



## PRESS RELEASE RESULTS 1H 2020

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### Belfius: Meaningful and inspiring for the Belgian society.

Over the past six months, Belfius has more than ever demonstrated its corporate purpose, as a truly meaningful and inspiring bank-insurer for the Belgian society. “Meaningful” because Belfius has taken a leading role in enabling the deferment of payments and in granting loans to personal customers, Belgian entrepreneurs and businesses, public and social institutions without hesitating to draw on the capital buffers it has built over the past years. “Inspiring” because, today more than ever, Belfius is dedicated to supporting its customers individually. And also because it is speeding up the rollout of its strategy by entering into partnerships that will enable Belfius to further strengthen its digital services, which in turn will also enable it to make a positive contribution to the country’s recovery.

Despite the establishment of significant provisions – based on an anticipatory approach - to cover potential future credit losses caused by the economic recession, Belfius has ended this first half of a particularly atypical year with a strong preprovisional income of 421 million euro and a net income of 21 million. Despite the important financial efforts committed to supporting the Belgian economy during the Covid-19 crisis, Belfius remains one of the best-capitalised banks in Europe and is proactively pursuing – even speeding up – the implementation of its strategy for the future.

**9.3 billion €**  
of new longterm loans granted to the Belgian economy

38 700 x payment deferrals for business loans and lease contracts, representing a turnover of

**5.1 billion €**

16 000 x payment deferrals for housing loans, representing a turnover of

**1.6 billion €**

**4.7 billion €**  
organic growth in savings and investments

## Key figures

- **Covid-19:** 24,261 **corporate & business loans**, totalling 4.3 billion euro, have benefited from deferral of payments. Deferred payments have also been granted to 14,483 leasing contracts, totalling 818 million euro.
- **Covid-19:** 16,166 **mortgage loans**, totalling 1.6 billion euro, have benefited from deferral of payments. In addition, contractual payment deferrals have been granted in 8,331 cases, representing a total of 918 million euro.
- 9.3 billion euro of **new long-term loans** has been granted to the Belgian economy, which is the second-highest amount ever issued by Belfius in a single half-year. Compared with the first six months of 2019, **total outstanding loans** grew by 7% to reach 97.9 billion euro.
- The **organic growth of savings and investments** was 4.7 billion euro (+ 41%), making it the highest on record. **Outstanding current accounts and savings accounts** held by personal customers (Business segment included) rose by 11% to 67.6 billion euro.
- Belfius continues to grow as a **bank-insurance company**. **Non-Life premium income** via banking channels increased by 11% to reach 134 million euro. **Branch 23** reserves were up 12% compared with the first six months of 2019, at 3.8 billion euro. And the **combined operating ratio for damage insurance** improved to 88%.
- **Overheads**, which were 711 million euro, remained stable compared with the first half of 2019. The **Cost-Income ratio** was 63%.
- The current deep economic recession has led to setting aside significant provisions to cover the prospect of future credit losses. The **cost of credit risk** was 393 million euro, 312 million euro of which can be considered as an ex ante provision.
- Against this atypical background, Belfius ended the first half of the year with a strong **preprovisional income** of 421 million euro and an **after-tax profit** of 21 million euro. The loss of 68 million euro from the banking business was offset by an 89 million euro profit from the insurance business. Not taking account of the substantial provisions set aside to cover any credit losses, this net profit is in line with the figure recorded for the first six months of 2019.
- With a Basel III CET 1 **solvency ratio** of 15.5%, Belfius remains one of the best-capitalised banks in Europe . The group's **total equity capital** was 9.7 billion euro.

## Significant contribution to the Belgian community, including in times of crisis

The figures related to payment deferrals granted for corporate & business loans speak for themselves. And despite the Covid-19 crisis, the level of long-term finance granted was very close to the record amount granted in the first half of 2019. Drawing on the financial strength it has built up so meticulously over the past years, Belfius has been able to put its resources to full use in order to **support the Belgian economy**. In doing so, it has helped prevent the current health crisis from expanding into an even deeper and long-term economic downturn, not to say a financial crisis. Belfius drew on its capital buffers to grant additional loans to viable corporates and SMEs facing temporary difficulties by providing them the liquidity they required. It has also granted payment deferrals to personal customers temporarily deprived of professional income and whose savings were sufficient to honour the repayment obligations on their mortgage loans or to pay their insurance premiums.

