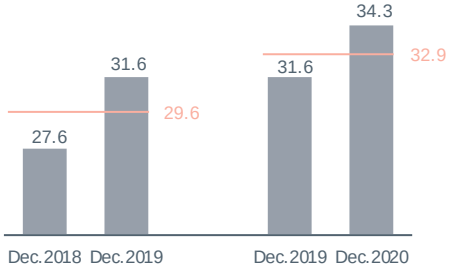
Bank

Strong Fee & Commission income

F&C income
EUR m



Assets under management[3]
EUR bn, end of period (■) and average (—)



- Strongly increasing fee and commission income (+11%):
  - increasing fees from savings & investments mainly following strong activity and higher average AuM (strong inflows and positive market effect) leading to higher entry fees and higher management fees, also thanks to the successful launch of new thematic funds (Climate, Cure, Wo=men and Be=long) and individual mandates
  - higher fees from non-life insurance products sold through bank-insurance channels (especially on Home & Family and Car insurance) and from payment services in RC segment thanks to higher client equipment and transaction volumes

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.

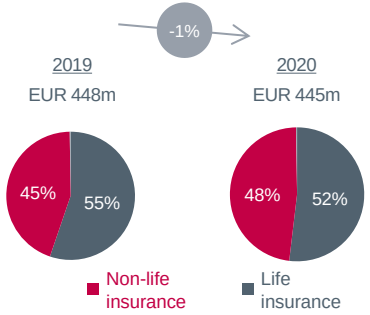
Lower life insurance and other income, partially compensated by strong increase of non-life income, leads to overall resilient total income

Retail & Commercial

Insurance

Good contribution from insurance

Insurance income
EUR m



Life margin

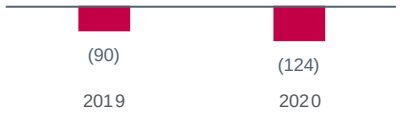
Non-life net loss ratio

- RC life insurance contribution amounted to EUR 232m, impacted by the Covid-19 crisis and down -7% in 2020 compared to 2019 mainly driven by (i) decreasing outstandings in Branch 21 products (low interest rate environment) (ii) lower investment returns on assets covering the life reserves, due to financial markets' impacts on financial instruments booked in fair value through P&L and due to lower realised capital gains on insurance bond portfolio
- RC non-life insurance contribution reached EUR 214m (+7% vs. 2019) also as a result of a drop in claims frequency positively impacting the net loss ratio, despite important claim charges for natural catastrophes in the first quarter of 2020 and an increase of bodily injuries' claims reserve from best-estimate anticipation of the so-called "indicative tables"

Bank-Insurance

Other income

Other income
EUR m

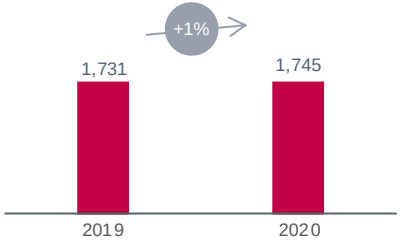


- Other income lower, mainly due to higher bank levies and financial markets impact on dealing room activities performed for RC

Bank-Insurance

Resilient total income

Total income
EUR m



- Slightly increasing revenues (+1%) demonstrating the resilience of Belfius' RC business model in the context of the adverse sanitary and macroeconomic environment

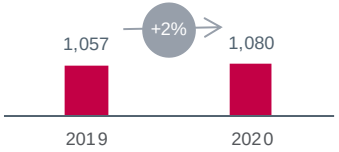
Strategic initiatives with further investments in Investment Services, IT and digital are executed within strict overall cost control framework. Covid-19 related cost of risk much higher than in 2019

Retail & Commercial

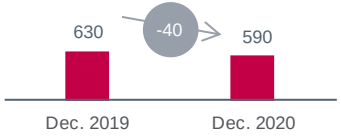
Bank-Insurance

Well controlled operating expenses

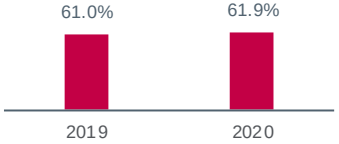
Expenses
EUR m



 # bank branches



Cost-income ratio
%



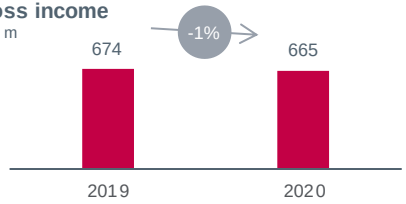
Non-life expense ratio
%

- Expenses in 2020 only slightly increased compared to 2019 thanks to cost control measures notwithstanding Belfius' ambitious growth journey driven by digitalization and modernization, hence impacting IT expenses, and accelerated depreciation of some internally developed software
- Belfius continues to adjust step by step its physical branch network, in line with customer behaviour, digitalisation trend and bank-insurance platform integration
- Slightly increasing income and expenses lead to a slight increase of the cost-income ratio to 61.9% (from 61.0% in 2019)

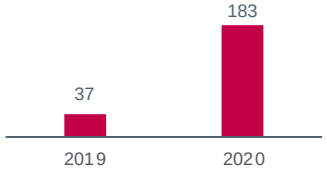
Bank-Insurance

Resilient pre-provision income, lower net income

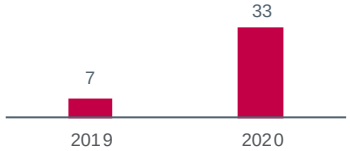
Gross income
EUR m



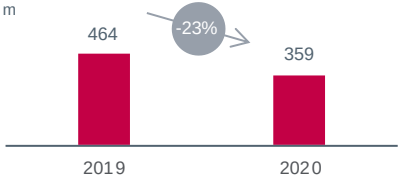
Cost of risk
EUR m



Credit cost ratio[1]
Bps



Net income
EUR m



- Resilient pre-provision income of EUR 665m (vs EUR 674m in 2019), showing well diversified business model of RC
- Higher cost of risk and credit cost ratio, heavily impacted by the Covid-19 crisis:
  - business loans: EUR 162.8m CoR in 2020 (101 bps)
  - mortgage loans (Bank): EUR 12.1m CoR in 2020 (3.7 bps)
  - consumer loans: EUR 3.5m CoR in 2020 (16 bps)
- Total net income amounts to EUR 359m in 2020 (down from EUR 464m in 2019)

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

4. Segment results

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
  - strong increase in loans to Belgian Corporates (+8.4%)
  - continued momentum in Debt Capital Markets; participation rate of 87% within the Public and Social segment and 51% within the Corporate segment in the Belgian market
  - 15 equity capital market transactions for various corporate clients, continuously building on the partnership with Kepler Cheuvreux

- **Growing NII** thanks to higher loan volumes in the Corporate segment, also thanks to the pre-payment interests booked on a restructuring of a material leasing file in 1Q 2020

- **Strong increased contribution of fees and commissions**

- **Increasing income contribution from insurance activities** due to (i) strong increasing contribution from non-life insurance activities, thanks to improving NCR, (ii) partially offset by lower investment returns on life insurance reserves due to impact from financial instruments booked in fair value through P&L

- **Slight increase of operating expenses,** as a result of strong development of activities and investments in IT and digitalization, however also in PC segment partially compensated by overall strict cost control

- **Growing pre-provision income** of EUR 367m in 2020 (vs EUR 322m in 2019)

- **Increase of the credit cost ratio** on the Corporate segment, as explained before due to the Covid-19 situation, and to some specific corporate loans which negatively impacted stage 3 impairments in 2020

- All-in-all leading to a **net income** of EUR 52m in 2020, compared to EUR 179m in 2019 (-71%)

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

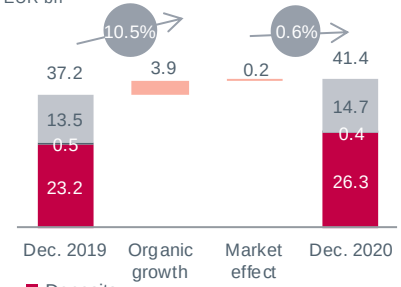
Public & Corporate

Bank-Insurance

Savings & investments and loans & commitments to customers

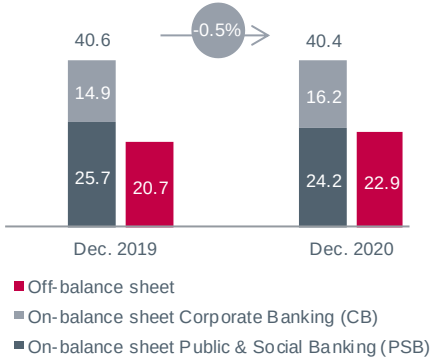
Outstanding savings & investments

EUR bn



Outstanding loans and commitments

EUR bn



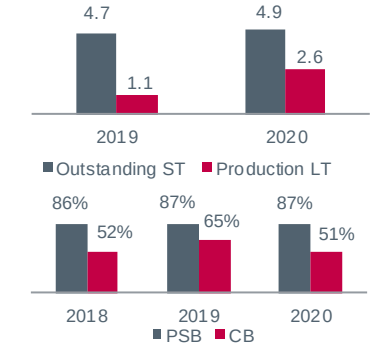
- Public & Corporate continues to grow towards full-blown lead bank for Belgian corporates and continues to stay the reference for the Public & Social segment:
  - total customer balances amounted to EUR 41.4bn, up 11.2% compared to end 2019, with organic growth of EUR +3.9bn and limited positive market effect (EUR +0.2bn)
  - strong support during Covid-19 crisis and continued commercial strategy towards Belgian corporates resulted in a 8.4% increase of outstanding loans to EUR 16.2bn as per December 2020
  - outstanding loans in PSB decreased by -5.7%, to EUR 24.2bn, despite strongly increasing long term loan production
- Belfius is the only Belgian bank-insurer financing all 8 offshore wind farms in Belgium
- Within SBRS[2], Belfius committed to support 41 social entities[3] in the technical, financial, administrative and legal aspects of new projects for a total amount of more than EUR 300m

Bank

Debt and Equity Capital Markets activities and PCB loan production

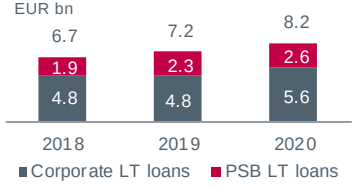
DCM activity and participation rate

EUR bn; %



PSB and corporate long term loan production[1]

EUR bn



Equity Capital Markets (ECM)

15 Transactions in 2020

- PC clients maintain diversified financing profiles through DCM activity
  - during 2020, Belfius has placed a total of EUR 4.9bn short term notes and EUR 2.6bn 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 5.6bn, substantially higher than in 2019. Production of PSB LT loans also increased and amounted to EUR 2.6bn in 2020
- Belfius also structured and placed a total of 15 capital market transactions within ECM for various corporate clients in close cooperation with Kepler Cheuvreux with whom Belfius entered a strategic partnership in November 2017

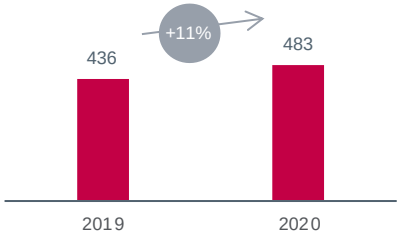
Notes: 1. Belfius Lease and Autolease for PC customers included; 2. Smart Building and Renovation Solution; 3. Schools, police & fire brigade buildings, retirement homes, cultural centers, sports infrastructure, administrative centers, shelters for young kids and homes for people with disabilities

Strict balance sheet management and Belfius' commitment to support its corporate and public & social sector clients in a lockdown environment, positively impacted NII

Bank

Increasing net interest income despite adverse rate environment

Net interest income
EUR m

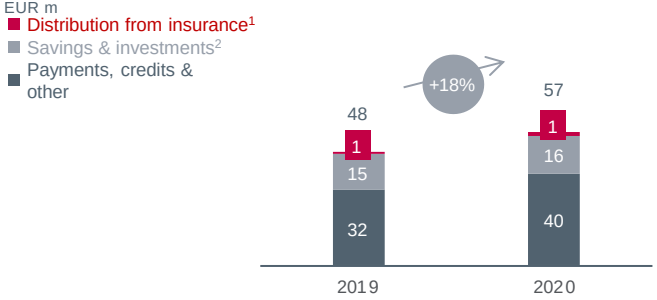


- Increasing bank NII in PC to EUR 483m, mainly thanks to the growth of loans to the corporate segment, at higher margins than on stock, also benefiting from the pre-payment interests booked on the restructuring of a material leasing file in 1Q 2020

Bank

Increasing fees & commissions

F&C income
EUR m



- Good commercial interaction between lending and non-lending services lead to an increase of 18% in fee and commission income

Notes: 1. Classical life and non-life; 2. Including insurance distribution from insurance investment products

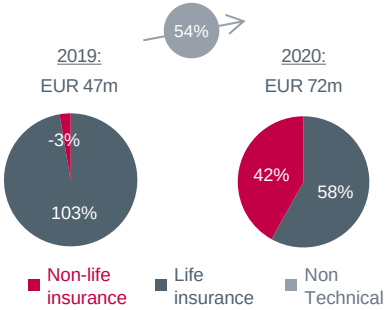
Higher insurance contribution, enhancing the NII growth, leading to increasing PC income

Public & Corporate

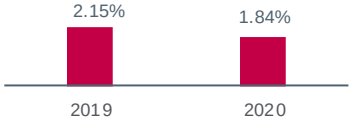
Insurance

Increase of insurance contribution

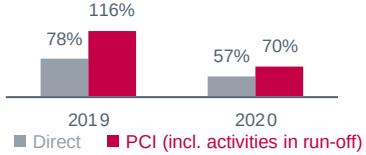
Insurance income
EUR m



Life margin



Non-life net loss ratio



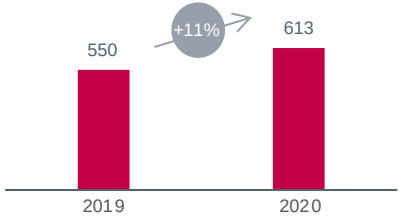
- PC life insurance results evolving negatively in 2020 due to the impact of Covid-19 crisis on the investment return on financial assets booked at fair value through P&L covering life reserves and fewer realized capital gains on bonds in life insurance reserves investments
- Non-life results were positively impacted thanks to positive development on claims from the past and lower current year claims charge as a consequence of the lockdown

