



# Belfius FY 2019 Results

Presentation to analysts and investors

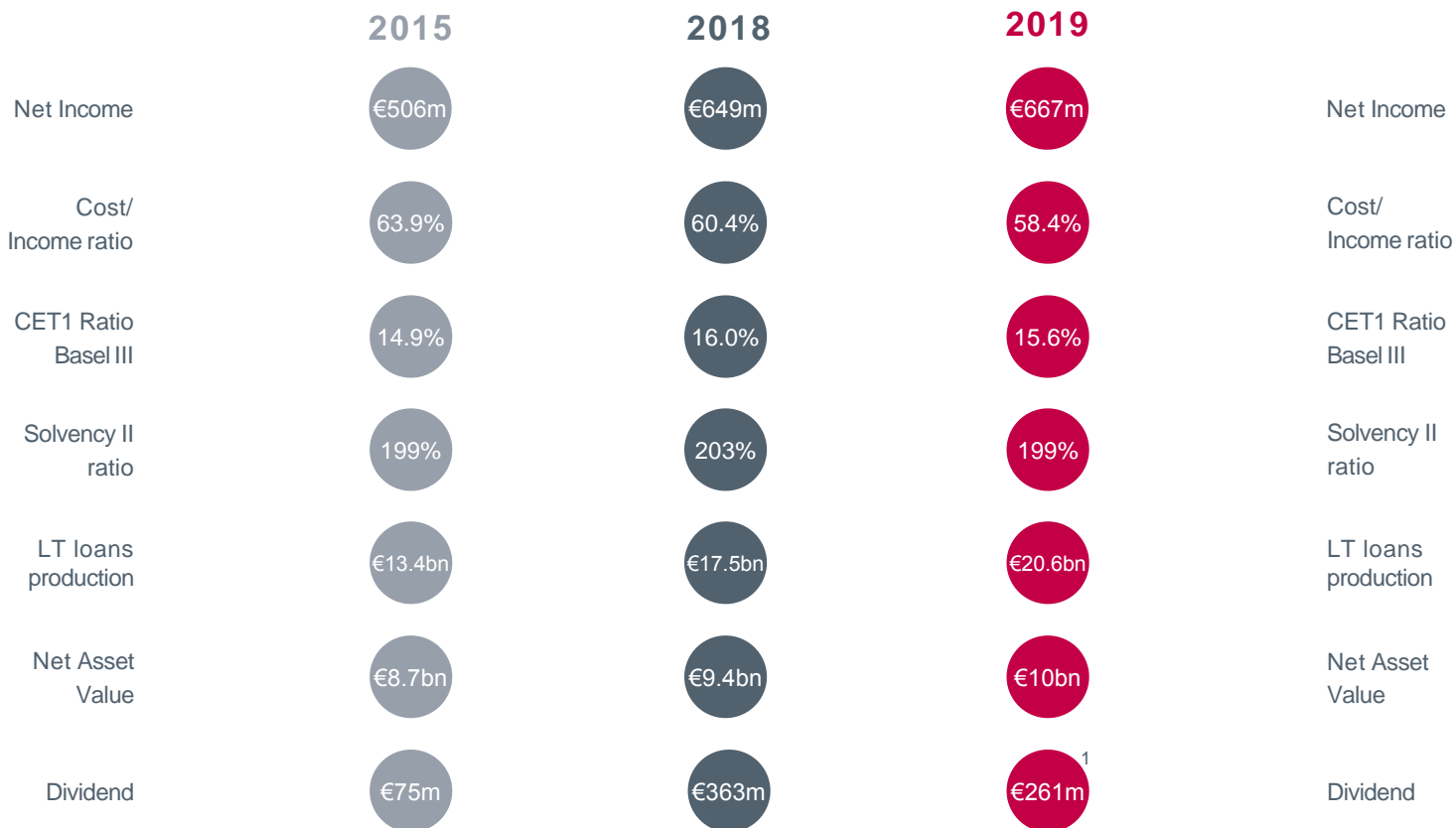
21 February, 2020



# 1. Summary Highlights

- Since 2012, Belfius has consistently followed a strict development path of (i) solidifying its financials and (ii) developing its commercial franchise. The persistent and efficient implementation of that strategy continues to bear fruit. Again for 2019, Belfius reports solid commercial and financial results
- Overall, Belfius' **net income 2019 stands at EUR 667m**, up 3% compared to 2018 with net income of EUR 649m. In 2019, the bank contributed for EUR 461m and the insurer for EUR 207m of net income
- **Income increases** with EUR 127m to EUR 2,489m, with all constituents contributing to this growth :
  - Despite interest income pressure on deposits from continued low interest rate environment, Belfius' strongly growing loan volumes combined with a strict pricing discipline lead to a slightly **increasing net interest income** of the bank for 2019
  - **Good development of fee & commission income** stemming from excellent bancassurance activity and increasing fees from savings and investment and payment services
  - **Increased insurance contributions** as a result of (i) sustained Life income and margin development and (ii) excellent RC Non-Life results (even considering the material cost for natural catastrophes in 1H 2019 of EUR -25m after reinsurance)
- Belfius' continued focus on strategic long term development is supported by investments in business model, customers and human and digital capacities, which are combined with a strict cost control program on all other costs and investments. This leads to **operating costs that remain well controlled** at EUR 1,452m, a slight increase of 2% compared to the operating expenses of 2018 (EUR 1,426m)
- Combining strong income growth and controlled cost increase, Belfius continues to **improve its C/I ratio**, that stands at 58.4% in 2019 (vs. 60.4% in 2018)
- The **cost of (credit) risk is still benefiting from benign environment**, however is higher than last year as it has been impacted in 2H 2019 by a **limited number of Corporate loans that migrated from stage 2 to stage 3**, concerning a limited number of Belgian corporates with business operations in an international context, that were impacted by evolutions in the global economy, having an effect on their trade flows
- Overall, Belfius continues to display **sound solvency and risk metrics**, with CET1 ratio of 15.6%, SII ratio for Belfius Insurance of 199% and asset quality ratio at Belfius Bank of 1.96%
- **Net asset value** at EUR 10bn, up from EUR 9.4bn end 2018
- Belfius' Board of Directors has decided to propose to the General Assembly a 2019 full year ordinary **dividend** of EUR 261m (representing a dividend pay-out ratio on FY 2019 of 40%)

# Belfius' persistent strategy continues to bear fruits



Note: 1. The Board of Directors will propose to the General Assembly of 29 April 2020 an ordinary dividend of EUR 261 million in respect of the accounting year 2019, of which EUR 100 million was already paid through an interim dividend in August 2019.



## 2. Belfius at a glance

- **Integrated bank-insurer**
  - Net Income of EUR 667m, of which EUR 461m Bank and EUR 207m Insurance
  - Growing bank-insurance franchise, with Non-Life premiums growth of 12% via bank distribution channel
  - Continued diversification of Belfius Bank's profile from two sectors (Retail & Public sector) to all Belgian economic sectors as a full blown universal bank (Retail, Private, Wealth, Business, Corporate and Public Sector)
- **Anchored in all segments of the Belgian economy**
  - 3.6m customers in Retail & Commercial (RC) and 22k customers in Public & Corporate (PC)
  - Loans to customers of EUR 93.8bn, o.w. EUR 53.2bn to RC clients and EUR 40.6bn to PC clients
  - Savings and Investments of EUR 151.5bn, o.w. EUR 114.2bn RC and EUR 37.2bn PC
  - Well distributed physical distribution channel all over the country, complemented by top-notch digital and remote service channels
- **Focused on customer satisfaction**
  - 4.6 on average – on a 5 point scale – for Belfius' IOS and Android mobile app
  - Belfius' mobile app ranked #1 in Belgium<sup>1</sup> and #2 in Europe<sup>2</sup>
  - > 95% of satisfied customers, all segments together
- **Risk and financial management, two key pillars supporting the dynamic commercial development**
  - Strong solvency and liquidity position, solidly respecting all regulatory minima
  - Sound credit quality, with continued solid Asset Quality Ratio
  - Non-financial risks remained under control, as highlighted by the low level of operational losses

# Integrated bank-insurer anchored in all segments of the Belgian economy

- More than 50 years of experience as bank and insurer of proximity for more than 3.6 million 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)<sup>1</sup>

- #2<sup>2</sup> bank-insurer in Belgium with more than 3.6m customers
- #1 in mobile banking<sup>3</sup>
- #4<sup>4</sup> bank to 300,000 professional customers
- EUR 53.2bn loans to customers
- EUR 114.2bn savings and investments

#### Public & Corporate (PC)<sup>1</sup>

- #1 bank to 11k Public & Social sector customers
- #4<sup>4</sup> bank to 11k Corporate customers
- EUR 40.6bn loans to customers
- EUR 37.2bn savings and investments