Ever since the very early days of the crisis, the banking and insurance institutions have been recognised by the authorities as **essential service providers for society**. Belfius has been successful in finding the right balance between protecting its staff, guaranteeing operational continuity and maintaining customer service. Thanks to its proactive and pioneering measures, the contamination rate among staff members has remained very low. Combined with a particularly attentive HR policy, around 95% of head office employees have been able to work effectively from home since mid-March, with a high level of satisfaction. In addition, virtually all branches have stayed open over the past months, while our sales staff have been more proactive than ever in contacting their customers. The result? An aver-

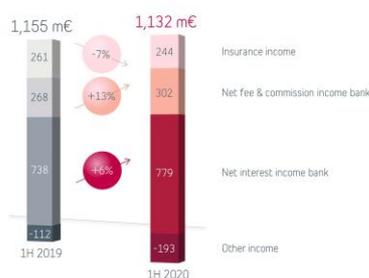


age satisfaction rate of 98% for people visiting branches. And the 60% fall in face-to-face sales contacts in-branch during March and April has been amply offset by a 15% rise in branch contacts by telephone and 40% of customers benefiting from remote services or advice when contacting Belfius Connect.

Belfius has also taken full advantage of this period of limited face-to-face contacts to proactively “digitalise” its customer relations. Compared with the first half of 2019, the number of active users of the Belfius banking app rose by 12% to 1.5 million. This success comes as no surprise, since the Belfius app has been voted Europe’s second-best banking app, while Belfius was voted best Belgian digital bank by the independent international magazine *CFI.co* last June. And the growing demand for digital services recorded during the Covid-19 crisis has provided an opportunity for Belfius to boost its digital services further. **From a strategic point of view**, this has been done by taking shareholdings or by entering into partnerships with Belgian companies that lead the way in their particular field, such as Proximus, Immovlan, Skipr and Cival Schaubroeck. Working with these companies, Belfius aims to create disruptive digital environments that will make customers’ lives fundamentally easier in the near future. **From an operating point of view**, by developing digital and legal alternatives for making it easier to transact payments, with even less cash, using contactless servicing and sales processes. The result: a further rise in direct sales. These direct sales account, for example, for 70% of pension savings accounts, 45% of new credit cards and 27% of transactions linked to investment funds.

## Stable earnings. Strong preprovisional income. A positive net result, despite the substantial rise in cost of risk

Substantial rise in net interest income and net commission income



The Covid-19 crisis has triggered the worst recession since World War II. It goes without saying that Belfius has not been spared by the significant fall in economic activity and volatility on the financial markets. It has also been impacted by the increase in interest rate spreads and the rise in cost of risk, which under IFRS9 accounting standards, has to be covered in advance. Against this difficult background, Belfius has nevertheless managed to post a strong **preprovisional profit** of 421 million euro and a **net after-tax profit** of 21 million euro. The loss of 68 million euro incurred by Belfius Bank, mainly caused by the substantially higher cost of risk, was offset by the profit of 89 million euro generated by Belfius Insurance, underlining the relevance of the bank-insurer business model.

**Total earnings** were 1,132 million euro, which is virtually the same as for the first six months of 2019. This figure reflects the resilience and strong sales dynamic demonstrated by Belfius, despite the highly challenging environment and the numerous difficulties caused by Covid-19. On the banking side of the business, both **net interest income** (779 million euro, + 6%) and **net commission income** (302 million euro, + 13%) rose. **Income from the Life business** fell by 33% to 115 million euro. By contrast, **income from the Non-Life business** was 129 million euro, a rise of 43%, prompted mainly by a fall in claims during lockdown. **Other earnings** fell to -193 million euro. This was the result of items such as the negative impact of the financial markets, the increase in credit spreads and the rise in banking taxes, amounting to 222 million euro, charged in full to the first half of the year.

Belfius managed to maintain its **overheads** at 711 million euro, a level equivalent to the first half of 2019. This has been achieved despite the company continuing its strategic investment programmes in innovative digital solutions for customers and in operational automation. At the end of June, Belfius’s **Cost-Income ratio** was 63%.

## An anticipatory approach to provisions

Like other financial institutions, Belfius has seen its net profit affected to a very large extent by the substantial rise in **cost of risk**, which amounted to 393 million euro, of which 312 million euro can be considered as an ex ante provision. But, thanks to the reserves accrued for credit risks, built up so carefully in recent years to provide the ability to offset any write-downs or losses on non-performing loans, the impact of this rise on Belfius's solvency remains limited. It also has to be said that the amount put forward for the cost of risk represents the "best current estimate", based on statistical models and historical data, combined with the opinion of experts. Over the course of the quarters ahead, assuming this estimate is confirmed and the macro-economic forecasts on which Belfius bases itself turn out to be accurate, the cost of risk should revert to a level in line with the rate recorded in recent years.