Bank-Insurance

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

Other income
EUR m

Total income
EUR m



- Other income 2020 negatively impacted by lower income from subsidiaries[1] and lower results from financial markets, offsetting the higher realized fees on financial markets activities

- Higher net interest income and fee and commission income, combined with higher insurance income and lower other income lead to an increasing PC total income of EUR 613m in 2020

Notes: 1. Mainly lower results from Belfius AutoLease (impact of Covid-19 crisis), Real Estate subsidiaries (delay in some real estate projects carried forward to 2021) and Brightknight (due to the end of its activities in Sept. 2020)

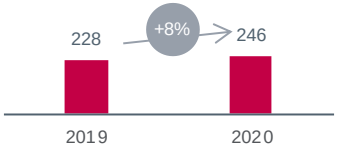
Strategic initiatives with further investments in Corporate Banking, IT and digital, are executed within strict overall cost control framework
Cost of risk materially higher than in 2019, due to Covid-19

Public & Corporate

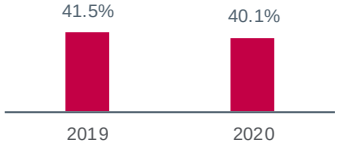
Bank-Insurance

Costs slightly increasing

Expenses
EUR m



Cost-income ratio



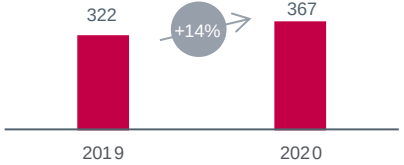
Non-life expense ratio

- The impact of Belfius' strategic development and digital and IT investment programs is partially compensated by strict cost control measures
- Reported cost-income ratio (40.1%) materially improved vs 2019 (41.5%)

Bank-Insurance

Resilient pre-provision income, but net income negatively impacted

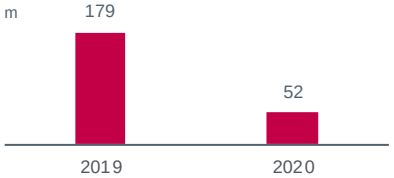
Gross income
EUR m



Cost of risk
EUR m

Credit cost ratio[1]
Bps

Net income
EUR m



- Overall, pre-provision income PC showed strong resilience, as is the case in RC
- Increase of the credit cost ratio mainly stemming from the strong macroeconomic downturn linked to the Covid-19 crisis, and stemming from our expert judgement analysis and from some Corporate Banking loans that were already showing higher risk profiles pre-Covid-19 crisis, and that shifted to default (stage 3) status in 2020
  - Corporate loans: EUR 302m CoR in 2020 (194 bps)
- Due to Covid-19, the negative evolution in cost of risk brought the net income of PC to EUR 52m in 2020

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

4. Segment results

3. GC

- **GC income** amounted to EUR 255m in 2020, EUR 48m higher than last year, mainly due to higher NII from better transformation results and improved treasury income also thanks to tiering, and some capital gains on the sale of some buildings
- Costs decreased from EUR 167m in 2019 to EUR 139m in 2020, benefitting from general cost control framework
- **Pre-provision income GC** increased strongly from EUR 40m in 2019 to EUR 116m in 2020
- The cost of risk stood at (a net reversal of) EUR +33m in 2020, compared to EUR +3m in 2019, mainly related to the partial reversal of a stage 3 impairment and the positive impact from the sale of some Italian government bonds (stage 2) in 4Q 2020
- GC tax expenses amounted to EUR 27m in 2020 compared to EUR 16m in 2019, mainly as a result of the higher NIBT realised in 2020
- All in all, **GC net income** is materially better than last year and stood at EUR 121m in 2020 compared to EUR 25m in 2019
- The run-off portfolios continue their gradual (natural) run-off, accompanied by some opportunistic derisking actions (unwind of some collateralized and novation of some uncollateralized derivatives)

Reminder – summary overview of Belfius' Group Center

Belfius' Group Center (notional amounts as of December 2020)				
	Bond portfolio		Derivatives and guarantees	Other GC activities
	ALM Liquidity	Run-off ALM Yield	Run-off portfolio	
	■ LCR eligible bonds (EUR 7.5bn)	■ Non-LCR eligible bonds (EUR 3.4bn) ■ Bought credit protection for some ALM yield bonds	■ Collateralized derivatives with Dexia entities, intermediated and hedged with Financial Markets (notional of EUR 9.8bn) ■ Non-collateralized derivatives with international counterparts (notional of EUR 2.4bn) ■ Credit guarantees: protection given, partly reinsured with monolines (notional of EUR 3.2bn)	■ Management of specific credit risk files (Holding Communal & Arco entities) ■ Various other items: ■ ALM derivatives for B/S management ■ Financial markets services (mostly to business lines and ALM) ■ Central assets ■ Insurance GC ■ Other
Considerations	■ Part of Belfius Bank's total LCR liquidity buffer ■ Well diversified, high credit quality and highly liquid portfolio	■ 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	■ 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

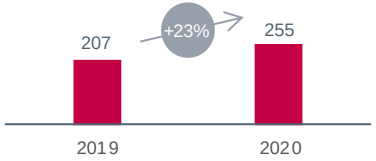
ALM Liquidity		Run-off portfolios					
ALM Liquidity bond portfolio		ALM Yield bond portfolio		Derivatives		Credit guarantees	
Notional value [1] EUR bn		**Notional value** EUR bn		**Notional value**[3] EUR bn		**Notional value** EUR bn	
8.1	7.5	3.6	3.4	15.8 (Other 3.7, Dexia 12.1)	12.2 (Other 2.4, Dexia 9.8)	3.7	3.2
Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020
Average Rating							
BBB+	A-	A[2]	A[2]	BBB+	BBB[4]	A	A-
Expected average life (years)							
7.7	6.9	20.1	19.2	12.3[5]	12.8[5]	9.6	9.0
Investment grade (%)							
100%	99.9%	97%	97%	95%	92%	100%	99%
Credit regulatory risk exposures (EUR bn)							
2.8	1.9	3.0	3.4	0.9	0.6	1.5	1.5

Notes: 1. Decrease due to the sale of EUR 0.6bn of Italian Government bonds during 4Q 2020; 2. Includes rating impact from bought credit protection for some ALM yield bonds; 3. Decrease due to unwind of derivatives with Caffil; 4. Decrease in average rating relates to derisking action (novation of uncollateralized derivatives from a AA-rated counterpart); 5. Calculated based on EAD

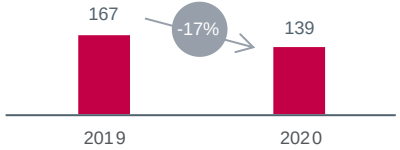
Higher income and lower expenses combined with higher release in CoR led overall to a positive net income for GC

Income higher and lower expenses

Income
EUR m



Expenses
EUR m



- GC income amounted to EUR 255m in 2020 mainly due to higher NII from better transformation results and improved treasury income also thanks to tiering, and some capital gains on the sale of some buildings
- Costs decreased from EUR 167m in 2019 to EUR 139m in 2020, benefitting from general cost control framework

Higher release in CoR and slightly increasing tax expenses

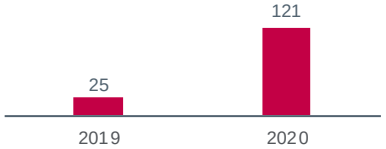
Cost of risk
EUR m

Tax expenses
EUR m

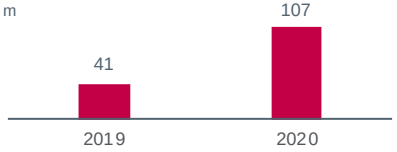
- The cost of risk stood at a reversal of EUR +33m in 2020, compared to EUR +3m in 2019, mainly related to the partial reversal of a stage 3 impairment and the impact of the sale of some Italian government bonds in 4Q 2020
- GC tax expenses amounted to EUR 27m in 2020 compared to EUR 16m in 2019, mainly as a result of the higher NIBT realised in 2020

All-in-all leading to increasing net income

Net income
EUR m



Adjusted net income
EUR m



- All in all, GC net income is materially better than last year and stood at EUR 121m in 2020 compared to EUR 25m in 2019

4. Segment results

4. RoE

- Belfius' strategy is based on the development of a **strong 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
- Of course, the unprecedented adverse impact of the Covid-19 crisis has put the RoAE under pressure. RoAE stood at 5.6% in 2020 compared 7.4% in 2019 mainly as a result of the increased cost of risk in 2020. For RC, the RoAE stood at 12.4% compared to 17.4% in 2019, whereas the RoAE for PC stood at 1.9% in 2020 compared to 7.0% in 2019.

Lower RoAE for the Group mainly due to the higher cost of credit risk related to the Covid-19 crisis

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

Net income
EUR m

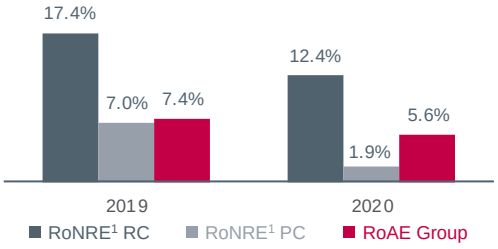
	2019				2020			
	RC	PC	GC	Total	RC	PC	GC	Total
Net income	464	179	25	667	359	52	121	532
RWA (EUR bn)	21.1	20.0	15.3	**56.4**	23.8	22.4	13.1	**59.3**

Adjusted net income
EUR m

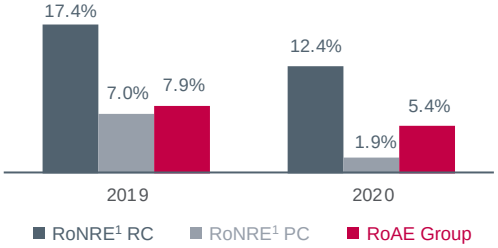
	2019				2020			
	RC	PC	GC	Total	RC	PC	GC	Total
Adjusted net income	464	179	41	684	359	52	107	517
RWA (EUR bn)	21.1	20.0	15.3	**56.4**	23.8	22.4	13.1	**59.3**

Lower RoAE at group level due to higher CoR

Return on Average Equity



Adjusted Return on Average Equity



Notes: 1. Return on average normative regulatory equity based on Common Equity Tier 1 capital at 13.5% RWA

5. Financial solidity

- 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 solid solvency metrics**:
  - CET1 ratio of 17.1% as of end December 2020, up 126 bps compared to December 2019. This net increase stems from many positive elements, like (i) the prudential result, net of foreseeable dividend at 40% pay-out ratio, increasing CET1 capital, (ii) active opportunistic balance sheet management like unwindings or restructurings of derivatives and sale of IT govies, (iii) the application of the Danish compromise from 4Q 2020 onwards based on Belfius Insurance equity value in the consolidated accounts (instead of historical book value before), and (iv) the impact of several Covid-19 regulatory relief measures, partially compensated by an increase in risk weighted assets due to loan volume growth
  - continued solid leverage ratio of 6.9%; excluding the allowed adjustment for certain exposures to Central Banks, the leverage ratio would stand at 5.9%

- This solid capital base still **compares well to Belfius' minimum SREP level and internally defined minimum operational zone**
  - minimum CET1 supervisory requirement amounts to 9.625% 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 and (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)
  - CET1 of 17.1% well above the internally defined minimum operational CET1 ratio zone of 12.5% to 13.5% during the Covid-19 crisis

- **Insurance activities also show continued solid solvency metrics**, with Solvency II ratio of 200% end of December 2020 (net of foreseeable dividend for FY2020)

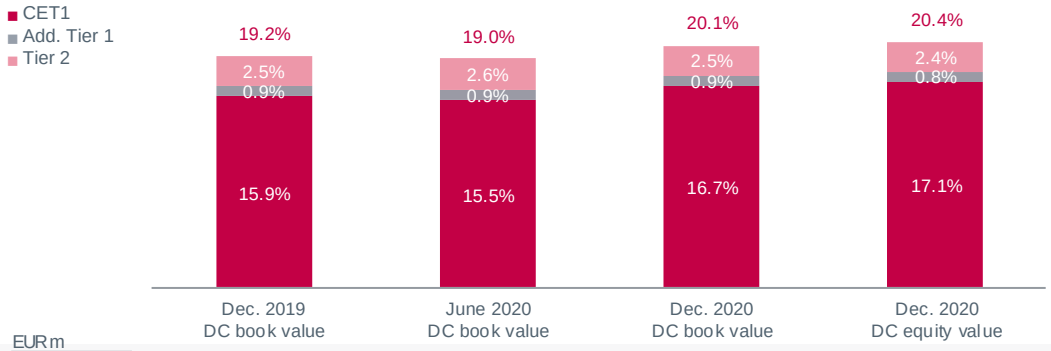
- **Continued strong liquidity and funding profile**
  - LCR of 158% and NSFR of 128%
  - liquid asset buffer as of December 2020 representing 13.6x one year of wholesale refinancing needs, a strong increase a.o. due to strong non-maturing deposits growth, issuance of long term wholesale funding and ECB measures
  - loan to deposit ratio (for commercial balance sheet) decreased from 94% to 89% in line with strong non-maturing deposits growth