#### Group Center (GC)<sup>1</sup>

- ALM Liquidity Bond portfolio (EUR 8.1bn)
- Run-off portfolios
  - ALM Yield Bond portfolio (EUR 3.6bn)
  - Derivatives (EUR 18.4bn)
  - Credit guarantees (EUR 3.7bn)
- Other non-core activities

### 3. Group Highlights

- Continued success of commercial strategy of Belfius, with **continued strong commercial momentum in 2019**, leading to volume growth in customer balances, lending and insurance production
- **Slightly increasing NII** in 2019 as the higher loan volumes, strict tariff management in highly competitive landscape and continued interest rate risk hedging counterbalance the pressure from the continuing low interest rate environment (a.o. on (still growing) non-maturing deposits)
- **Increasing fee & commission income** thanks to the good development of fees from classical Life and Non-Life insurance products, payment services as well as from savings & investments supported by excellent evolution of outstanding off B/S AuM
- **Higher insurance contributions** as a result of (i) excellent Life income supported by sustained financial margins, (ii) good RC Non-Life results that more than absorb the claims cost for material natural catastrophes in 1H 2019, and (iii) somewhat lower PC Non-Life results due to some large claims within the PC Non-Life insurance portfolio in run-off
- Belfius continues to invest in human capital (a.o. related to the development of new activities, Wealth Management and Corporate activities) as well as in IT and digitization, and combines this with a strict cost control program in other domains, leading overall to a **continued controlled increase of the costs**. Belfius moves in 2019 to a **C/I ratio below 60%**, at 58.4%.
- **Cost of (credit) risk** continues to benefit from the **benign environment**, especially in RC and GC portfolios. The cost of (credit) risk of PC remains in general of excellent quality. It has however been impacted by a **very limited number of corporate loans** migrating from stage 2 to stage 3, for some Belgian corporates with business operations in an international context, that were impacted by evolutions in the global economy, having an effect on their trade flows.
- All-in-all reported **net income of EUR 667m**, up from EUR 649m in 2018. Excluding the special items (which had a positive impact in 2018), **Belfius' adjusted net income increases with 21%**, i.e. from EUR 563m in 2018 to EUR 684m in 2019

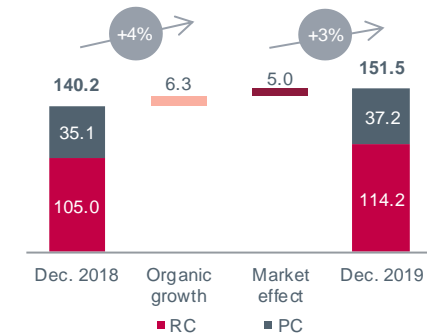
# Continued strong commercial dynamics with significant volume growth in customer balances, lending and insurance premiums

## Group

### Savings & investments and loans to customers

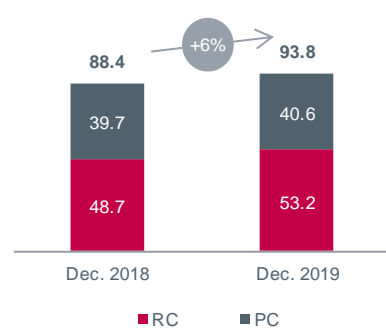
#### Outstanding savings & investments

EUR bn



#### Outstanding loans to customers

EUR bn



- Total savings & investments amounted to EUR 151.5bn in December 2019, up 8% compared to December 2018
  - RC displays strong organic growth (EUR 4.7bn) mainly in non-maturing products, combined with solid market effect (EUR 4.5bn)
  - PC increased both its off balance sheet investments (EUR +1.8bn) and its deposits (EUR 0.4bn)
- Increase of loans outstanding (+6%) mainly driven by
  - a strong increase in business and mortgage loans
  - successful commercial strategy towards Belgian corporates

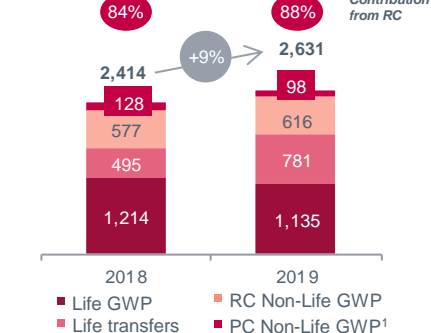
Notes: 1. of which EUR 58m for PC activities in run-off in 2019 and EUR 90m in 2018

## Insurance

### Insurance sales and reserves

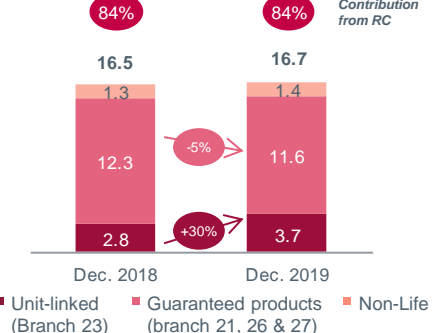
#### Insurance production

EUR m



#### Insurance reserves

EUR bn



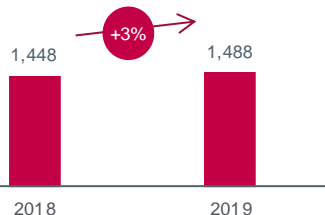
- Overall increasing Non-Life GWP (+1.4%) as strong growth of RC Non-Life GWP to EUR 616m in 2019 (up 6.8% compared to 2018) more than offsets the foreseen decrease in PC (run-off strategy). RC registered an increase in all channels with a strong performance in the bank distribution channel (+11.9%)
- Life insurance production stood at EUR 1,917m in 2019, up 12.1% compared to 2018 (stemming from much higher transfers), with a continued positive evolution in terms of product mix
- Continued implementation of the strategy to switch from guaranteed yield products to unit-linked products (+30% increase in unit-linked reserves), boosted by the bank distribution channel

# Despite challenging macro-economical context, increasing NII F&C income continues to increase

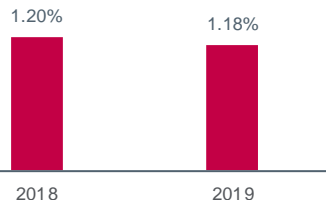
Bank

## Resilient NII & NIM, in a challenging low interest rate environment

### Net interest income EUR m



### NIM<sup>1</sup>

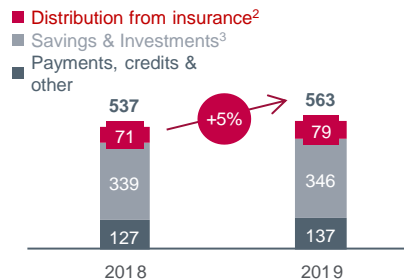


- Resilience mainly resulting from increasing commercial loan volumes, strict tariff management and efficient interest rate hedging; hence counterbalancing the negative impact of the historically low interest rate environment especially on interest margin of further increasing volumes of non-maturing deposits
- NII is resisting well, as illustrated by only slight decrease of NIM to 1.18%, down by 2bps from 2018