Under IFRS9 standards, banks are in fact required to make provisions when there are signs of impending payment defaults or bankruptcies. They also need to anticipate, based on the financial developments expected for companies and individual customers, based on economic scenarios. As a result, the computation of the cost of risk relies partly on indicators that are difficult to predict, such as the depth and the length of the crisis, the evolution of business and consumer confidence, the impact on the industrial output of more or less geographically targeted lockdowns and the effectiveness of current and future support measures. In the current context, Belfius no longer assumes there will be nationwide lockdowns going forward, but instead geographically-restricted and time-limited lockdowns. Belfius also bases itself on a significant drop in GDP of 10% and 11% in 2020, followed by a recovery with a rise of 8% and 2% in 2021 and 2022 respectively. To calculate its cost of risk for the first half of the year, Belfius has used a sophisticated methodology which, in addition to in-depth sector-specific analyses, consists of screening individually the solvency of a considerable number of companies in its portfolio, based on the impact of the risk associated with the Covid-19 crisis, per sector, as well as the balance sheet strength of these companies, the financing capability of their shareholders and the guarantees at Belfius's disposal.

## Personal customers: Deferral of payments on mortgage loans, totalling 1.6 billion euro. Exceptional growth in savings and investments.

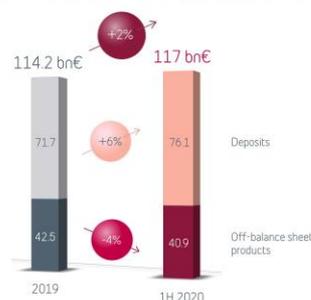
- 2.9 billion euro in new mortgage loans

In the first half of 2020, 3.3 billion euro of **new long-term funding** was granted to personal customers. Apart from the production of consumer loans, lending in the **Retail segment** related mainly to mortgages. During the first six months of the year, despite the partial lockdown of the mortgage market and notaries' practices, 2.9 billion euro was granted in mortgage loans.

In the context of **Covid-19 sector-specific support measures**, 16,166 mortgage loans benefited from payment deferments, representing 1.6 billion euro. In addition, contractual payment deferments were granted in 8,331 cases, representing 918 million euro.

- Savings & investments: organic growth to a record level

Outstanding savings & investments rose by 2% thanks to strong organic growth



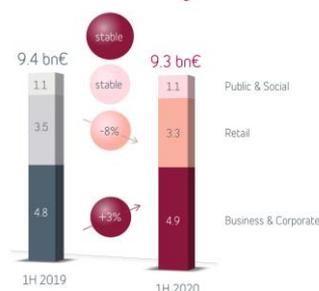
In the first half of the year, **organic growth** – i.e. growth excluding market effects – rose by 4.7 billion euro for investments made by personal customers (including the Business segment). That is as much as for the whole of 2019. This substantial increase of 41% illustrates both the increased saving propensity observed during the Covid-19 crisis, as well as the confidence that new and existing customers have in Belfius. In addition to the rise in deposits, recurring investments (+72%), outstanding investments in funds (+3%) and the production of investments in dual impact future funds for society, such as Cure and Climate, totalling 221 million euro, all recorded a significant increase compared with the first half of 2019. Part of the management fees for the Cure funds were also donated to the Can-

cer Foundation. With regard to Climate funds, official certificates were purchased for the purpose of funding projects to reduce emissions of CO<sub>2</sub> on a global level.

By offering its **Private and Wealth Management** customers a specific range of services, Belfius also strengthened its position as a leading investment bank. Outstanding savings and investments in these segments grew by 6% to 42.6 billion euro compared with the first half of 2019, while the number of Private customers increased by more than 7,000, reaching a total in excess of 130,000 customers in this segment.

## Business & Corporate: Belfius accounts for a substantial proportion of all support measures relating to credit companies

New LT finance granted to the Belgian economy remains at a high level



In view of the economic impact of the Covid-19 crisis and even before the official announcement of **sector-specific support measures**, Belfius has been proactive in undertaking extensive initiatives aimed at supporting its Business and Corporate customers while also keeping them fully informed. Since March, 24,261 business loans, representing 4.3 billion euro, have benefited from repayment deferrals, representing a substantial proportion of the total amount granted by the banks to companies and business owners. In addition, 14,483 lease contracts have also taken advantage of a payment holiday, representing 818 million euros, while support has been granted in terms of liquidity across lines of credit, totalling more than 1.4 billion euro.

Belfius has also remained on course in terms of granting ordinary loans. During the first half of the year, out of a total of 9.3 billion euro of **new long-term finance** granted to the Belgian economy, 4.9 billion euro (+3%) went to the Business segment (SMEs, the self-employed and professionals) and to Corporate customers. So-called “Covid” loans, backed by the State – granted mainly to Corporate customers – represented 329 million euro of the total amount.