- **Asset quality still well contained although impacted by Covid-19 crisis**
  - as explained in the specific zoom on Cost of Risk, Belfius increased its LLP for loans to customers from EUR 1.5bn end 2019 to EUR 1.8bn end 2020
  - as of end 2020, the Covid-19 crisis mainly translated into materially higher Stage 2 loan loss provisions (going from EUR 159m end 2019 to EUR 495m end 2020), while migrations to Stage 3 remained rather modest so far, leading to a slightly increasing NPL ratio of 2.02% as per end 2020 (vs.1.96% in Dec. 2019). This, combined with continued solid provisioning coverage for NPL, translated into a coverage ratio of 60.0% as per end 2020 (vs. 62.3% in Dec. 2019)

Belfius continues to show solid capital and leverage ratios

Group

CET1, Tier 1 and Total capital ratio[1]

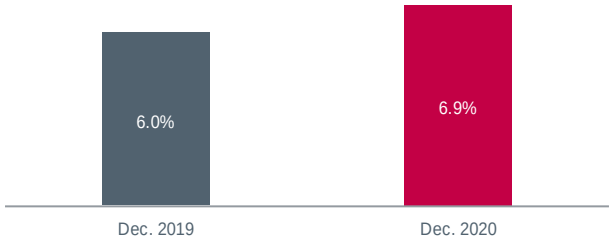


EUR m	Dec. 2019 DC book value	June 2020 DC book value	Dec. 2020 DC book value	Dec. 2020 DC equity value
CET1	8,941	8,793	9,495	10,150
T1	9,438	9,290	9,992	10,647
CAD	10,830	10,749	11,425	12,080
RWA	56,398	56,643	56,810	59,309

- CET1 ratio stood at 17.1%, 126 bps up compared to Dec. 2019 as a result of a positive impact of higher CET1 capital (+214 bps) and a negative impact of higher total risk exposure (-88 bps)
- Total Capital ratio stood at 20.4%
- Since 4Q 2020, Belfius applies the Danish compromise based on Belfius Insurance equity value instead of book value in the consolidated accounts

Bank

Leverage ratio[2]



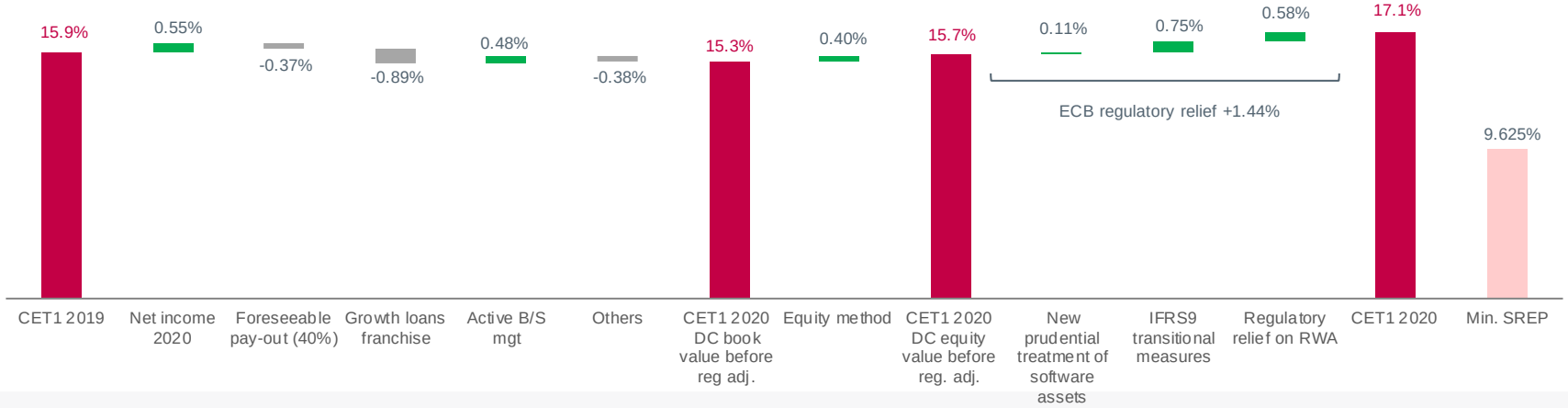
- Leverage ratio stood at 6.9%[3], up 91 bps compared to Dec. 2019
- The increase is the result of positive effects (+76 bps) from the higher level of Tier 1 capital and (+15 bps) positive effects from the decreased total leverage exposure measure (mainly from higher volumes of loans to customers and an increase in securities financing transactions exposures due to increased off balance commitments, more than offset by the temporary Covid-19 related relaxation measure allowing banks to partially exclude certain Central Bank exposures)

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 5.9%

Continued strong 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



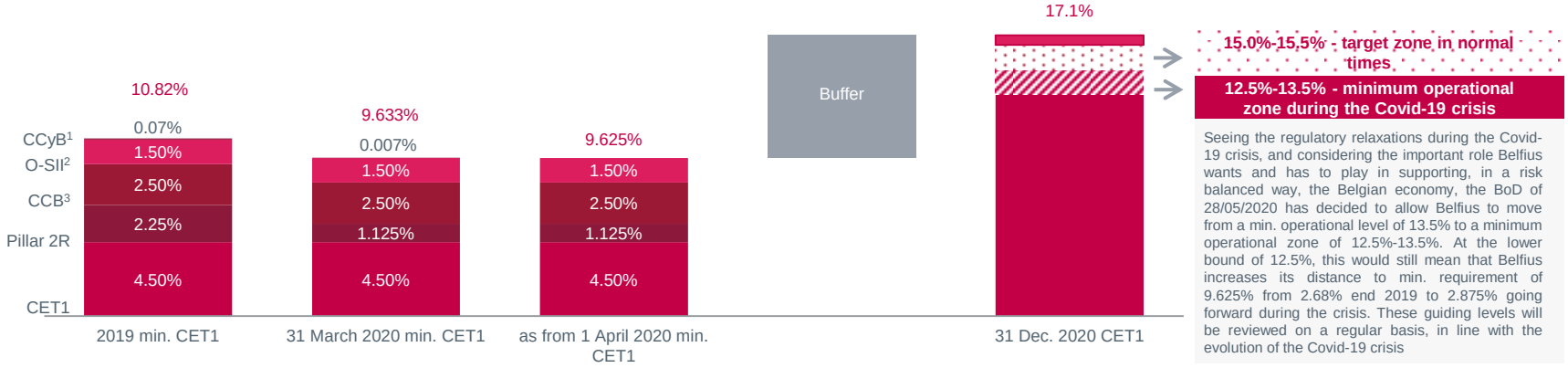
- CET1 ratio of 17.1% as of end December 2020, up 126 bps compared to December 2019. Without regulatory relief measures, Belfius estimates that its CET1 ratio end 2020 would have been approximately 15.7%
- In 2020, the increase in RWA results mainly from (i) higher regulatory credit RWA essentially driven by the higher commercial loan outstandings (mainly in business and corporate banking) and the regulatory add-on due to the new DoD, partially offset by regulatory measures[2], and by management actions of which the sale of some Italian govies was the main driver; (ii) higher regulatory market RWA caused by market evolutions (especially volatility on financial markets caused by the Covid-19 crisis) mitigated by temporary softened VaR overshooting regulation, (iii) a decrease in CVA RWA due to active management of counterparty risk including additional CVA hedges and unwind of uncollateralised swaps with financial counterparts and (iv) the cancellation of the additional regulatory RWA Belfius had anticipatively added to end 2019 RWA in accordance with article 3 of CRR, as assessed to be - for the time being - not appropriate during Covid-19 crisis
- Following a modification of art.18 in the CRR regulation, as from 4Q 2020 onwards, the IFRS equity value of Belfius Insurance is recognized in the prudential accounts. This modification resulted in an increase of 40 bps CET1 ratio. Using the deduction method[1] instead of the Danish compromise (equity value), the CET1 ratio would further increase by 32 bps and would amount to 17.4% as of December 2020

Notes: 1. Deducting Belfius' Insurance own funds (equity participation and subordinated instruments) from Belfius Bank's CET1, T1 and T2 capital respectively; 2. Such as extension of the SME supporting factor, IFRS9 grandfathering and new treatment of software assets

Slightly adjusted capital framework, in line with strategic priorities, also during Covid-19 crisis

Group

Belfius' minimum CET1 requirements vs. Belfius' December 2020 CET1 capital position & target



Seeing the regulatory relaxations during the Covid-19 crisis, and considering the important role Belfius wants and has to play in supporting, in a risk balanced way, the Belgian economy, the BoD of 28/05/2020 has decided to allow Belfius to move from a min. operational level of 13.5% to a minimum operational zone of 12.5%-13.5%. At the lower bound of 12.5%, this would still mean that Belfius increases its distance to min. requirement of 9.625% from 2.68% end 2019 to 2.875% going forward during the crisis. These guiding levels will be reviewed on a regular basis, in line with the evolution of the Covid-19 crisis

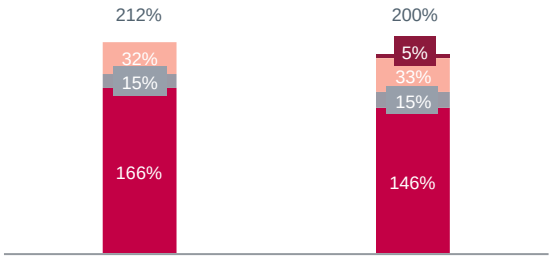
- The SREP review finalized by the ECB in the beginning of April 2020, resulted in a minimum CET1 requirement for end of March 2020 of 9.625% without countercyclical buffer and 9.633% including the then applicable countercyclical buffers. As from 1 April 2020, some countercyclical buffers have been relaxed, resulting in a minimum CET1 requirement of 9.625% during the remainder of 2020
- The ECB also notified Belfius of a Pillar 2 Guidance (P2G[4]) of 1% CET1 ratio for 2020 (same as in 2019), a recommended buffer to be held over the minimum requirements set forth above
- As of December 2020, Belfius' CET1 ratio stood at 17.1%, well above both the minimum supervisory requirement and its 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 0.007% in 1Q 2020 and at 0% from 2Q 2020 onwards; 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

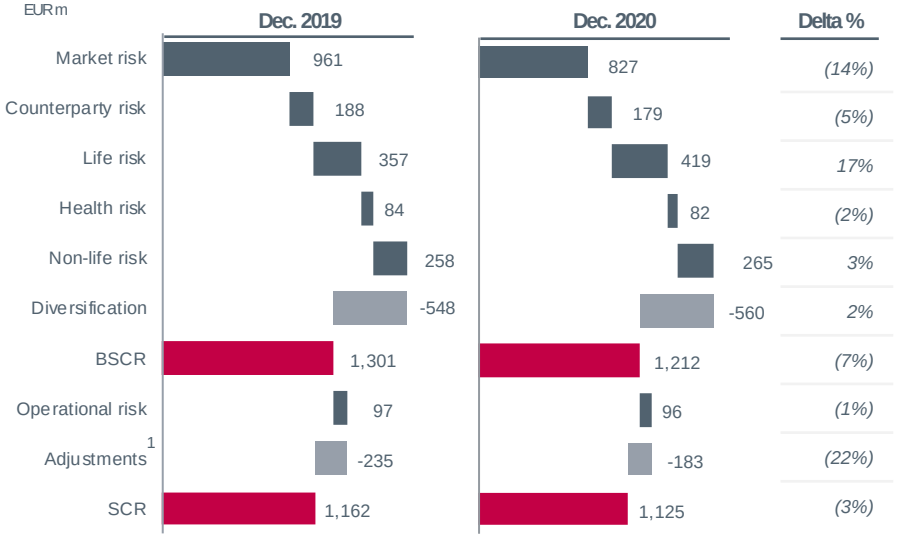
Strong and high quality solvency levels



In EUR m	Dec. 2019	Dec. 2020
Tier 1	1,925	1,646
Restricted Tier 1	171	171
Tier 2	371	375
Tier 3[3]	-	58
AFR[4]	**2,466**	**2,250**
SCR	**1,162**	**1,125**

Insurance

Decomposition of Solvency Capital Requirement



- Compared to December 2019, the AFR of Belfius Insurance has decreased by EUR 216m mainly due to the inclusion of a foreseeable dividend of EUR 140m. The evolution of the financial markets led to an increasing Best Estimate of Technical Provisions, which was not fully offset by the improved market value of the investments. Some increase of the AFR came from the annual update of the non-economic assumptions, combined with some model refinements and the recognition of a deferred tax asset[3]
- The required capital amounted to EUR 1,125m at the end of 2020, which is EUR 37m lower compared to end 2019 mainly thanks to a partial de-risking of the balance sheet and the sale of some asset positions in the context of ALM management during the first half of 2020. However, this decrease was partially offset by the increase of SCR due to the implementation of the new LAC DT[1] formula, as required from NBB, and the annual update of the non-economic assumptions, combined with some model refinements
- Market risk[2] remains the main contributor to the required capital due to spread and equity risk

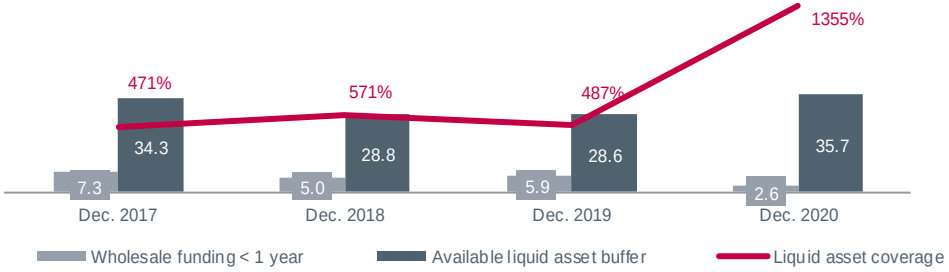
Notes: 1. Loss absorbing capacity of deferred taxes; 2. See appendix for more details; 3. On top of the declining balance of deferred taxes liabilities in the IFRS balance, Solvency II recognizes additional unrealised gains (losses), hence corresponding deferred tax amounts are also recognised. In 2020, the evolution of the financial markets led to an increasing Best Estimate of Technical Provisions, which was not fully offset by the improved market value of the investments, so the differences between the market value and the fiscal value of the assets and liabilities were negative, while this was positive in 2019. The resulting deferred tax asset (DTA) is recognized and hence included in the Tier 3 capital; 4, AFR after foreseeable dividend