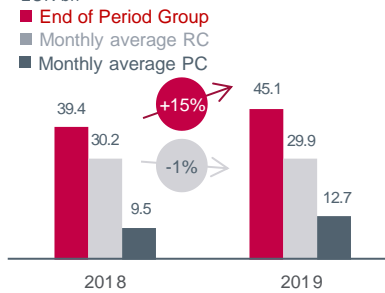
Bank

## Bank fee & commission income increases

### F&C income EUR m



### Assets under management<sup>4</sup> EUR bn

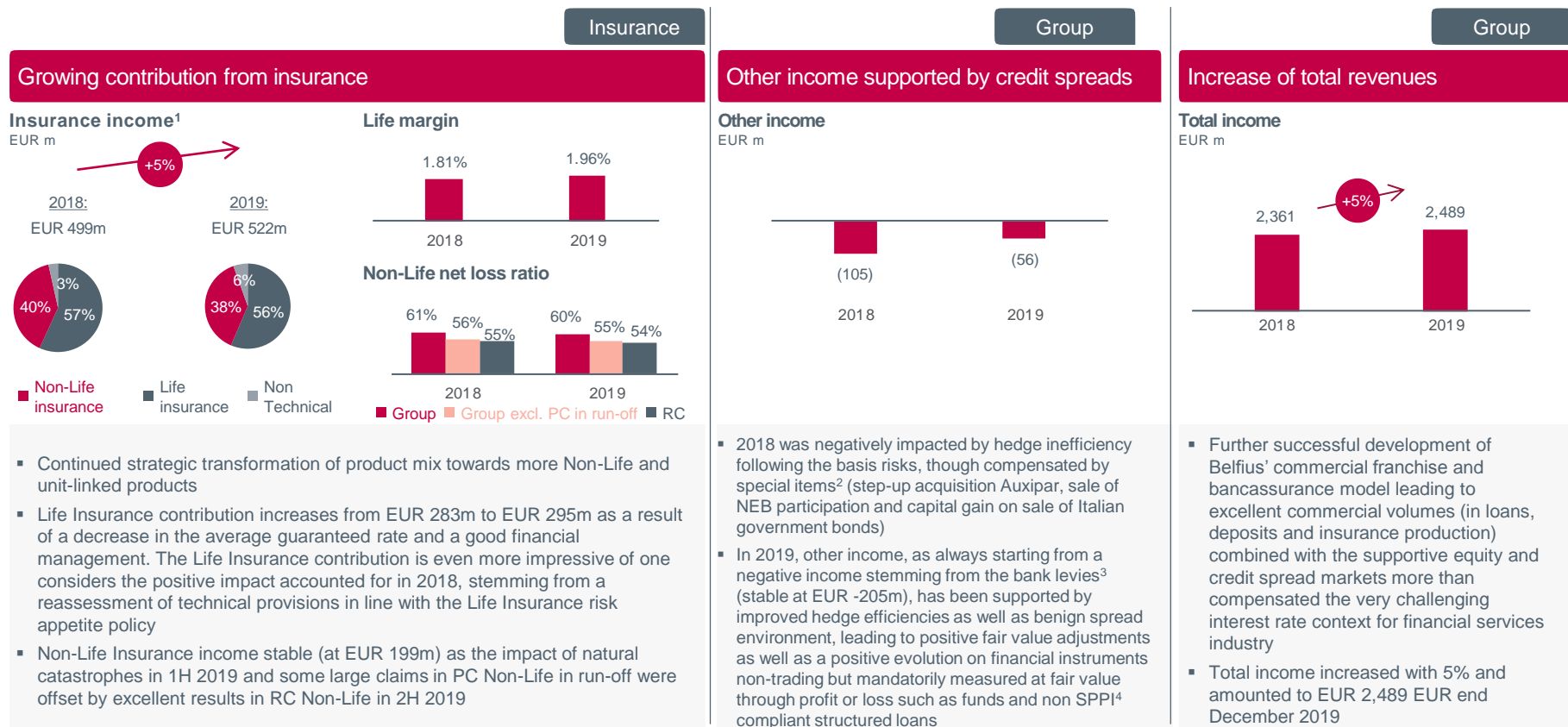


- Strongly increasing fee and commission income (+5%)
  - Good development of fees from (classical Life and Non-Life) insurance products sold through bancassurance channels (especially on Credit linked Life insurance product, in line with the high production of mortgage loans) and from payment services in RC segment
  - Increasing fees from RC savings & investments mainly following higher entry and management fees (in bps)
  - Strong increase in AuM of PC segment stemming from the sale of commercial paper to corporate clients as well as from higher mandates

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 management as well as off-balance sheet customer investments in mutual funds, mandates and other products such as bonds, equities, etc.



# Bancassurance model, sustained Life insurance contribution and supportive credit spreads further contribute to the increase of total income



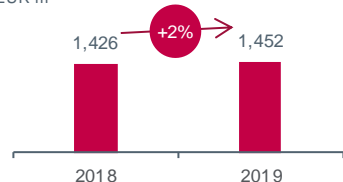
Notes: 1. Full insurance income including non technical insurance income which is also included in group other income figures; 2. Adjusted results and special items are Alternative Performance Measures, cfr the APM document available on Belfius' website ([www.belfius.be/results](http://www.belfius.be/results)); 3. EUR 205m in 2018 and in 2019. Note that sector levies of Belfius Insurance (EUR 17m in 2018 and in 2019) are included in Insurance income; 4. SPPI stands for solely payments of principal and interest

# Strategic initiatives with further investments in IT and human resources. Somewhat higher cost of risk in Corporate segment, stemming from limited number of credit files

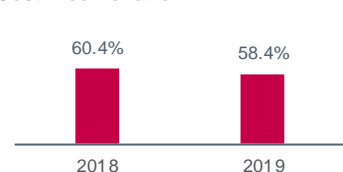
## Controlled cost increase in line with strategic investments in IT & HR

### Expenses

EUR m

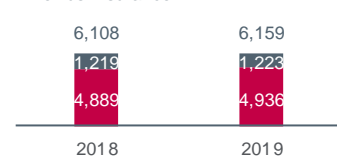


### Cost-Income ratio



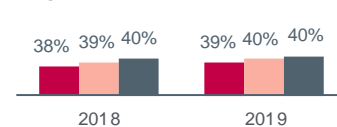
### FTE<sup>1</sup>

■ Belfius Bank  
■ Belfius Insurance



### Non-Life expense ratio

■ Group ■ Group excl. PC in run-off  
■ RC

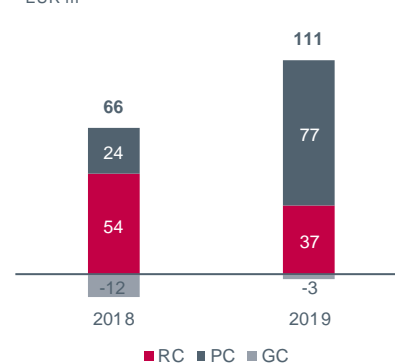


- Belfius has embarked on an ambitious growth journey driven by digitalization and modernization. However, thanks to cost control measures in all other domains, operating expenses only increase by 2%. This increase is mainly related to:
  - Investments in human capital to support Belfius' growth journey, as illustrated by an increase of average FTE by 51, mainly in areas related to new activities, such as Corporate and Wealth management, and IT and digitization
  - The standard wage indexation applicable in Belgium
  - Belfius' ambitious digitalization and innovation program, leading to increasing amortization and depreciation costs. In 2019, cash investments amount to EUR 188m vs. EUR 141m in 2018

## Cost of risk impacted by a limited number of credit files in Corporate Banking

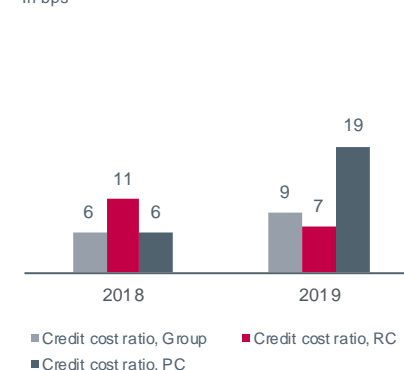
### Cost of risk

EUR m



### Credit cost ratio<sup>2</sup>

In bps



- The increase in overall Cost of risk is mainly stemming from a limited number of Corporate Banking<sup>3</sup> loans which negatively impacted stage 3 impairments in 2H 2019
- Cost of risk in RC commercial activities remains at a historically low level, demonstrating continued good credit quality of commercial assets and benign credit risk context

Notes: 1. Average active FTEs; 2. For RC and PC, calculated as annualized cost of risk divided by average gross outstanding loans and advances to customers. For the group, calculated as annualized cost of risk divided by average (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. 3. The Cost of Risk in the corporate segment increased, not in general, but due to some specific and limited number of files that migrated from stage 2 to stage 3. It concerns Belgian companies with business operations in an international context: they were impacted by evolutions in the global economy, having an effect on their trade flows.

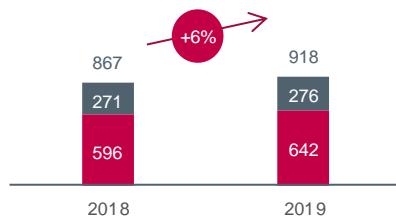
# Increasing net income before tax leading to higher net income in 2019

## Increasing NIBT

### Net income before tax

EUR m

■ Insurance  
■ Bank



- The strong increase of income and controlled increase of costs lead to an increasing net income before tax to EUR 918m (+6%) even despite the increase in cost of risk

## Higher tax expenses

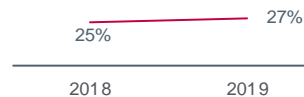
### Tax expenses

EUR m



### Effective tax rate

%



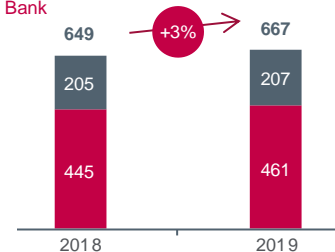
- Consolidated tax expenses amount to EUR 252m in 2019 compared to EUR 217m in 2018. This is partly due to an increasing NIBT as well as a higher ETR mainly following:
  - Less non taxable capital gains compared to 2018 (related to NEB and Auxipar)
  - The absence of special items in 2019 whereas 2018 tax expense was positively impacted by the closure of Belfius' Dublin Branch

## Increasing all-in-all net income. Excluding special items, adjusted net income increases even more

### Net income

EUR m

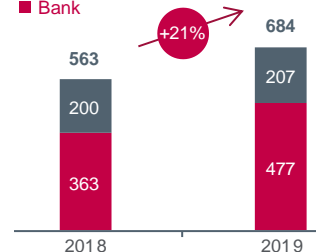
■ Insurance  
■ Bank



### Adjusted net income

EUR m

■ Insurance  
■ Bank



- All in all leading to a net income of EUR 667m in 2019, up 3% compared to 2018
- Excluding special items (see next slide), net income of EUR 684m in 2019, up 21% compared to 2018