In line with Belfius’s aim to grow in the **Corporate segment**, the production of **long-term loans** for these customers rose by 7%, to 2.7 billion euro. Belfius also confirmed its important position in **issues of bonds and treasury certificates** for its Corporate customers. The bank was involved in 57% of the mandates executed in Belgium, issuing 1.5 billion euro of short-term issues (average outstanding commercial paper) and new long-term issues (Medium Term Notes and bonds). Belfius is ranked first in Belgium in the **Equity Capital Markets (ECM)**, with 8 ECM transactions in the first half.

Another area in which Belfius has confirmed its growing role as a driving force of the Belgian economy is lending to **SMEs, the self-employed and professionals**. In the first half of 2020, production of **long-term loans** reached 2.2 billion euro and Belfius also successfully increased its market share, which was up to 16.3%.

## As a market leader, Belfius has put its strengths to good use throughout the Covid-19 crisis by supporting the Public & Social sector

As a long-established partner of the Public & Social sector, Belfius has done everything it can to support its customers, providing advice and guidance throughout the Covid-19 crisis. Crucial sectors, such as healthcare institutions and intermunicipal public service companies have been able to count on proactive support measures, in particular through the granting of short-term lines of credit and the deferment of charges and capital write-downs. In the first half of the year, Belfius also granted 1.1 billion euro in long-term loans – which was as much as in the first half of 2019 – while handling 62% of the finance applications made in the market for local authorities.

Belfius also confirmed its leading position in **Debt Capital Markets (DCM) issues** for its (semi-)public customers by taking part in 87% of the mandates executed on the Belgian market for this target group. In the first half, the bank issued 4.3 billion euro of innovative forms of finance in the form of short-term issues (average outstanding commercial paper) and new long-term issues (Medium Term Notes and bonds).



## More flexible policy terms and extended cover for insurance

While in the context of the Covid-19 support measures provided at a sector-specific level the number of requests for deferral of payments relating to insurance policies has been fairly limited, Belfius Insurance has nonetheless taken much stronger measures than those agreed with Assuralia, proactively making its policy terms more flexible, as well as extending certain covers.

At a group level, **receipts of Non-Life premiums** rose to 387 million euro (+1%). This increase was mainly driven by the Belfius Bank channel (+11%), whereas DVV Assurances and Corona Direct virtually maintained the status quo. The **cross-selling ratios** for mortgage loans **remained very strong**, both for fire and family insurance (85%), as well as for mortgage life insurance (134%). Despite claims related to the storms in February, the combined operating ratio (NCR) for damage insurance improved to 88%, boosted mainly by the fall in the number of car-related claims during the lockdown period.

During the first six months, **production for Life** reached 467 million euro. The movement in Life **reserves** reflected the gradual strategic reduction of Branch 21 in favour of Branch 23. Compared with the same period in 2019, whereas total Life reserves fell by 4% to 14.7 billion, reserves of Branch 23 rose by 12%, to 3.8 billion euro.

## Very solid liquidity and solvency positions, despite Covid-19

In spite of the substantial rise in cost of risk, Belfius succeeded in maintaining its very solid position in terms of liquidity and solvency during this difficult first half of the year, thanks to the significant reserves it has built up so carefully over recent years.

The **Basel III CET 1 ratio** was 15.5%. This represents a reserve of 3.5 billion euro, which continues to be at an excellent level. Thank to the loosening of a number of regulatory measures, the strong growth in the business of granting loans resulted in only a very slight increase in risk-weighted assets, at 56.6 billion euro. The very solid Solvency II ratio of Belfius Insurance was 215%. With an **LCR ratio** of 134%, Belfius amply meets the requirements imposed in terms of liquidity and, at the end of June 2020, had liquid reserves of 35 billion euro. The **NSFR ratio** was 122%.

The group's total equity capital was 9.7 billion euro.

## Conclusion

Despite the fact that we are going through the worst recession since World War II, Belfius has performed strongly in the first six months of this year. **From a societal point of view**, this has been achieved by making significant financial efforts in terms of support measures, both for the Belgian economy and for individuals in difficult. **From a financial point of view**, by nevertheless making a profit, while maintaining solvency and liquidity positions that are virtually as strong as at the beginning of the crisis. And **from a commercial point of view**, by consolidating its market position in lending and keeping the insurance business at almost the same high level as last year. Belfius has also made substantial progress as a bank for investors.