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

Bank

Exceptional refinancing need coverage

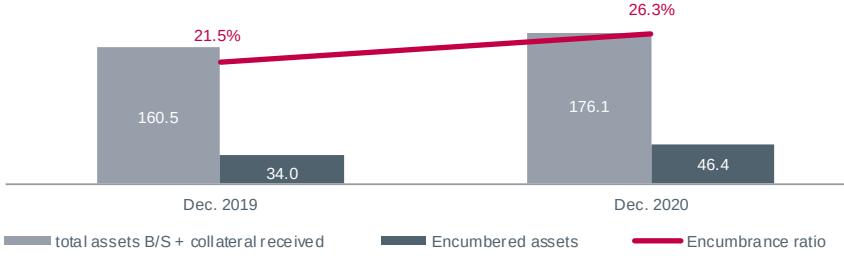
EUR bn



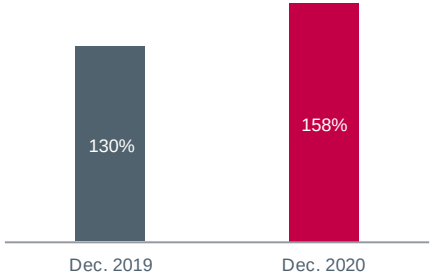
Bank

Encumbered assets[3]

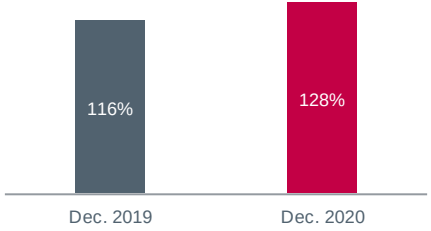
EUR bn



LCR[1]

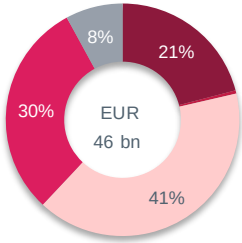


NSFR[2]



Detail of the encumbered assets

EUR bn



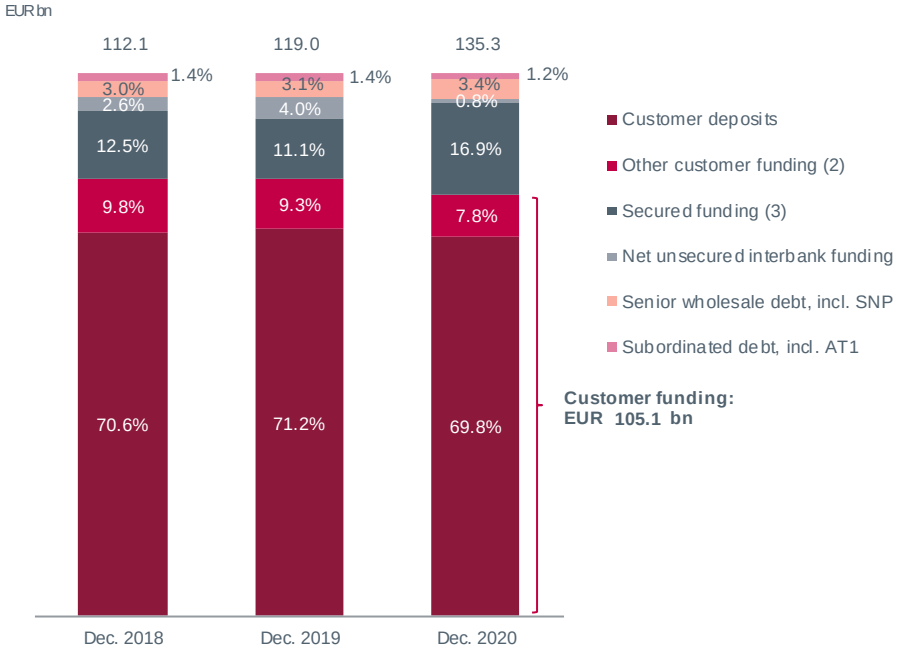
- Covered bonds
- Repo, ECB (TLTRO) & other collateralized deposits
- Collat. pledged for derivatives exposures
- Other

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. Asset encumbrance increased due to additional TLTRO borrowing in 2020 up to the total TLTRO amount drawn by Belfius as of end 2020 of EUR 14,250m

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

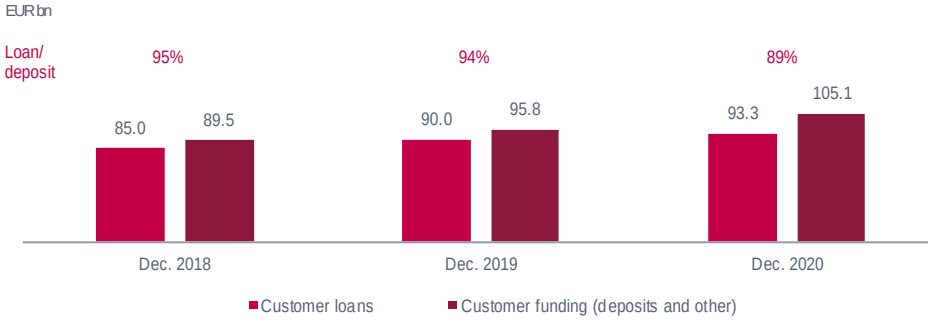
Bank

Funding sources[1]



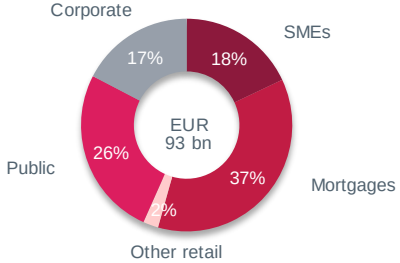
Bank

Loans to customers vs. customer funding

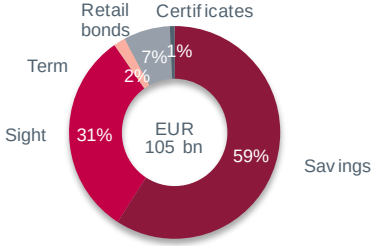


Loans to customers and customer funding mix 2020

Loans to customers



Customer funding



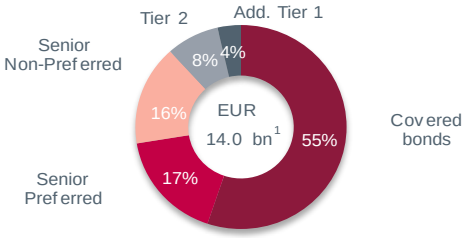
Notes: 1. Belfius Bank only; 2. Other customer funding includes retail bonds and savings certificates (7.2% and 0.6% as percentage of total funding, respectively); 3. Secured funding includes Covered Bonds (5.7%), TLTRO (10.5%) and other longer term secured funding (0.7%). Please note: end 2019, Belfius' TLTRO funding amounted to EUR 4bn, end 2020, Belfius' TLTRO funding amounted to EUR 14.25m

Belfius continues its diversified funding strategy

Group

MLT wholesale funding strategy

As of Dec. 2020

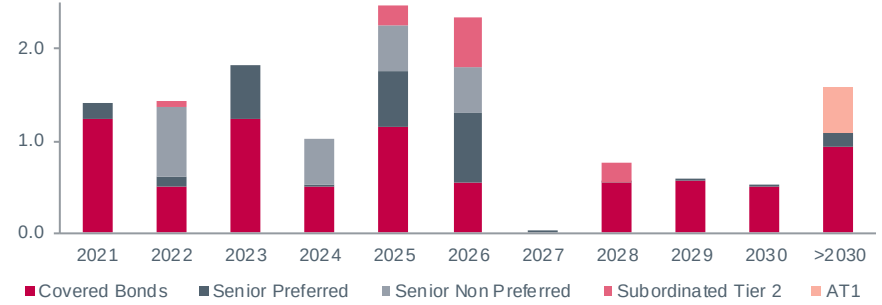


- Focus on diversification of funding sources and investor base
  - First Preferred Senior benchmark since 2014 (Aug 2018)
  - Inaugural AT1 issuance (1Q 2018)
  - First Belgian Issuer Senior Non Preferred (Sept 2017)
  - Inaugural Tier 2 issued (Apr 2016)
  - First (since 2007) Belgian Issuer of a public RMBS transaction (Oct 2015)
  - First Issuer of Belgian Public Covered Bonds (Oct 2014)
  - First Issuer of Belgian Mortgage Covered Bonds (Nov 2012)
- In 2020, Belfius successfully issued a EUR 500m mortgage Pfandbrieven benchmark transaction with a maturity of ten years, a EUR 500m five year non preferred senior unsecured benchmark and a EUR 500m five year preferred senior unsecured benchmark

Group

Redemption profile MLT wholesale funding

EUR bn



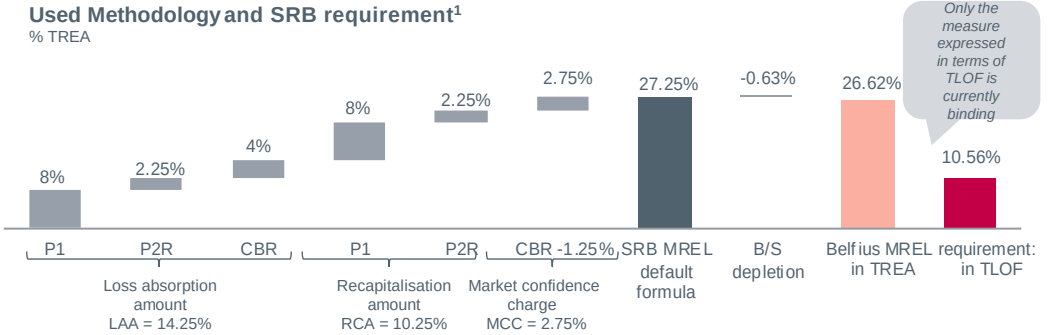
- Due to material TLTRO funding, Belfius' effective wholesale funding needs could be limited in the next two years
- Over the coming 3 years, approximately EUR 4.7bn wholesale funding comes to maturity
- Hence, current intention is that new wholesale issues will be mainly calibrated towards MREL compliance

Notes: 1. Wholesale funding of EUR 14.0bn, representing 10.4% of total funding of EUR 135.3bn as illustrated on previous slide, i.e. 5.7% covered bonds + 3.4% senior wholesale debt +1.2% subordinated debt

SRB MREL requirement for Belfius

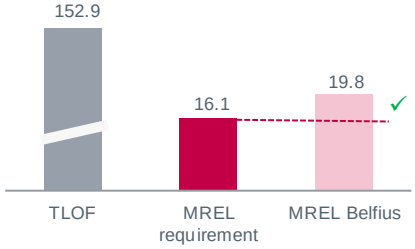
SRB methodology and formal requirement

Used Methodology and SRB requirement[1]
% TREA

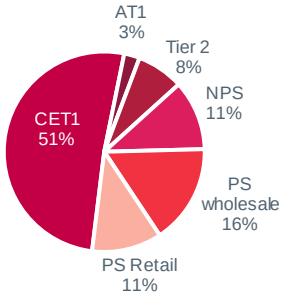


Belfius' compliance

Compliance as of December 2020
EUR bn



MREL eligible instruments[3]
Dec. 2020, in %



- On 17 April 2019, the National Bank of Belgium (NBB) notified Belfius Bank of the MREL requirement imposed by the Single Resolution Board (SRB), setting the consolidated MREL requirement for Belfius Group at 10.56% of Total Liabilities and Own Funds (TLOF[2]), to be met at all times. Based upon data as of 31 December 2020 and according to the current Banking Recovery and Resolution Directive (commonly referred to as 'BRRD1'), Belfius' eligible own funds and liabilities for MREL purpose stood at EUR 19.8bn, in excess of the MREL requirements of EUR 16.1bn
- 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 TREA[3] and 6.84% of LRE[4]. 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 interim 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% 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 at the latest, taking into account an intermediate requirement of 15.25% of TREA 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 17.5% of TREA including current CBR requirement), based on forward looking assessment of the formula applied by SRB
- It is to note that Belfius is to be impacted by a change in MREL eligibility, from 1 January 2021 onwards, whereby "liabilities should be directly issued and should not be owned by an undertaking in which the institution has a participation of more than 20%". As a consequence, the liabilities issued by Belfius Financing Company (Belfius' Luxembourg-based issuance vehicle for CP and Retail Bonds) cease to be MREL-eligible and are to be excluded. Applying this exclusion pro forma as per end 2020, Belfius MREL would be EUR 2.2bn lower (from EUR 19.8bn to EUR 17.6bn)

Notes: 1. As officially notified by the NBB in April 2019. 2. TLOF: based on regulatory conso scope with prudential netting of derivatives exposures. 3. When excluding MREL eligible preferred senior retail notes, Belfius' eligible own funds and liabilities for MREL purpose would stand at EUR 17.6bn in excess of the MREL requirements of EUR 16.1bn; 3. Total Risk Exposure Amount; 4. Leverage Ratio Exposure measure

Overall, Belfius' loan loss provisioning increased materially in light of the Covid-19 crisis. Stage 3 statistics so far only slightly impacted by Covid-19 crisis (1/2)