# From reported to adjusted net income<sup>1</sup>

	Reported	Excluding special items				Adjusted
		Sale/unwind within the ex-legacy portfolio	Impact of restructuring <sup>2</sup>			
<b>2019, EUR m</b>						
Income	2,489	-	-			2,489
Expenses	-1,452	-	-22			-1,431
Cost of risk	-111	-1	-			-110
Impairments	-7	-	-			-7
<b>Net income before tax</b>	<b>918</b>	<b>-1</b>	<b>-22</b>			<b>941</b>
Taxes	-252	-	6			-258
<b>Net income</b>	<b>667</b>	<b>-1</b>	<b>-15</b>			<b>684</b>
<i>Impact mainly in</i>		GC	GC			
		Sale/unwind within the ex-legacy portfolio	Impact of restructuring <sup>2</sup>	Other items <sup>3</sup>	Tax-impact closing Dublin Branch	
<b>2018, EUR m</b>						
Income	2,361	10	-	46	-	2,304
Expenses	-1,426	-	-16	-	-	-1,409
Cost of risk	-66	19	-	-	-	-86
Impairments	-2	-	-	-	-	-2
<b>Net income before tax</b>	<b>867</b>	<b>30</b>	<b>-16</b>	<b>46</b>	<b>-</b>	<b>807</b>
Taxes	-217	-8	5	-	30	-243
<b>Net income</b>	<b>649</b>	<b>22</b>	<b>-12</b>	<b>46</b>	<b>30</b>	<b>563</b>
<i>Impact mainly in</i>		GC	GC	RC, PC, GC	GC	

Notes: 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.com/results](http://www.belfius.com/results)); 2 The "impact of restructuring" includes recognition of formally approved restructuring provisions; 3. Other items include (i) capital gains and losses on the sale of associates ("NEB participation") as well as (ii) the revaluation of the historical stake in Auxipar.

## 4. Segment results

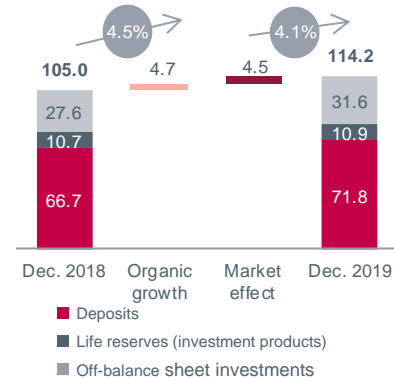
### 1. RC

- **Retail & Commercial segment showing strongest commercial momentum** since start of Belfius:
  - Customer savings & investments (+9%): strong organic growth (EUR +4.7bn) since end 2018, combined with a positive market effect (EUR +4.5bn). Growth mainly in current & savings accounts (+9%) and off-balance sheet investments (+14%)
  - Loans to customers (+9%)
  - Insurance production (+13%)
  - Sales of simple and frequently used products and services through direct channels
- **A strong digital track record in mobile - omnichannel banking**
  - Further increase of Belfius' active mobile users: 1.4m active mobile users connecting on average more than once a day
  - 4.6 on average – on a 5 point scale – for Belfius' IOS and Android mobile app. Belfius' mobile app ranked #1 in Belgium and #2 in Europe
  - Belfius' omnichannel strategy to capture customer value has reshaped the distribution model for certain products and services, e.g. in 2019, 60% of the new pension savings contracts were subscribed via direct channels
- Following continued risk aversion of RC customers, commercial volume growth in S&I continues to lead to a change in product mix with more non-maturing deposits. The interest margin pressure on these non-maturing deposits due to persistent low interest rates and the legal tariff floor on savings deposits, were more than compensated by strong RC loan volume growth at loan margins on average above margins on stock, all-in-all leading to a **slightly increasing NII**
- **Increasing fee & commission income** thanks to the good development of fees from classical Life and Non-Life insurance products, payment services as well as from savings & investments following higher entry and management fees (in bps)
- **Higher insurance contribution** as a result of (i) excellent Life income supported by sustained financial margin and (ii) excellent RC Non-Life results in all three distribution channels
- **Investments in strategic priorities** such as Wealth Management Services, IT and digitization
- Still **historically low cost of risk** demonstrating a good credit quality in current benign environment
- All-in-all **strongly increasing net income** to EUR 464m, from EUR 408m in 2018 (i.e. +14%)

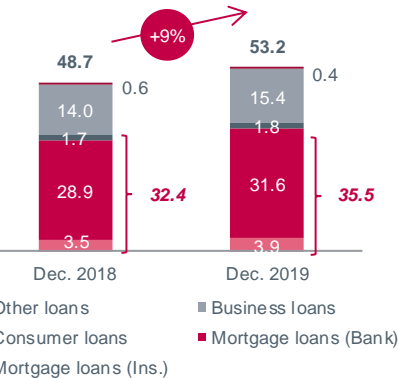
# Solid commercial activity leads to further volume growth and developing sales through direct channels

## Record stance in Savings & investments and loans to customers

### Outstanding savings & investments



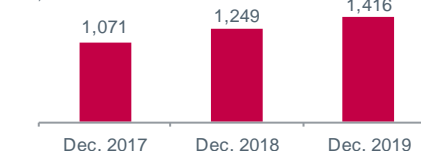
### Outstanding loans to customers



- Retail & Commercial continues to show overall excellent dynamics, although there is some income pressure from product mix on savings & investments side:
  - Strong organic growth (EUR 4.7bn), mainly in non-maturing products as clients still show high interest for capital protected products, leading to more non-maturing vs. asset management despite high market effect (EUR 4.5bn)
  - Outstanding loans increased by EUR 4.4bn (+9%) compared to Dec. 2018. The increase is mostly driven by a strong growth in business loans (+9.9%) and mortgages (+9.7%)

## Growing activity on direct channels

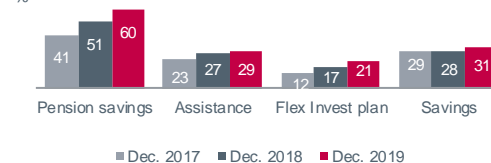
### Active mobile users



### Credit cards



### Sales through direct channels<sup>2</sup>



### Customer equipment rate



- Increasing customer engagement resulting into steady increase of active mobile users (+13% vs. Dec. 2018), with on average 37 logins per active user in December 2019, and into a continued high degree of customer satisfaction (4.6 on average – on a 5 point scale – for IOS and Android). Belfius' app is not only the best rated Belgian banking app for four years in a row but also the second<sup>2</sup> best European banking app.
- Belfius continues to extend the functionalities of its direct channels. In 2019, 60% of the new pension savings contracts, 42% of the new credit cards and 31% of the new savings accounts were subscribed via direct channels
- Further steadily increasing average equipment rate of RC customers, supported by increasing direct sales (3.03 last year)

Notes: 1. Belfius' direct channels are Belfius Connect, Belfius Mobile (smartphone and tablet) and Belfius Direct Net (computer); 2. As published by Trends Tendance on January 30, 2019 following a study by Sia Partners

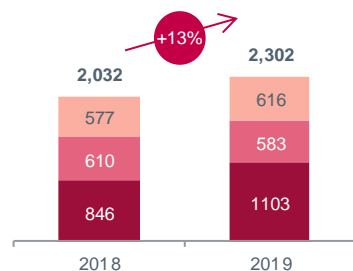
# Bancassurance strategy continues to support Belfius' Insurance activities, continuing their product mix transformation

Retail & Commercial

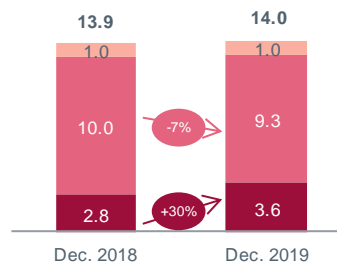
Insurance

## Growing Insurance sales & reserves

**Insurance production**  
EUR m



**Insurance reserves**  
EUR bn



■ Unit-linked (Branch 23) ■ Guaranteed products (branch 21, 26) ■ Non-Life

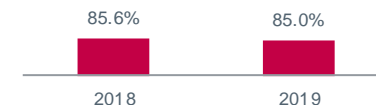
■ Unit-linked (Branch 23) ■ Guaranteed products (branch 21, 26) ■ Non-Life

Bank-Insurance

## Continuous solid bankinsurance cross-sell

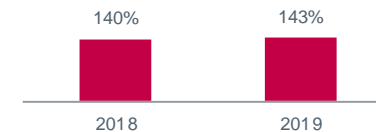
### Property insurance

Belfius Home & Family cross-sell (%)