Belfius has taken advantage of this crisis to fully assume its **role in relation to society**. By being even closer to its customers in times of social distancing and by proactively supporting them, both through human contact and with its digital tools. By encouraging customers to adopt more sustainable habits during the Covid-19 crisis, as well as maintaining them afterwards. For example by offering higher reductions on insurance premiums to customers who opt for a car with low CO<sub>2</sub> emissions, or who drive fewer kilometres, or by offering investments in “dual impact” future funds, which in turn invest in sectors that contribute to a better world, such as medical research and green energy. And, finally, at a time when companies run the risk of losing traction for their business, by accelerating our strategy of taking stakes in the capital of companies or by entering into partnerships with leading Belgian companies in order to jointly create disruptive digital environments that will have a fundamental impact on making life easier for customers in the future.

Belfius totally aims to be “**meaningful**” for Belgian society by proactively offering solutions that meet the major challenges of tomorrow head-on. Belfius seeks to be thoroughly “**inspiring**” by constantly searching for creative and innovative solutions. This crisis is an opportunity to put this mission into practice.



**Marc Raisière**  
CEO

*“Let us seize this Covid-19 crisis as an opportunity for further digitalising our economy and making it more sustainable. To put Belgium firmly on the map as a leader in Europe. To modernise our way of working and collaborating. Over the past six months, our staff and agents have worked together in very challenging circumstances to speed up the rollout of our strategy. At the same time, they have achieved convincing commercial results, while rolling up their sleeves to assist customers in difficulty. In short, they have tackled this crisis with huge commitment and professionalism. I am extremely grateful to them.”*



**Jos Clijsters**  
Chairman of the Board of Directors

*“Thanks to the credit reserves and capital buffers that have been built up so carefully over the years, Belfius has been able to assist customers facing temporary difficulties. It has also been able to assume its proper role in relation to Belgian society. In the months ahead, which will no doubt also be filled with challenges, we will continue to play this role to the full, while still remaining vigilant and maintaining our current strong position in terms of solvency and by continuing our anticipatory approach in terms of provisions.”*

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## Key figures

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

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

Consolidated balance sheet (in millions of EUR)	31/12/2019	30/06/2020
<b>TOTAL ASSETS</b>	<b>172,439</b>	<b>188,471</b>
of which <i>Cash and balances with central banks</i>	6,716	18,708
<i>Loans and advances due from credit institutions</i>	16,208	14,405
<i>Loans and advances</i>	94,944	98,748
<i>Debt securities &amp; equity instruments</i>	29,490	30,095
<i>Unit linked products insurance activities</i>	3,671	3,829
<i>Derivatives</i>	13,305	14,335
<b>TOTAL LIABILITIES</b>	<b>161,933</b>	<b>178,201</b>
of which <i>Cash and balances from central banks</i>	4,017	13,079
<i>Credit institutions borrowings and deposits</i>	5,819	7,122
<i>Borrowings and deposits</i>	85,450	92,494
<i>Debt securities issued and other financial liabilities</i>	27,655	25,155
<i>Unit linked products insurance activities</i>	3,671	3,829
<i>Derivatives</i>	18,630	20,502
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>9,984</b>	<b>9,746</b>
of which <i>Shareholders' core equity</i>	9,348	9,320
<i>Gains and losses not recognised in the statement of income</i>	636	426
<b>TOTAL EQUITY</b>	<b>10,506</b>	<b>10,270</b>
of which <i>Total shareholders' equity</i>	9,984	9,746
<i>Additional Tier-1 instruments included in equity</i>	497	497
<i>Non-controlling interests</i>	25	27



Ratios <sup>(1)</sup>	31/12/2019	30/06/2020
Return on equity (ROE)	7.4%	0.5%
Return on assets (ROA)	0.40%	0.02%
Cost- income ratio (C/I ratio)	58.4%	62.8%
Asset quality ratio	1.96%	1.97%
Coverage ratio	62.3%	61.3%
Liquidity Coverage Ratio (LCR)	129%	134%
Net Stable Funding Ratio (NSFR)	116%	122%

(1) Unaudited.

Solvency ratios	31/12/2019	30/06/2020
CET 1- ratio <sup>(1)</sup>	15.9%	15.5%
Tier 1- ratio <sup>(1)</sup>	16.7%	16.4%
Total capital ratio <sup>(1)</sup>	19.2%	19.0%
Leverage ratio	6.0%	5.6%
Solvency II – ratio (before dividend)	212%	215%
Solvency II – ratio (after dividend)	212%	215%

(1) For the determination of the Capital ratios under Basel III, the regulatory authority asks Belfius Bank to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the equity instruments held by Belfius Bank in Belfius Insurance after deduction of goodwill. This is commonly known as "Danish compromise".

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