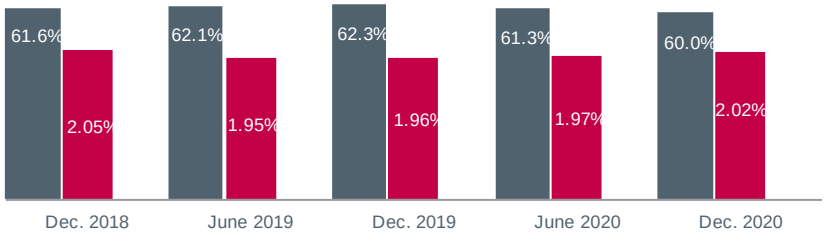
IFRS 9 Credit risk impairments

Loan Loss Provision (Loans to customers)
EUR m

	1.1.2018	June 2018	Dec. 2018	June 2019	Dec. 2019	June 2020	Dec. 2020
Stage 1	138	154	163	181	198	144	134
Stage 2	184	162	174	188	159	453	495
Stage 3	1,153	1,176	1,147	1,121	1,158	1,197	1,199
Total LLP	1,475	1,492	1,484	1,490	1,516	1,794	1,828
Impaired loans	1,821	1,917	1,863	1,806	1,859	1,952	1,997
Gross outstanding	84,536	87,052	90,786	92,758	94,907	99,068	98,640

Asset quality ratio and coverage ratio

Asset quality ratio[1] and coverage ratio[2]
%



- The asset quality of Belfius' portfolio has been impacted by the Covid-19 crisis
  - as explained in the specific zoom on Cost of Risk, Belfius increased its LLP from EUR 1.5bn end 2019 to EUR 1.8bn end 2020
  - as of end 2020, the Covid-19 crisis mainly translated into materially higher Stage 2 loan loss provisions (going from EUR 159m end 2019 to EUR 495m end 2020), and migrations to Stage 3 slightly increased, leading to slightly increasing NPL ratio of 2.02% in Dec. 2020 (vs. 1.96% in Dec. 2019). This, combined with continued solid provisioning coverage for NPL, translated into a coverage ratio of 60.0% in Dec. 2020 (vs. 62.3% in Dec. 2019)

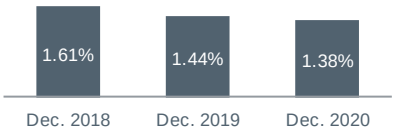
- We refer to the specific zoom on Covid-19 / Cost of Risk at the beginning of this presentation

Notes: 1. The ratio between impaired loans and advances to customers and the gross outstanding loans and advances to customers; 2. The ratio between the stage 3 impairments and impaired loans and advances to customers

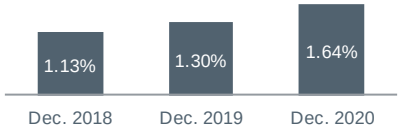
Overall, Belfius' loan loss provisioning increased materially in light of the Covid-19 crisis. Stage 3 statistics so far only slightly impacted by Covid-19 crisis (2/2)

Asset quality ratio[1] per business line

RCB[1]
%

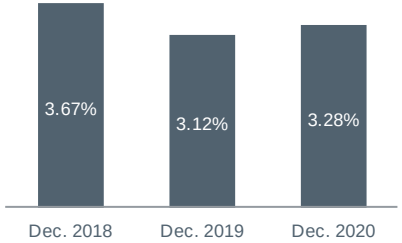


PCB[2]
%

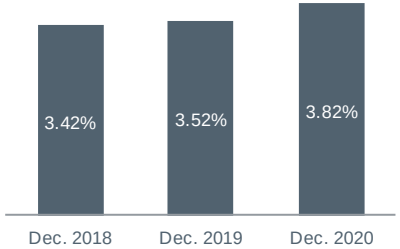


Asset quality ratio[1] by segment

Business loans
%

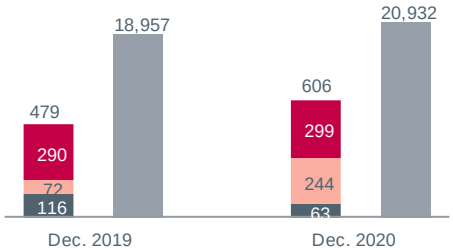


Corporate loans
%

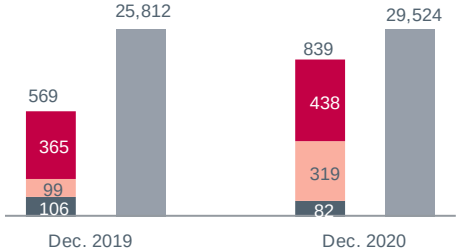


Impairments[2] and gross outstandings[3] by segment

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 increasing to EUR 606m for business loans (from EUR 479m end 2019) and EUR 839m for corporate loans (from EUR 569m end 2019)

Notes: 1. Asset quality: the ratio between impaired loans and commercial outstandings; 2. Balance sheet and off-balance sheet impairments; 3. FEAD

6. Conclusion

- **Belfius' net income 2020 stands at EUR 532m**, lower than last year (EUR 667m), due to the Covid-19 crisis impact.
- Even in these unprecedented times, Belfius continues to focus on its strategic long term development by investing in its business model, its customers as well as in human and digital capacities. This results in **continued resilient and meaningful commercial activities** in all segments of the Belgian economy, also in 2020.
- In current challenging sanitary and macroeconomic context, Belfius is **still able to further grow its net interest, net fee and commission and non-life insurance income**, and to **contain its operating costs**, leading to **an overall growing pre(impairment)-provision[1] income of EUR 1,149m in 2020**:
  - increase of net interest income bank (EUR 1,590m in 2020 vs EUR 1,488m in 2019) mainly thanks to (i) higher outstanding loans with, on average higher margins, more than offsetting the negative impact from lower interest rate environment on higher volumes of non-maturing deposits in 2020, and (ii) supported by a large restructuring of a specific corporate leasing file, leading to a material pre-payment interest and (iii) ECB TLTRO and tiering interest impact[2], (iv) despite the negative impact from the moratorium on mortgage loans
  - higher net fee and commission income bank (EUR 622m in 2020 vs EUR 563m in 2019) mainly due to higher entry fees and higher recurring fees driven by good organic growth in individual mandates and in new thematic future funds, as well as higher fees from non-life insurance products sold through bank-insurance channels and from payment services in RC segment thanks to higher client equipment and transaction volumes
  - increased non-life insurance income
  - these positive evolutions have been somewhat offset by (i) lower life insurance income (EUR 273m in 2020 vs EUR 295m in 2019), higher bank levies compared to 2019, lower trading and hedge results mainly due to the impact of increased credit spreads on non basic financial instruments and credit derivatives during 1H 2020
  - the operating costs remained well under control at EUR 1,465m in 2020 vs EUR 1,452m in 2019. C/I ratio stood at 56,0% in 2020 compared to 58.4% in 2019

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; 2. Based on the current and forecasted net lending volumes, there is a reasonable expectation that the conditions of the TLTRO program will be met and the effective interest rate, applied in 2020, includes the additional reduction of 50 basis points

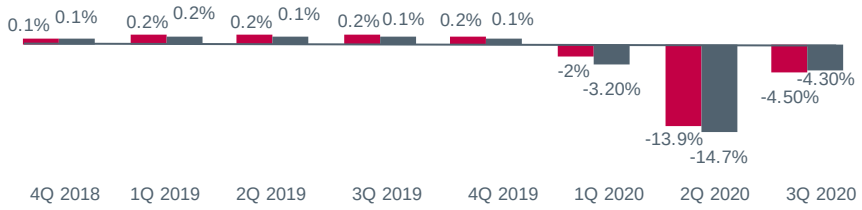
Appendices

Some Belgian economical statistics

Belgian GDP aligned with the average GDP growth in the eurozone

GDP growth

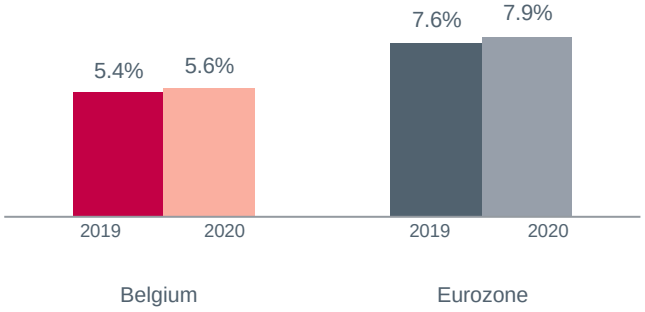
% ■ Belgium ■ Eurozone



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

Unemployment rate

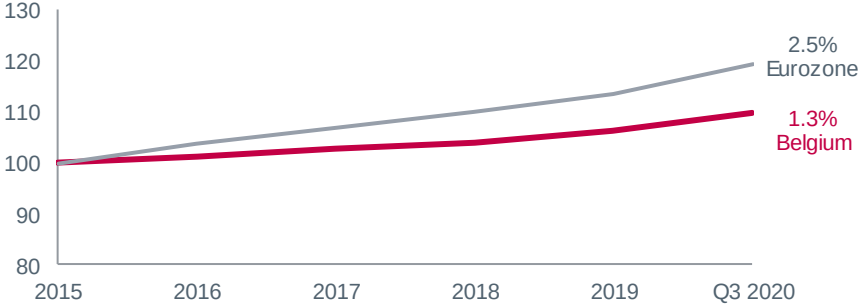
% of active population; 12m average



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

Increase in house prices

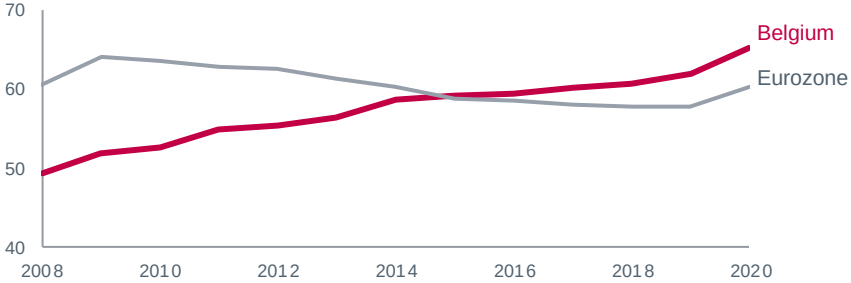
Rebased at 100 in 2015; % CAGR



Sources: ECB Supervisory Banking Statistics, Eurostat, OECD.

Belgium's household debt continues to increase, reaching 65.3% of the country's nominal GDP in 4Q 2020

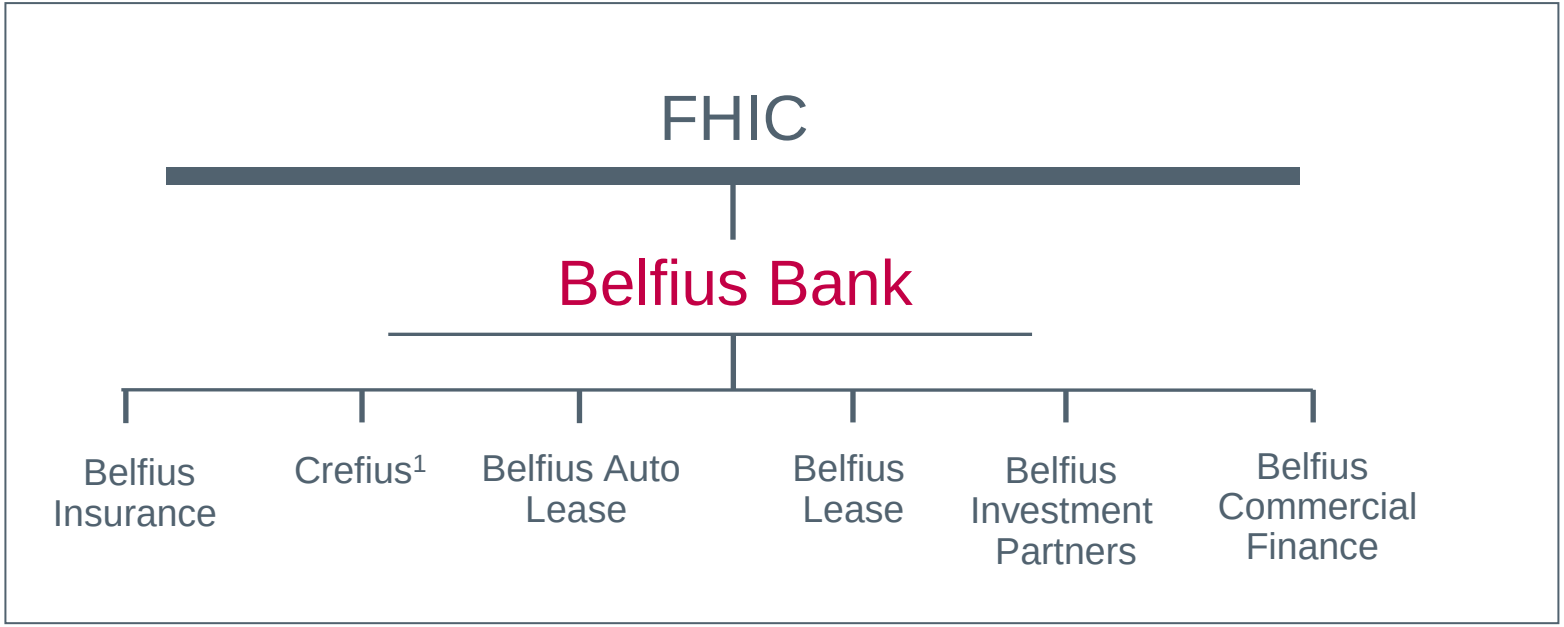
Household debt as a % of GDP



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

Notes: 1. Crefius is Belfius' mortgage loan service provider

ESG @ Belfius, the road so far….

ESG is embedded in our core activities

Environment

- Committed to report on our climate targets and actual efforts based on Science Based Targets
- Belfius is a certified CO2 neutral (scope 1, 2 and 3) company (early March 2020)
- EUR 1.5bn financing for renewable energy (loans and project finance)
- Only Belgian bank insurer involved in the financing all 8 offshore wind farms in Belgium
- Financing solutions for renewable energy, resulting in a yearly energy offering for 2.8 million Belgian households and a CO2 reduction of 3.8 million tons

Social

- Belfius launched 4 double-impact thematic future funds. End 2020, approximately EUR 740k out of their management fees were donated to good causes
- > EUR 20bn long-term credits to meaningful projects in 2020 (production)
- EUR 2.6bn long-term credits for public and social sector in 2020 (production)
- Minor exposure in what is considered as 'sensitive sectors', like f.i tobacco, gambling, agricultural commodities, weapons, energy, mining, palm oil and soy (less than 0.5% of total exposures)

Governance

- ESG responsibility at level of CEO at Management Board level and with specific ESG committee at Board level
- ESG criteria included in all management contracts for variable remuneration
- 34% women in senior management positions end 2020, from 17% end 2012 (target 44% in 2025)

ESG @ Belfius, the road so far….