### Credit linked Life insurance

Belfius Home Credit Protect cross-sell (%)<sup>3</sup>



- RC Non-Life insurance premiums in 2019 stood at EUR 616m, up 7% compared to 2018, boosted by the bank distribution channel (+12%) and Corona (+6%), Belfius' direct insurer in Belgium
- RC Life insurance (unit-linked and traditional) production stood at EUR 1.686m in 2019<sup>1</sup>, up 16% compared to 2018<sup>2</sup>
  - Unit-linked (Branch 23) production increased strongly (+30.5%; boosted by large transfers from BR21 to BR23)
  - Traditional Life (Branch 21/26) production decreased with 4.4% following the low interest rates environment
- Total RC insurance reserves stood at EUR 14.0bn: unit-linked reserves increased by 30% while traditional Life reserves decreased by 7%, demonstrating the ongoing Life product mix transformation from guaranteed products to more unit-linked products
- Belfius continues to show solid mortgage loans related cross-sell ratios, confirming strong bank-insurance development

Notes: 1. Of which EUR 905m GWP and EUR 781m transfers; 2. of which EUR 960m GWP and EUR 495m transfers; 3. Mortgage-related cross-selling ratio based on contractual data and showing the average insured amount compared to the mortgage. This ratio is above 100% when both members of a household are insured

# Strong commercial development and strict pricing discipline support both NII and F&C income in RC

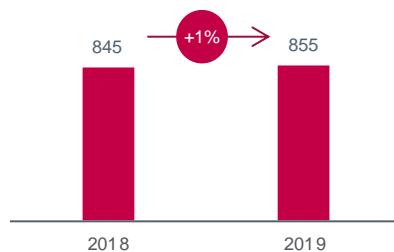
Retail & Commercial

Bank

## Resilient NII in a continuously low interest rate environment

### Net interest income

EUR m



- Slight increase of RC NII amounting to EUR 855m as of December 2019, as growing outstanding non-maturing deposits and the negative impact thereon from the persistent low interest rates are more than compensated by the strong growth in RC loan volumes (especially in mortgage and business loans), at RC loan margins on new production that are still above RC loan margins on stock

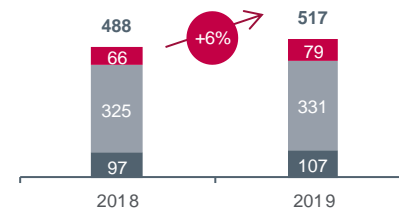
Bank

## Increasing Fee & Commission income

### F&C income

EUR m

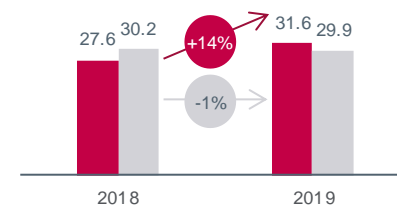
- Distribution from insurance<sup>1</sup>
- Savings & investments<sup>2</sup>
- Payments, credits & other



### Assets under management<sup>3</sup>

EUR bn

- End of Period
- Monthly average



- Strongly increasing fee and commission income (+6%)
  - Good development of fees from (classical Life and Non-Life) insurance products sold through bancassurance channels (especially on Credit linked Life insurance product, in line with the high production of mortgages) and from payment services in RC segment
  - Increasing fees from savings & investments mainly following higher entry and management fees (in bps)



# Excellent Life and Non-Life insurance results contribute to increasing overall RC revenues

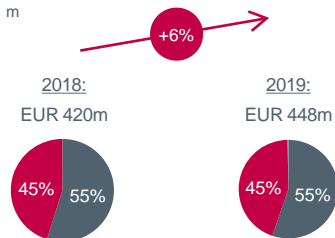
Retail & Commercial

## Insurance

### Positive contribution from insurance

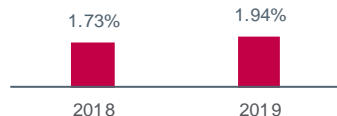
#### Insurance income

EUR m



■ Non-Life insurance ■ Life insurance ■ Non Technical

#### Life margin



#### Non-Life net loss ratio



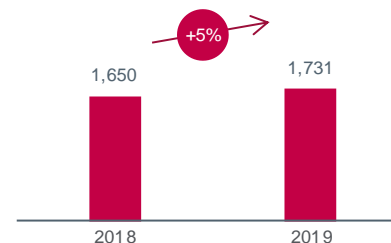
- RC Insurance results show increase in both Life and Non-life income, in line with high production growth. This results from
  - Life Insurance contribution increasing by 8% compared to 2018 and amounting to EUR 248m as the decrease of average guaranteed rate following the outflow of maturing life reserves together with a sound financial management are more than offsetting the negative evolution stemming from (i) the low interest rate environment and (ii) last year's reassessment of technical provisions in line with risk appetite framework that led to a positive impact in 2018
  - Non-Life Insurance contribution reached EUR 200m (+6% vs. 2018) following excellent results from all channels and this despite important claim charges for natural catastrophes in 2019 and lower reassessment of technical provisions than in 2018

## Bank-Insurance

### Excellent increase of the total income

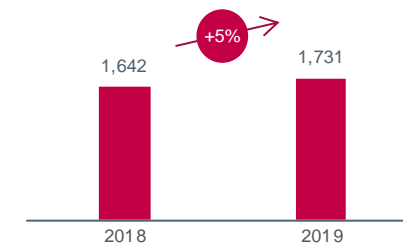
#### Total income

EUR m



#### Adjusted total income

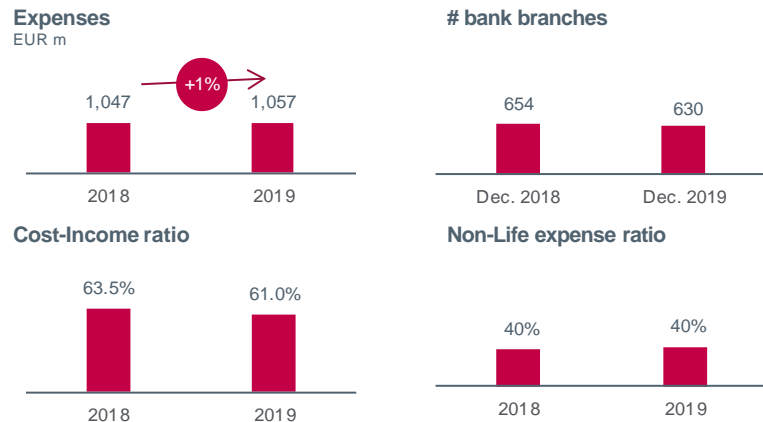
EUR m



- Increasing revenues (+5%) demonstrating the adequacy of Belfius' RC business model in the context of the adverse interest rate environment
- Adjusted total income amounted to EUR 1,731m in 2019, up 5% compared to 2018

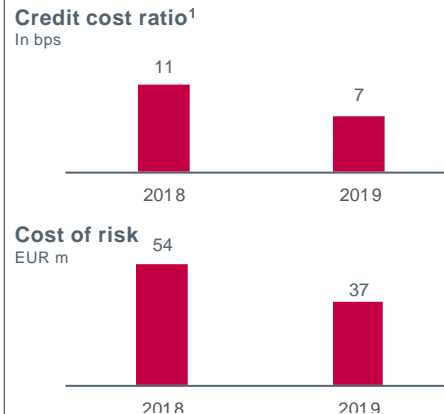
# Strategic initiatives with further investments in IT and human resources, and continued historically low cost of risk

## Well controlled increase of operating expenses



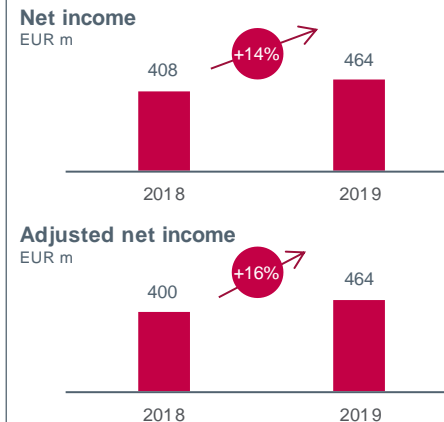
- In line with Belfius' group strategic development and digital and staff investment programs, RC expenses are slightly increasing
- Belfius continues to adjust step by step its physical branch network, in line with customer behaviour, digitalisation trend and bank-insurance platform integration
- Strong increase of RC income combined with controlled cost increase leads to an improvement of the cost-income ratio to 61% (from 63.5% in 2018)

## Low risk profile



- Continued historically low credit cost ratio and cost of risk, hence demonstrating a good credit quality in current benign environment

## Higher net income



- Total net income strongly increases with 14% and amounts to EUR 464m in 2019
- The adjusted net income is also increasing (+16%) compared to 2018