Investing in…

- …businesses promoting diversity at all levels of their organisation and supporting diversity on 4 criteria: gender balance, work/life balance, policies promoting gender equality, transparency and accountability
- …businesses focusing on the Silver Economy, aiming towards a healthy, happy and comfortable life for an ageing population
- …companies contributing to the meaningfull battle against cancer and supporting the development of new treatments and technologies
- …companies that focus on climate solutions to counter climate change or invest in technologies to adapt to new climate conditions

Part of Management fees transferred to good causes

EUR 740k

Contributing to….

Boost

Boost, helping young underpriviliged women to get a highschool certificate (material support, coaching, …) and hence, to offer them a brighter future

Tubbe

Tubbe, an initiative of King Baudouin Foundation, aiming to innovate the way Residential Care Centres are operated, helping to make them a better place to live and work and boosting autonomy of its residents

Stichting tegen Kanker

Stichting tegen Kanker (Foundation Against Cancer), an organisation dedicated to accompanying cancer patients, detection and prevention of cancer and new treatments

CO2 projecten

Several CO2 compensation projects in cooperation with CO2 Logic

ESG @ Belfius, the road so far….

Some 2020 ESG KPI's achieved

Positive impact on society

Philantropic Funds in succession planning

EUR 3.9m

Social accounts

180 K

Financing of cities and municipalities, hospitals and care sector

Nr.1

Future Funds-Contribution to good causes

EUR 1.2m

Engagement

Customer Satisfaction score

96%

Employee Engagement Score

91%

Walk the talk

CO2 neutral since 2020

100%

Diversity – women in Top mgt

34%

Telework (% of employees teleworking)

95%

Exposure in sensitive sectors

<0.5%

ESG @ Belfius, going forward…living up to our authentic & native DNA

Belfius' ten ESG commitments to society

- Be a leading actor in the transition to a sustainable Belgian economy & society
- Our CO2 neutrality is the new normal
- Guide our customers towards positive impact investments
- Leverage our balance sheet to contribute to a more sustainable society
- Reshape Belgian mobility with substantial positive impact on the environment
- Future-proof infrastructure is our absolute priority
- Put privacy and data security of our customers first
- Foster fairness and equal opportunity
- Be an exemplary employer for diversity and sustainable careers
- Sustainable example for risk & financial solidity and stability

Adherence to key principles

Engagements signed by Belfius

PRI Principles for Responsible Investment

UNEP FINANCE INITIATIVE | PRINCIPLES FOR RESPONSIBLE BANKING

THE GLOBAL COMPACT | UNITED NATIONS GLOBAL COMPACT

PSI Principles for Sustainable Insurance

Belgian Alliance for Climate Action

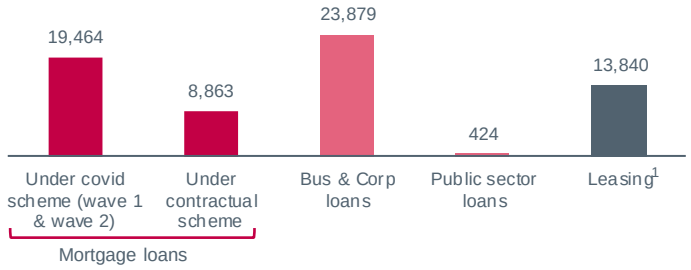
Importance of ESG ratings

This will allow us to continue to integrate society's expectation into our own DNA and to expand it even further

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

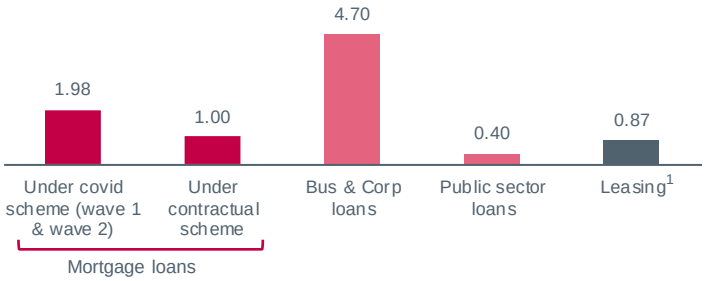
Number of applications

#



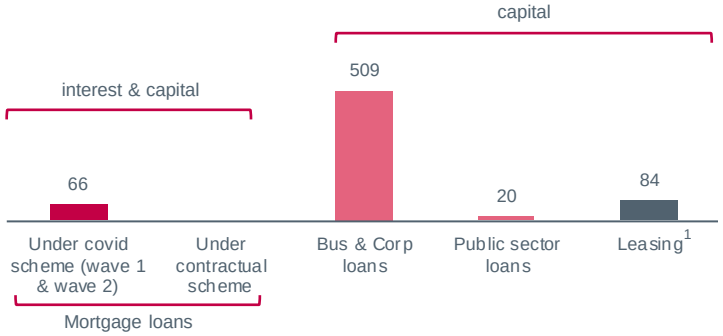
Granted loans with payment deferrals during 2020

EUR bn



Deferred amount

EUR m



Expired payment deferrals[2]

- Early 2021, out of the EUR 4.7bn of loans to corporate and business customers and out of the EUR 3bn of mortgage loans that were granted moratorium during 2020, EUR 1.1bn respectively EUR 0.1bn are still subject to payment holidays. As such, 99% of corporate, business and mortgage loan customers that were granted a moratorium during 2020 have restarted payments of their formerly deferred amounts
- EUR 509m of new loans, to corporate, business, public and social sector customers, under the Belgian State guarantee scheme, were granted

Notes: 1. Belfius Lease Services + Belfius Auto Lease (moratoria were granted in the format of deferral of monthly lease payments); 2. Excluding contractual moratoria & moratoria not under the charter

Consolidated statement of income

Belfius Bank Conso

EUR m	2019 RC	2019 PC	2019 GC	2019 Total	2020 RC	2020 PC	2020 GC	2020 Total	Evolution %
Income	**1,731**	**550**	**207**	**2,489**	**1,745**	**613**	**255**	**2,614**	**5%**
Net interest income bank	855	436	197	1,488	852	483	254	1,590	7%
Fee and commission bank	517	48	-2	563	572	57	-6	622	10%
Life insurance contribution	248	48	-2	295	232	42		273	-7%
Non-life insurance contribution	200	-1		199	214	30		244	23%
Other[1]	-90	20	14	-56	-124	1	7	-116	106%
Expenses	**-1,057**	**-228**	**-167**	**-1,452**	**-1,080**	**-246**	**-139**	**-1,465**	**1%**
Gross income	**674**	**322**	**40**	**1,036**	**665**	**367**	**116**	**1,149**	**11%**
Cost of risk	-37	-77	3	-111	-183	-304	33	-453	307%
Impairments	-8	1		-7	-17			-17	146%
Net Income before tax	**630**	**246**	**42**	**918**	**466**	**64**	**149**	**679**	**-26%**
Taxes	-169	-67	-16	-252	-108	-12	-27	-147	-42%
Non-controlling interests	3		-1	1	1		-1		
Net income group share	**464**	**179**	**25**	**667**	**359**	**52**	**121**	**532**	**-20%**
o/w bank	287	164	10	461	196	19	105	319	-31%
o/w insurance	177	15	15	207	163	33	16	212	3%

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

A consolidated view on the cost of risk of Belfius Group for 2020

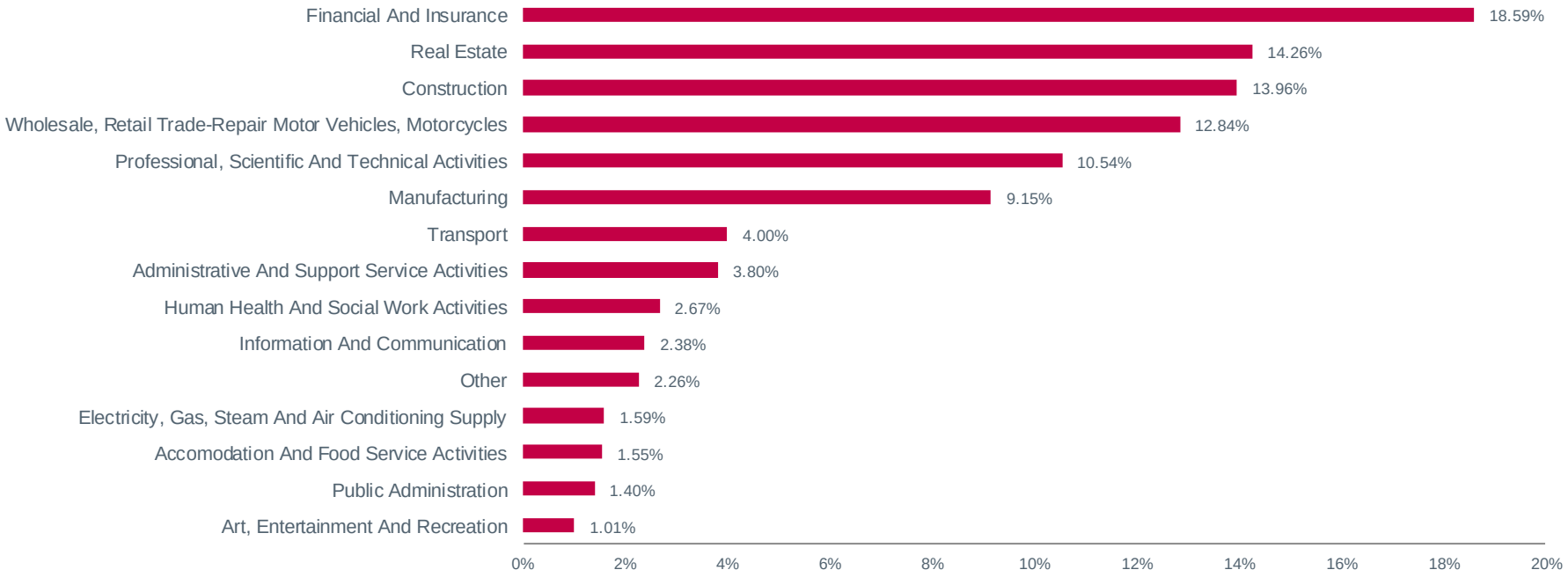
Belfius Bank Conso

	2019			2020			
EUR m	Stage 1&2	Stage 3[1]	CoR	Stage 1	Stage 2	Stage 3	CoR
RCB	-10.8	-30.2	-41.1	49.5	-183.5	-44.6	-178.5
o.w . Mortgages	-2.8	-1.3	-4.1	-3.6	-11.7	3.2	-12.1
o.w . Consumer Loans & Lines	1.0	-4.6	-3.6	-0.2	0.3	-3.6	-3.5
o.w . Business Banking	-9.1	-24.4	-33.5	53.4	-172.0	-44.2	-162.8
PCB	-2.0	-76.3	-78.3	22.2	-223.1	-102.1	-303.0
o.w . Corporate Banking	-3.1	-76.6	-79.6	23.0	-222.4	-102.4	-301.9
o.w . Public & Social Banking	1.0	0.3	1.3	-0.8	-0.7	0.4	-1.2
GC	16.5	-15.1	1.4	-0.8	8.6	26.1	33.8
BANK	**3.6**	**-121.7**	**-118.1**	**70.9**	**-398.0**	**-120.6**	**-447.7**
INSURANCE	**5.2**	**1.4**	**6.6**	**-5.0**	**0.8**	**-1.2**	**-5.4**
BANK + INSURANCE	**8.8**	**-120.3**	**-111.4**	**66.0**	**-397.3**	**-121.8**	**-453.1**

Note: 1. including capital gains and losses allocated to CoR, due to sale of loans or formerly L&R bonds

Sector composition of the business and corporate banking loan portfolios[1]

Belfius Bank Conso



Note: 1. Expressed in FEAD (EUR 49bn)

From reported to adjusted net income[1]

Belfius Bank Conso

2019	EUR m	Reported	Sale/unwind within the ex-legacy portfolio	Impact of restructuring[2]	Excluding special items	Adjusted
Income		2,489				2,489
Expenses		-1,452		-22		-1,431
Cost of risk		-111	-1			-110
Impairments		-7				-7
Net income before tax		**918**	**-1**	**-22**		**941**
Taxes		-252		6		-258
Net income		**667**	**-1**	**-15**		**684**
Impact mainly in			*GC*	*GC*		

2020	EUR m	Sale/unwind within the ex-legacy portfolio	Impact of restructuring[2]	Other items[3]	Adjusted
Income	2,614			22	2,591
Expenses	-1,465		-13		-1,452
Cost of risk	-453	4			-457
Impairments	-17				-17
Net income before tax	**679**	**4**	**-13**	**22**	**666**
Taxes	-147	-1	3	-1	-148
Net income	**532**	**3**	**-10**	**21**	**517**
Impact mainly in		*GC*	*GC*	*GC*	

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	2019	2020	Evolution
Income	**520**	**540**	**3.8%**
Of which			
Net interest income	409	399	
Dividend income	52	36	
Net income from equity method companies	1	3	
Net income from financial instruments at fair value through profit or loss	-1	-23	
Net income on investments and liabilities	57	37	
Net fee and commission income	16	19	
Technical result from insurance activities	-37	53	
Expenses	**-248**	**-258**	**4.1%**
Gross income	**272**	**282**	**3.6%**
Impairments on financial instruments and provisions for credit commitments	7	-5	
Impairments on tangible and intangible assets	-5	-3	
Net income before tax	**273**	**273**	**0.1%**
Tax (expense) income	-71	-61	
Current tax (expense) income	-48	-63	
Deferred tax (expense) income	-22	2	
Attributable to non-controlling interests	**-1**	**0**	
Net income group share	**204**	**212**	**4.2%**

Consolidated balance sheet

Belfius Bank Conso

EUR m	Dec. 2019	Dec. 2020	Evolution
TOTAL ASSETS	**172,439**	**187,991**	**15,552**
of which			
Cash and balances with central banks	6,716	25,434	18,718
Loans and advances due from credit institutions	16,208	11,912	-4,296
Loans and advances	94,944	98,108	3,164
Debt securities & equity instruments	29,490	28,849	-641
Unit linked products insurance activities	3,671	3,813	142
Derivatives	13,305	12,188	-1,117
TOTAL LIABILITIES	**161,933**	**177,258**	**15,325**
of which			
Cash and balances from central banks	4,017	14,174	10,157
Credit institutions borrowings and deposits	5,819	5,008	-811
Borrowings and deposits	85,450	95,338	9,888
Debt securities issued and other financial liabilities	27,655	24,402	-3,252
Unit linked products insurance activities	3,671	3,813	142
Derivatives	18,630	18,310	-320
Provisions for insurance activities	13,180	12,659	-521
Subordinated debts	1,157	1,151	-7
TOTAL EQUITY	**10,506**	**10,733**	**227**
of which			
Shareholders' core equity	9,984	10,209	225
Gains and losses not recognised in the statement of income	636	393	-242
Additional Tier-1 instruments included in equity	497	497	0
Non-controlling interests	25	28	3

Balance sheet Belfius Insurance, consolidated accounts

Belfius Insurance

EUR m	Dec. 2019	Dec. 2020	Evolution
Total assets	**21,612**	**21,511**	**-101**
Of which			
Loans and advances due from credit institutions	378	316	-62
Loans and advances	4,536	4,692	156
Debt securities & equity instruments	11,947	11,630	-317
Unit linked products insurance activities	3,671	3,813	142
Derivatives	1	0	-1
Investments in equity method companies	42	69	27
Tangible fixed assets	544	533	-11
Intangible assets	53	42	-11
Technical insurance provisions - part of the reinsurer	108	107	-1
Total liabilities	**19,468**	**19,431**	**-37**
Of which			
Credit institutions borrowings and deposits	1,390	1,746	356
Unit linked products insurance activities	3,671	3,813	142
Provisions for insurance activities	13,191	12,671	-521
Subordinated debts	583	583	0
Total equity	**2,144**	**2,079**	**-65**
Of which			
Shareholders' core equity	1,546	1,707	161
Gains and losses not recognised in the statement of income	573	345	-228
Non-controlling interests	25	27	3

Focus on regulatory capital

EUR m	Dec. 2019 full[1]	Dec. 2020 transitional[2]
Core shareholders' equity	**9,348**	**9,816**
Elimination of Belfius Insurance[3]	-198	-
Core regulatory equity	**9,150**	**9,816**
Elimination of foreseeable dividend	**-3**	**-210**
Grandfathering on IFRS9 provisions	-	**413**
Gains and losses not recognised in the statement of income	**144**	**404**
Remeasurement Defined Benefit Plan	90	69
OCI reserves - portfolios measured at FVTOCI	54	335
Other reserves	-82	-69
Prudential filter on the fair value reserves related to gains and losses on cash flow hedges on financial instruments	82	69
Items to deduct	**-350**	**-273**
Deferred tax assets	-1	-
Other	-349	-273
Common equity Tier 1 - CET1	**8,941**	**10,150**
Additional own funds Tier 1	497	497
Tier 1 equity	**9,438**	**10,647**
Tier 2 - Capital instruments	1,098	1,066
Other	294	366
Total regulatory capital	**10,830**	**12,080**

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. 2019 full	Dec. 2020 transitional
Regulatory credit risk exposure	42,543	44,559
Regulatory CVA exposure	1,382	740
Regulatory market risk exposure	1,315	1,373
Regulatory operational risk exposure	3,140	3,245
Danish Compromise[1]	6,868	9,391
Additional risk exposure (Art 3 CRR)	1,150	-
Total Regulatory Risks Exposures	**56,398**	**59,309**

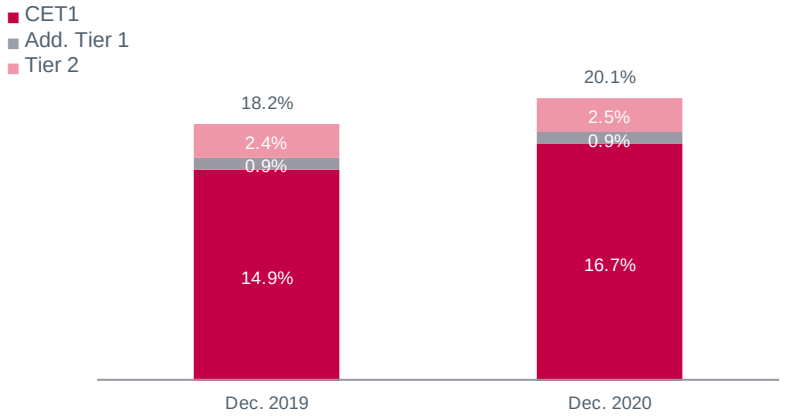
Regulatory risks exposures - by segment

EUR m	Dec. 2019 full	Dec. 2020 transitional
Retail and Commercial	21,076	23,791
Public and Corporate	20,019	22,410
Group Center	15,303	13,108
Total Regulatory Risks Exposures	**56,398**	**59,309**

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)

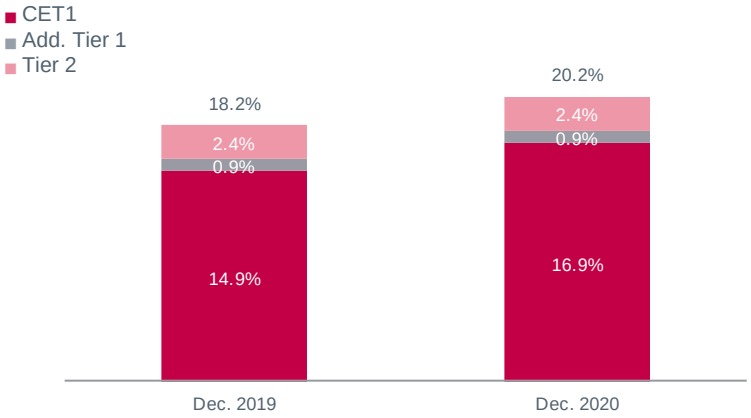
Focus on solo capital ratios

Basel III ratios Belfius Bank Solo[1], excluding result of the year



EUR m		
CET1	8,459	9,516
Tier 1	8,956	10,013
CAD	10,325	11,406
RWA	56,801	56,801

Basel III ratios Belfius Bank Solo[1], including result of the year



EUR m		
CET1	8,459	9,604
Tier 1	8,956	10,101
CAD	10,325	11,494
RWA	56,801	56,801

- At the end of December 2020, the available distributable items on statutory level amounted to EUR 4,058 million, up 12.8% compared to end of 2019

Notes: 1. Prudential scope where Belfius Insurance is considered as an external party (hence not consolidated)

Stable ratings despite Covid-19 crisis

Ratings of Belfius Bank as at 25 February 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	Baa2	BBB+	
Tier 2	Baa2	BBB	BBB+
Additional Tier 1	Ba1	BB+	

- Between 1 January 2020 and 25 February 2021, rating agencies took the following decisions:
  - on 30 March 2020, Fitch affirmed the long term issuer default rating of Belfius Bank at A- and revised the outlook from Stable to Negative
  - on 23 April 2020, S&P affirmed the long term issuer credit rating of Belfius Bank at A-
  - on 21 October 2020, Fitch affirmed the long term issuer default rating of Belfius Bank at A- and revised the outlook from Negative to Stable

Ratings of Belfius Insurance as at 25 February 2021

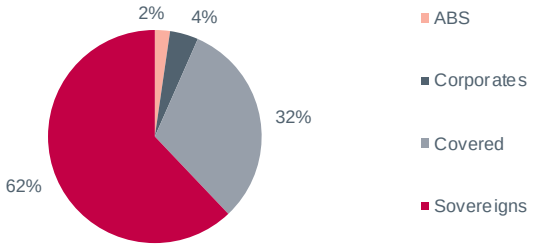
	S&P
Issuer credit rating	A- Stable outlook

- On 16 February 2021, S&P assigned an A- long term issuer credit rating to Belfius Insurance, with Stable outlook

ALM Bank Liquidity bond portfolio

Breakdown by type of counterpart

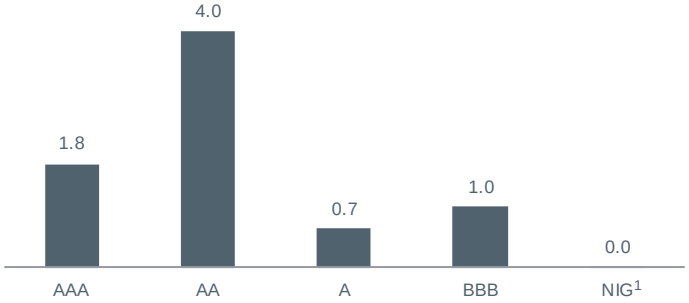
EUR 7.5bn
31 Dec. 2020



Breakdown by rating

EUR bn

Average rating: A-



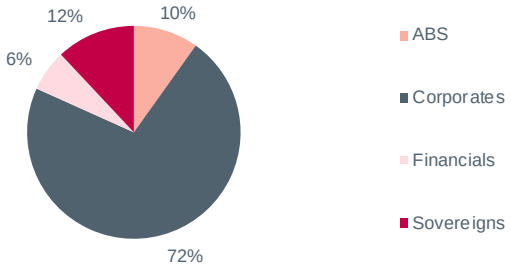
- ALM Bank Liquidity bond portfolio stood at EUR 7.5bn as per end December 2020, compared to EUR 8.1bn as at year end 2019
- The portfolio is of good quality
  - 99.9% of the portfolio is Investment Grade
  - the average rating stood at A-
- Expected average life: 6.9 years

Notes: 1. NIG – Non Investment Grade

ALM Bank Yield bond portfolio

Breakdown by type of counterpart

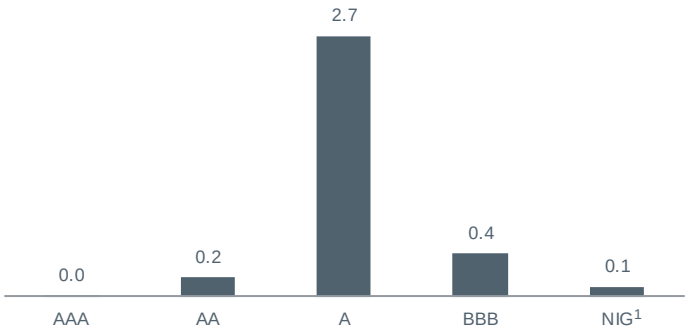
EUR 3.4bn
31 Dec. 2020



Breakdown by rating

EUR bn

Average rating: A



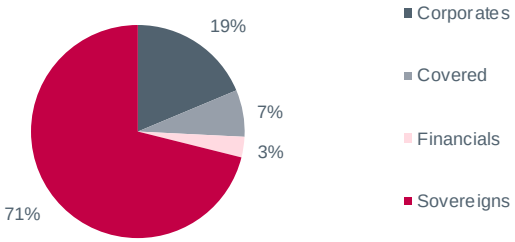
- ALM Bank Yield bond portfolio stood at EUR 3.4bn as at 31 December 2020, stable compared to year end 2019, mainly due the natural amortization of the portfolio
- The portfolio is of good quality
  - 97% of the portfolio is Investment Grade
  - the average rating stood at A
- Expected average life: 19.2 years

Notes: 1. NIG – Non Investment Grade

ALM Insurance Bond portfolio

Breakdown by type of counterpart

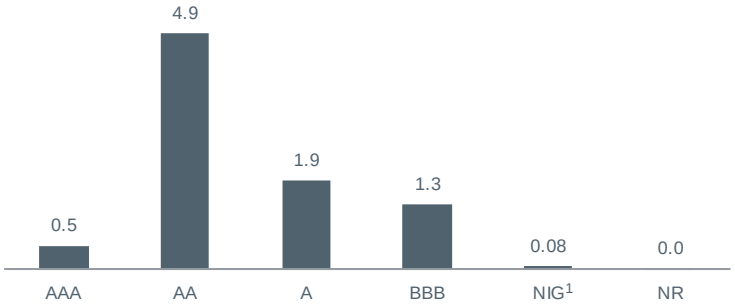
EUR 8.7bn
31 Dec. 2020



Breakdown by rating

EUR bn

Average rating: A-



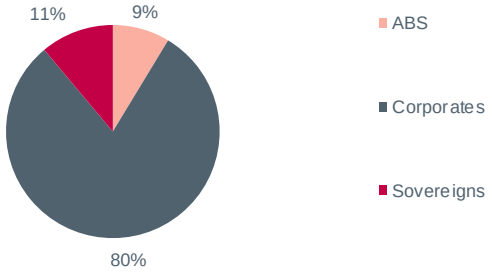
- ALM Insurance fixed income portfolio stood at EUR 8.7bn as at 31 December 2020, compared to EUR 9.1bn at year end 2019
- The ALM Insurance portfolio remains of good quality
  - 98.7% of the portfolio is investment grade
  - the average rating at A-
- Expected average life: 10.4 years