## 4. Segment results

### 2. PC

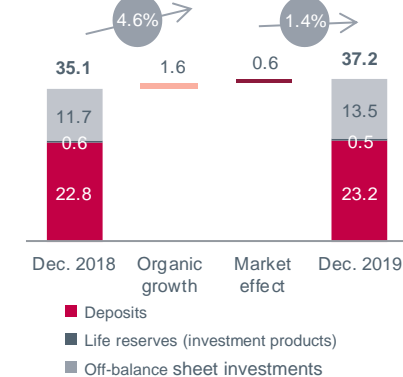
- **Public & Corporate continues to strongly develop its Corporate segment, and remains the leading full service provider in the Belgian Public & Social segment**
  - Strong increase in loans to Belgian Corporates (+15%)
  - Continued momentum in Debt Capital Markets; participation rate of 87% with Public and Social segment clients respectively 65% with corporate clients in Belgian market
  - 10 capital market transactions within Equity Capital Markets for various corporate clients building on the partnership with Kepler Cheuvreux
- **Growing NII** thanks to continued pricing discipline and higher loan volumes especially in the Corporate segment
- **Stable contribution of fees and commissions**
- **Decrease of insurance** contribution mainly due to higher claims in PC Non-Life (especially run-off portfolio)
- The impact of Belfius' strategic development and digital and staff investment program is compensated by the general cost control measures also impacting PC and by decreasing operating expenses for managing the PC Non-Life portfolios in run-off
- **Increase of the credit cost** ratio mainly stemming from a limited number of Corporate loans which negatively impacted stage 3 impairments in 2H 2019
- All-in-all **decreasing net income** from EUR 208m in 2018 to EUR 179m in 2019.
- Excluding special items (capital gain on the sale of NEB participation in 1H 2018), the **adjusted net income is more stable** and reaches EUR 179m in 2019 (vs. EUR 184m in 2018)

# PC continues to strongly develop its Corporate segment, and remains leading full service provider in the Public & Social segment

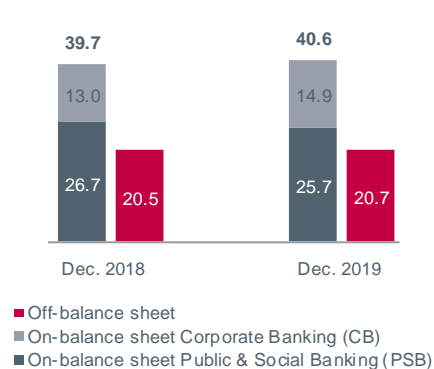
Public & Corporate

## Savings & investments and loans & commitments to customers

### Outstanding savings & investments



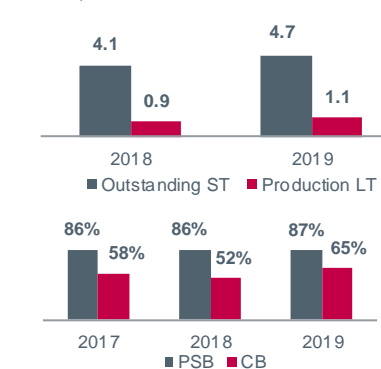
### Outstanding loans and commitments



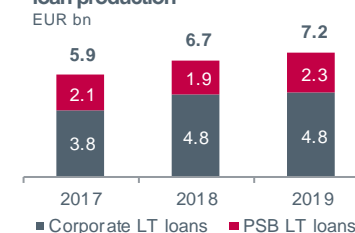
- Public & Corporate continues to benefit from the diversification strategy towards the Corporate segment
  - Total customer balances amounted to EUR 37.2bn, up 6.0% compared to end 2018, with marked positive evolution in off-balance sheet investments (EUR +1.8bn), especially in the Corporate segment
  - Continued commercial strategy towards Belgian corporates results in a 15% increase of outstanding loans over 2019, to EUR 14.9bn as per December 2019
  - Outstanding loans in PSB slightly decreased in 2019 (-4%) and reflect the continued shift to more alternative financing (i.e. desintermediation), for which Belfius is also market leader in the PSB segment, and the continued historically lower demand

## Debt and Equity Capital Markets activities and PCB loan production

### DCM activity and participation rate



### PSB and corporate long term loan production<sup>2</sup>



### Equity Capital Markets (ECM)

10 Transactions in 2019

- PC clients maintain diversified financing profiles through DCM activity
  - During 2019, Belfius has placed a total funding (allocated amount) of EUR 3.4bn short term and EUR 0.7bn long term notes for P&S sector clients and kept its participation rate stable at 87%, hence confirming its leadership position
  - With a participation rate of 65% in new LT bond issuances, Belfius also confirmed during 2019, its position as leader in bond issues for Belgian corporate clients, and placed a total amount of EUR 1.4bn short term and EUR 0.5bn long term notes
- The production of corporate LT loans reaches almost EUR 5bn and is in line with last year. Production of PSB LT loans is increasing to EUR 2.3bn in 2019
- Belfius also structured and placed a total of 10 capital market transactions within ECM for various corporate clients and in close cooperation with Kepler Cheuvreux with whom Belfius entered into a strategic partnership in November 2017

Notes: 1. Based on a Belfius' estimate; 2. Belfius Lease and Autolease for PC customers included

# Price discipline and strong momentum with corporates driving NII expansion

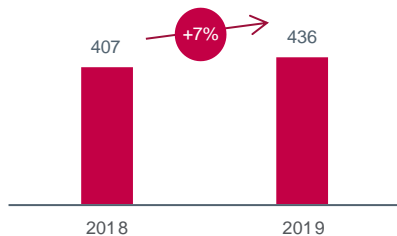
Public & Corporate

Bank

## Increasing net interest income despite adverse rate environment

### Net interest income

EUR m



- Increasing bank NII of PC mainly thanks to higher volumes in corporate loans and pricing discipline more than compensating pressure on interest margin especially on non-maturing deposits

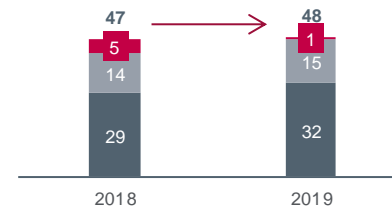
Bank

## Stable fees & commissions

### F&C income

EUR m

- Distribution from insurance<sup>1</sup>
- Savings & investments<sup>2</sup>
- Payments, credits & other



- Good commercial interaction between lending and non-lending services leads to stable fee and commission income

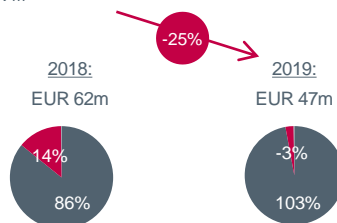
# Lower insurance contribution somewhat compensating the NII expansion, but still leading to increasing PC revenues

## Insurance

### Decrease of insurance contribution

#### Insurance income

EUR m

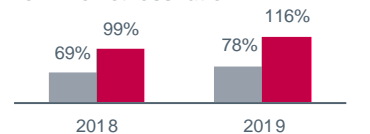


■ Non-Life insurance ■ Life insurance ■ Non Technical

#### Life margin



#### Non-Life net loss ratio



■ Direct ■ PCI (incl. activities in run-off)

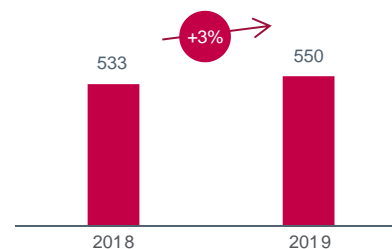
- PC Life insurance results evolving negatively in 2019 following the reassessment of technical life provisions (in line with risk appetite framework) positively impacting PC segment in 2018
- Non Life result was negatively impacted by higher loss ratio (mostly within the PC Non-Life book in run-off)

## Bank-Insurance

### Increasing revenues

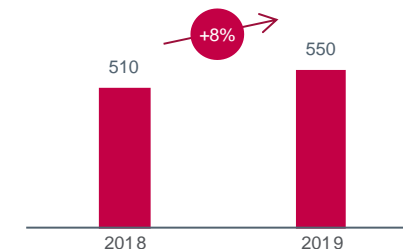
#### Total income

EUR m



#### Adjusted total income

EUR m



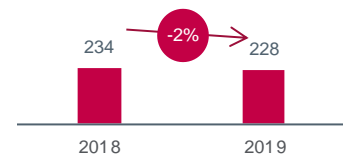
- Higher net interest income and resilient fee and commission income, combined with decreasing insurance income lead to a slightly increasing PC total income, reaching EUR 550m as of 31 December 2019
- 2018 revenues were also impacted by the capital gain on the sale of NEB participation; excluding this element, the 2018 adjusted total income amounted to EUR 510m, hence showing a solid improvement of 8% to reach EUR 550m in 2019

# Non-Life portfolios in run-off result in lower costs. Limited number of corporate loans lead to higher credit cost ratio and decreasing net income

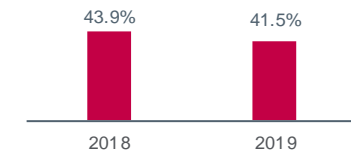
## Non-Life portfolios in run-off result in lower costs