Notes: 1. NIG – Non Investment Grade

Credit guarantees

Breakdown by type of counterpart

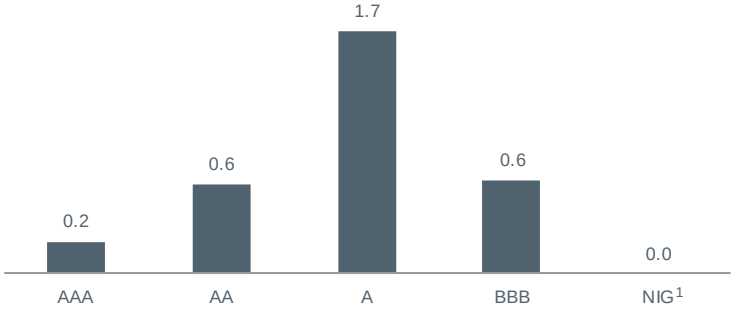
EUR 3.2bn
31 Dec. 2020



Breakdown by rating

EUR bn

Average rating: A-



- Credit guarantees portfolio stood at EUR 3.2bn as at December 2020, slightly decreasing compared to year end 2019
- The credit guarantees portfolio is of good quality
  - 99% of the portfolio is Investment Grade
  - The average rating stood at A-
- Expected average life: 9.0 years

Notes: 1. NIG – Non Investment Grade

Hedging strategy to manage residual risks

Run-off portfolios as of December 2020

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

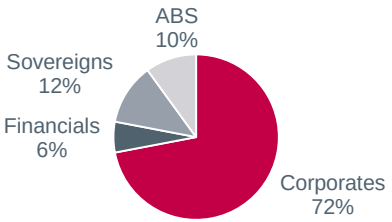
Derivatives

- 81% notional exposure to Dexia, fully cash collateralised, leading to an EaD (including add-on) of EUR 16m end of December 2020
- Derivatives with other foreign counterparts and with CAFFIL are uncollateralised (BBB average rating)

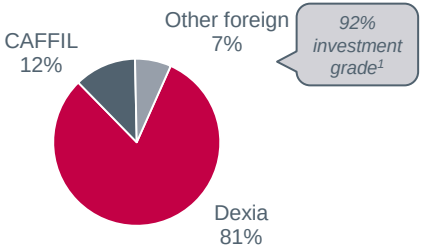
Credit guarantees

- 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

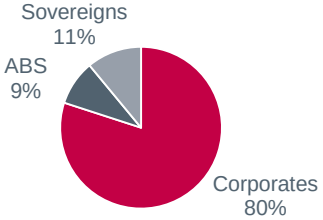
Notional split by type



Notional split by counterparty



Notional split by type of underlying

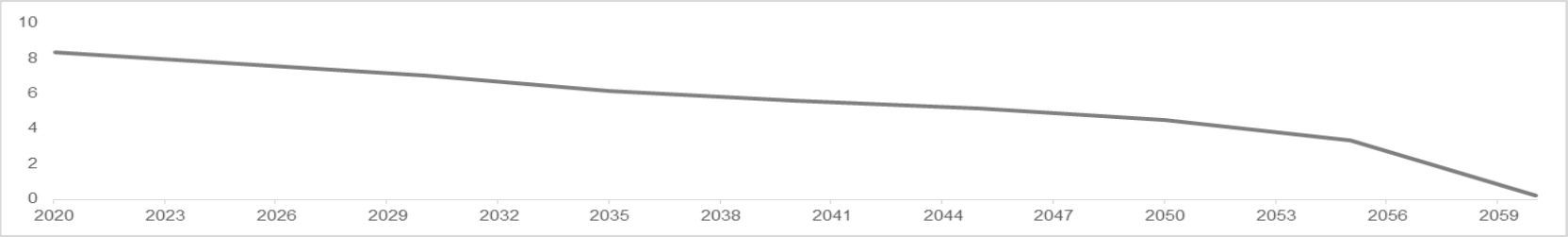


Notes: 1. Calculated based on EAD

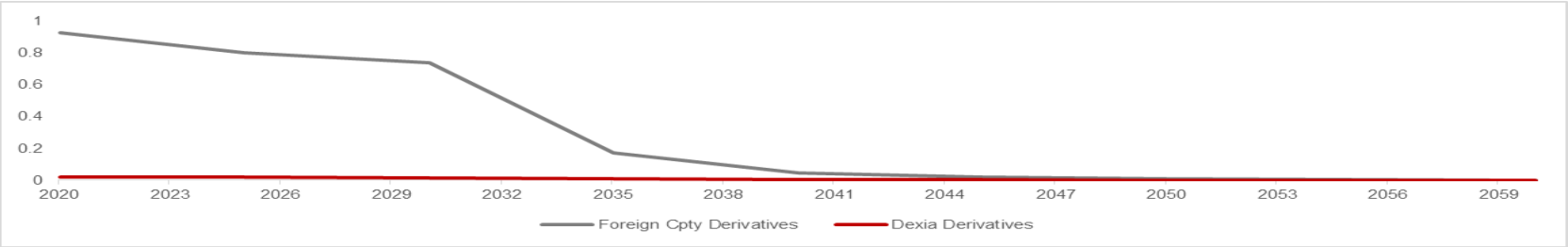
Progressive run-off of GC run-off portfolios in the coming years

Run-off portfolios evolution – EaD; EUR bn

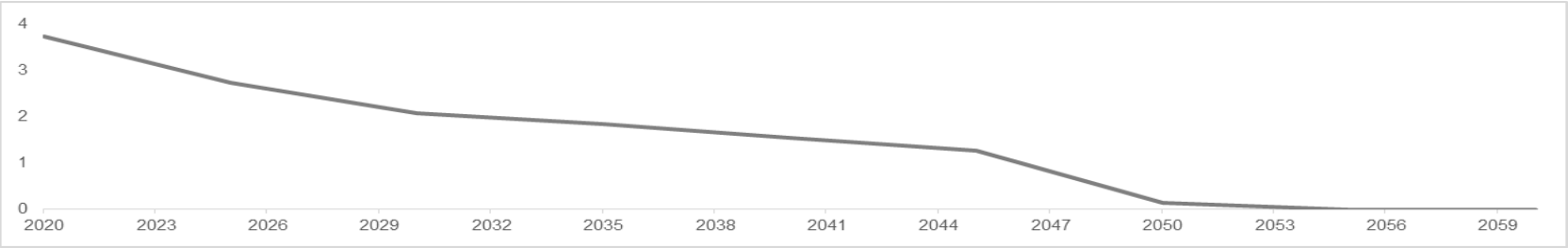
ALM Yield bond portfolio



Derivatives



Credit guarantees



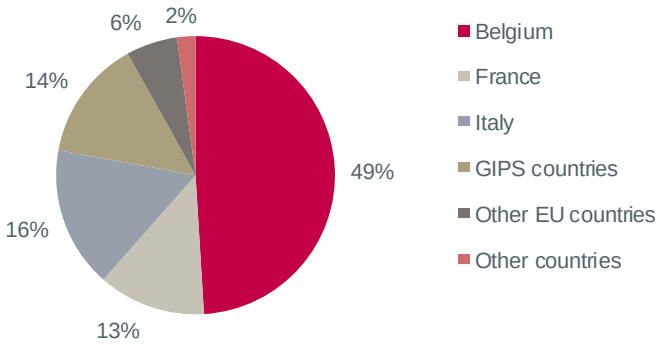
Note: Based on current markets

Outstanding exposures on government bonds

Evolution outstanding exposures[1]

EUR m	Dec. 2019	Dec. 2020
Belgium	4,950	4,758
France	1,020	1,209
Italy	2,198	1,590
GIPS countries	1,223	1,362
Other EU countries	361	579
Other countries	214	206
Total	**9,967**	**9,703**

Breakdown as of end of December 2020

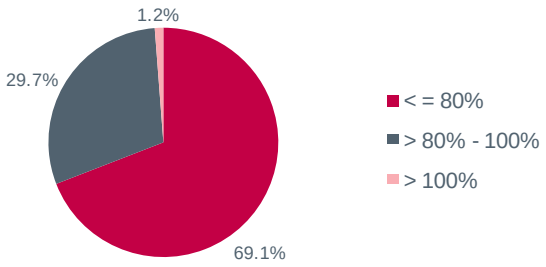


- Total government bond portfolio stood at EUR 9.7bn[1], down 3% compared to December 2019
- Almost half of the portfolio (49%) is invested in Belgian government bonds

Notes: 1. Figures are based on Full Exposures at Default – FEAD

Credit risk statistics on mortgage loans

Mortgage loans Belfius Bank Loan-to-value ratio

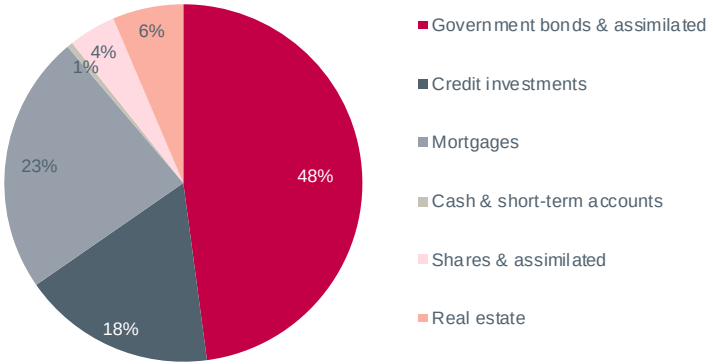


- Very sound LTV-ratio's
  - Average LTV-ratio, based on outstandings (with indexation of real estate prices) stood at 62.8% at end of December 2020
  - The part of the portfolio with an LTV > 100% is limited to 1.2 %

ALM Belfius Insurance

Diversified asset allocation

EUR 18.7bn
31 December 2020

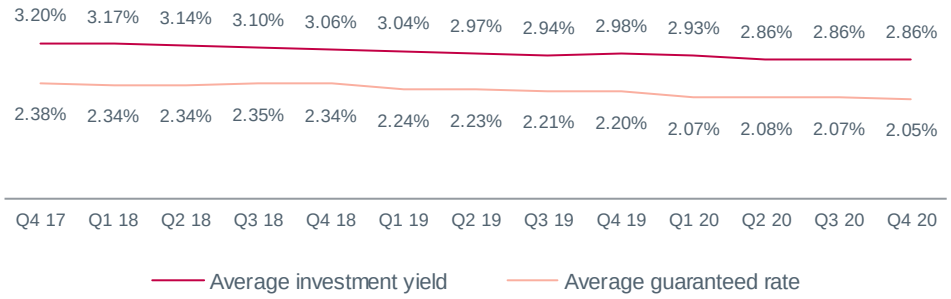


- Prudent investment strategy of the asset portfolio with a well-diversified asset allocation

Duration gap life and non-life

	Dec. 2019	Dec. 2020
Total life	-0.80	-1.08
Total non-life	0.01	0.65
Total	**-0.39**	**-0.30**

Investment yield vs. guaranteed rate[1]



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

Solvency II ratio sensitivity table

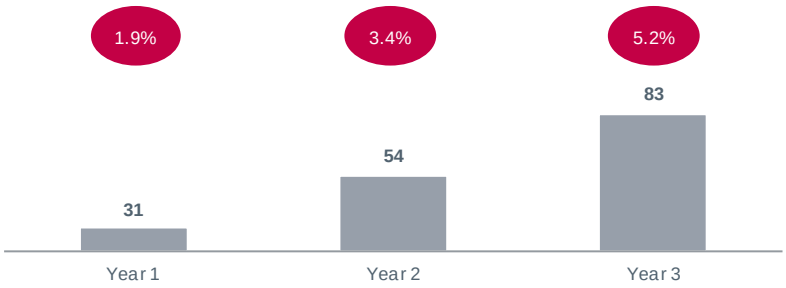
Solvency II Sensitivities 31 December 2020	Δ SCR (in EUR m)	Δ AFR (in EUR m)	Δ Solvency II ratio (in %)
Base Case	**1,125**	**2,250**	**200%**
Interest rate: Shock +50 bps	**(15)** *(1%)*	**(12)** *(1%)*	**202%** *2%*
Interest rate: Shock -50 bps	**33** *3%*	**0** *0%*	**194%** *(6%)*
Credit spread: Spread on fixed income (corporate) +50 bps	**16** *1%*	**(54)** *(2%)*	**192%** *(8%)*
Credit spread: Spread on fixed income (government) +50 bps	**61** *5%*	**(156)** *(7%)*	**177%** *(23%)*
Credit spread: Spread on fixed income (government and corporate) +50 bps	**78** *7%*	**(214)** *(10%)*	**169%** *(31%)*
Credit Spread: No Volatility Adjuster	**22** *2%*	**(65)** *(3%)*	**191%** *(9%)*
Equity: Downward shock - 30%	**(132)** *(12%)*	**(352)** *(16%)*	**191%** *(9%)*
Real estate: Downward shock -15%	**9** *1%*	**(82)** *(4%)*	**191%** *(9%)*
UFR: Downward adjustment to 3%	**30** *3%*	**(60)** *(3%)*	**190%** *(10%)*

Belfius sensitivity to interest rates

Bank

NII impact from +50 bps immediate parallel upward shift in rate curve

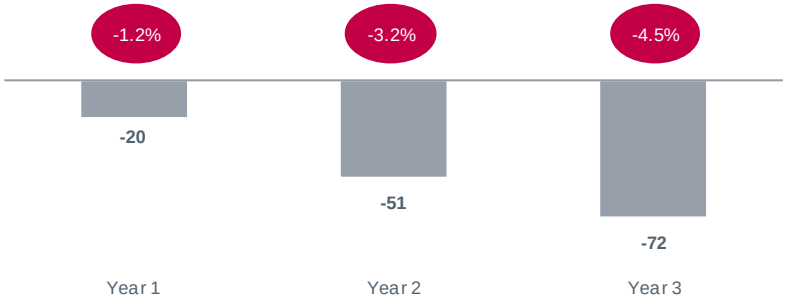
EUR m



Bank

NII impact from -35 bps immediate parallel downward shift in rate curve

EUR m



- Belfius would benefit from rising rates with net interest income increasing 3.4% 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 Dec.2020 net interest income bank

Notes: NII sensitivity analysis assumes a constant Belfius' balance sheet as of 31 December 2020

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