### Expenses

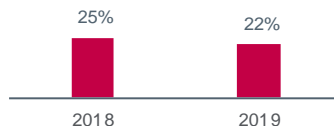
EUR m



### Cost-Income ratio



### Non-Life expense ratio

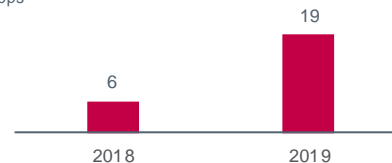


- The impact of Belfius' strategic development and digital and staff investment programs is compensated by the general cost control measures and the lower costs resulting from the PC Non-Life portfolios put in run-off
- Reported Cost-Income ratio (41.5%) still at level below group average

## Cost of risk impacted by some Corporate files

### Credit cost ratio<sup>1</sup>

In bps



### Cost of risk

EUR m

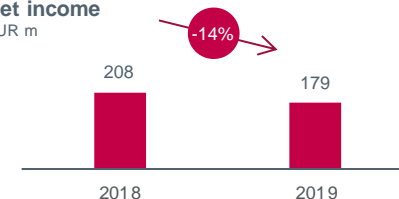


- Increase of the credit cost ratio mainly stemming from a limited number of Corporate Banking<sup>2</sup> loans which negatively impacted stage 3 impairments in 2H 2019

## Excluding special items, net income only slightly decreasing

### Net income

EUR m



### Adjusted net income

EUR m



- The evolution in cost of risk more than offsets the positive scissor effect of increasing total income and decreasing costs, hence leading to a decrease of the net income (EUR 179m, i.e. -14%)
- Excluding capital gain on the sale of NEB participation in 2018, adjusted net income shows a more limited decrease of -3%

## 4. Segment results

### 3. GC

- **GC income is increasing** to EUR 207m mainly following improved hedge efficiencies and the benign spread environment, leading to positive fair value adjustments
- **Costs increased** to EUR 167m (+16%), mainly following a restructuring provision for Belfius' transformation plan in line with the Belfius' development program in IT, Digital and Human Capital
- **Less positive impact from cost of risk** (from EUR 12m in 2018 to EUR 3m in 2019) as 2018 was positively impacted by the sale of some Italian government bonds
- GC net income before tax amounts to EUR 42m, compared to EUR 45m in 2018
- All in all, **GC net income stands at EUR 25m in 2019** compared to EUR 33m in 2018
- The **run-off portfolios continue their progressive (natural) run-off**, helped by some opportunistic derisking actions (unwind of collateralized derivatives and novation of uncollateralized derivatives). The ALM Liquidity bond portfolio increased with 5% compared to December 2018, mainly due to the standard reinvestment program in LCR eligible bonds.



# Reminder – summary overview of Belfius' Group Center

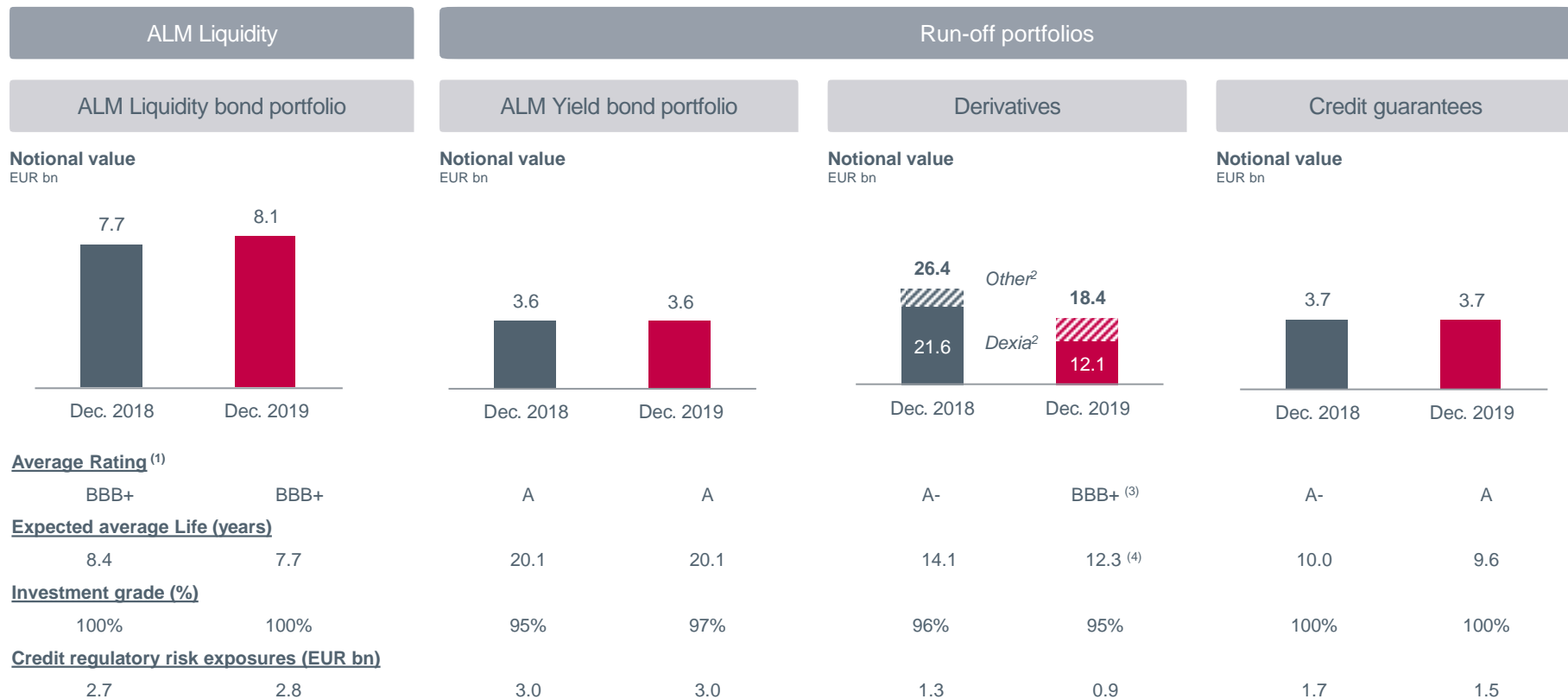
Belfius' Group Center (notional amounts as of December 2019)

		Bond portfolio		Derivatives and guarantees	Other GC activities
		ALM Liquidity	Run-off ALM Yield	Run-off portfolio	
		<ul style="list-style-type: none"> <li>LCR eligible bonds (EUR 8.1bn)</li> </ul>	<ul style="list-style-type: none"> <li>Non-LCR eligible bonds (EUR 3.6bn)</li> <li>Bought credit protection for some ALM yield bonds</li> </ul>	<ul style="list-style-type: none"> <li>Collateralized derivatives with Dexia entities<sup>1</sup>, intermediated and hedged with Financial Markets (notional of EUR 12.1bn)</li> <li>Derivatives with international counterparts<sup>1</sup> (notional of EUR 6.3bn, of which EUR 3.8bn non-collateralized and EUR 2.6bn collateralized)</li> <li>Credit guarantees: protection given, partly reinsured with monolines (notional of EUR 3.7bn)</li> </ul>	<ul style="list-style-type: none"> <li>Management of specific credit risk files (Holding Communal &amp; Arco entities)</li> <li>Various other items:                             <ul style="list-style-type: none"> <li>ALM derivatives for B/S management</li> <li>Financial markets services (mostly to business lines and ALM)</li> <li>Central assets</li> <li>Insurance GC</li> <li>Other</li> </ul> </li> </ul>
Considerations	<ul style="list-style-type: none"> <li>Part of Belfius Bank's total LCR liquidity buffer</li> <li>Well diversified, high credit quality and highly liquid portfolio</li> </ul>	<ul style="list-style-type: none"> <li>Bond portfolio historically used to manage excess liquidity</li> <li>Mainly high quality bonds of international issuers with a ~20 years residual duration</li> <li>Managed in natural run-off and standard credit risk management</li> </ul>	<ul style="list-style-type: none"> <li>Originates from former competence center for derivatives within the Dexia Group</li> <li>Derivatives and credit guarantees managed in natural run-off and standard risk management</li> </ul>		

*Run-off portfolios*

Notes: 1. As a result of the take over of Dexia Kommunalbank by the Landesbank Hessen-Thüringen, 2.6 bn of collateralized derivatives are no longer part of the Dexia-derivatives and have been transferred to the segment of derivatives with international counterparties

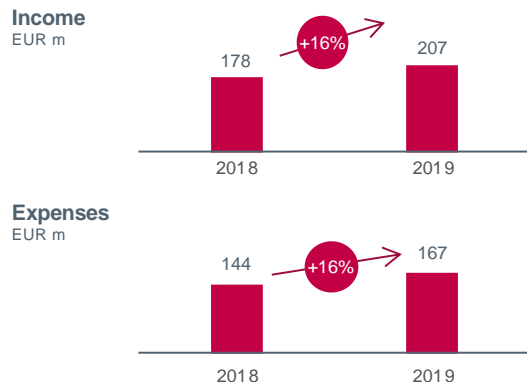
# Evolution of GC portfolios



Notes: 1. Includes rating impact from bought credit protection for some ALM yield bonds; 2. As a result of the take over of Dexia Kommunalbank by the Landesbank Hessen-Thüringen 2.6 bn of collateralized derivatives are no longer part of the Dexia-derivatives and have been transferred to the segment of derivatives with international counterparties; 3. Decrease in average rating relates to derisking action (novation of uncollateralized derivatives from a AAA-rated counterparty); 4. Calculated based on EAD

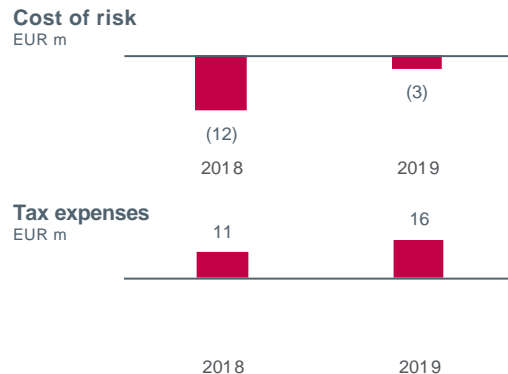
# Increasing income and expenses combined with less positive CoR and higher tax cost leading to a reduced NI. Excluding special items impacting 2018, adjusted NI increases

## Income and expenses increasing



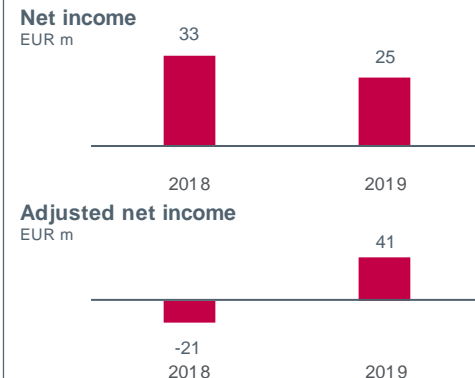
- GC income is increasing to EUR 207m mainly following improved hedge efficiencies and the benign spread environment, leading to positive fair value adjustments
- Costs increased to EUR 167m (+16%), mainly following a restructuring provision for Belfius' transformation plan in line with the Belfius' development program in IT, Digital and Human Capital

## Positive but lower CoR and increasing tax expenses



- Positive cost of risk of EUR 3m. In 2018, the sale of Italian government bonds resulted in an even higher positive CoR of EUR 12m
- GC tax expenses increase to EUR 16m in 2019 compared to EUR 11m in 2018, mainly as a result of (i) less non taxable capital gains compared to 2018 resulting in a smaller tax gain and (ii) the absence of special items in 2019 whereas the tax line of 2018 was positively impacted by the closure of Belfius' Dublin Branch

## All-in-all leading to a decreasing net income



- All in all, positive net income of GC of EUR 25m
- Excluding the restructuring provisions, adjusted net income amounts to EUR +41m as of December 2019

## 4. Segment results

### 4. RoE

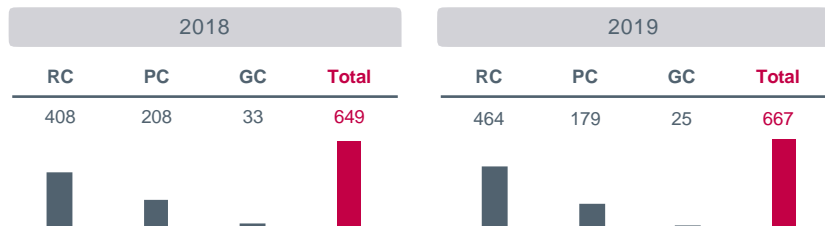
- Belfius' strategy is based on the development of a **strong commercial franchise** that is to be supported by **solid risk and financial profile** foundations
- This translates into **growing commercial activities growing their footprints in a profitable way** and investments in future business model developments, on the basis of solid solvency foundations
- The solid results combined with continued strong solvency metrics, lead to a **resilient RoAE of 7.4%** in 2019 (compared to 7.5% in 2018), result from RC displaying an increase in RoAE and PC a decrease (mainly due to the higher cost of credit risk in 2019)

# Resilient RoAE for the Group, stemming from increasing RoAE at RC level and decreasing RoAE at PC level, mainly due to the higher cost of credit risk in the Corporate Segment

## Increasing overall net income as well as RWA

### Net income

EUR m



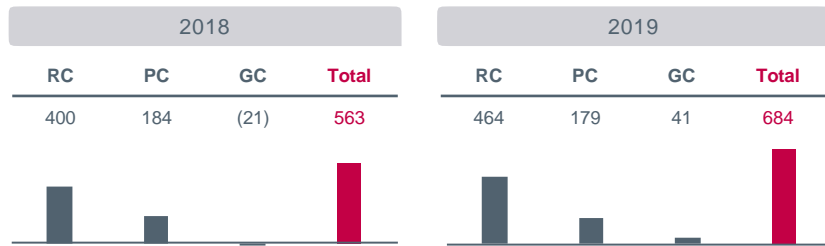
### RWA

EUR bn



### Adjusted net income

EUR m



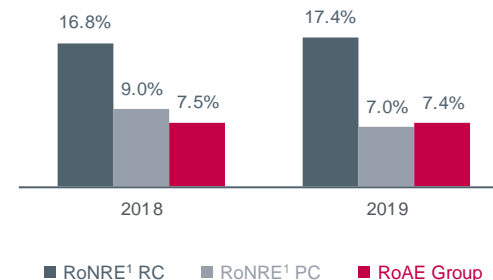
### RWA

EUR bn

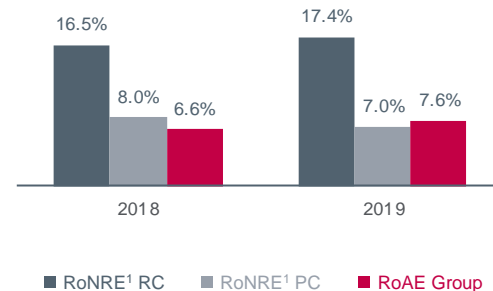


## Stable RoAE at group level despite impact from PC CoR

### 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

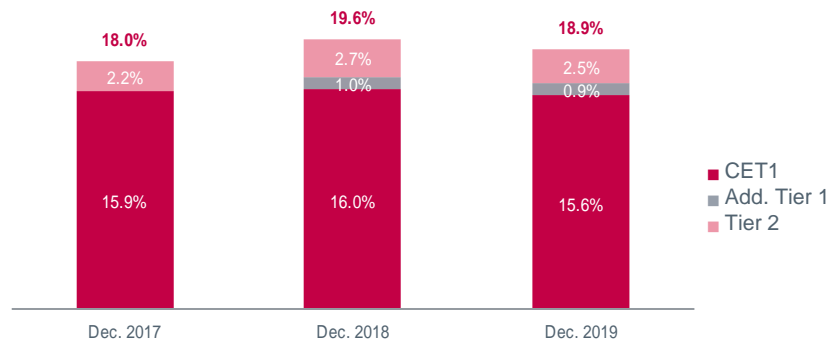
## 5. Financial solidity

- Even though deploying a strategy to put more capital at work to support its commercial dynamics, Belfius continues to **show solid solvency metrics**:
  - CET1 ratio<sup>1</sup> of 15.6% as of end of December 2019, down 43 bps compared to December 2018 mainly as a result of increasing regulatory credit risk exposure essentially driven by (i) Belfius' commercial dynamics leading to an increase of credit RWA (mainly in business and corporate banking) and (ii) market evolutions (especially lower interest rates) leading to higher exposure values; and anticipation of certain regulatory changes to come in 1H 2020
  - Continued solid leverage ratio of 5.8%
- This solid capital base **compares well to Belfius' SREP level and internally defined minimum operational and target levels**
  - Minimum CET1 supervisory requirement currently at 10.82% for 2019 (including 0.07% countercyclical buffer as of end of December 2019<sup>2</sup>). As of July 1<sup>st</sup>, 2020, Belfius' SREP is set at 11.0% (including CCyB) following (i) the decrease of the Pillar 2 Requirement from 2.25% to 2% and (ii) the additional countercyclical buffer rate for credit risk exposures to the Belgian private non-financial sector imposed by the NBB as from July 2020 onwards. Belfius' P2G is set at 1%.
  - CET1 of 15.6% well above the internally defined minimum operational CET1 ratio of 13.5% and above the target CET1 zone of 15.0%-15.5%
- **Insurance activities also show continued solid solvency metrics**, with Solvency II ratio of 199% (of which 153% in the form of Tier 1 capital) as of end of December 2019
- **Continued strong liquidity and funding profile**
  - LCR ratio of 130% and NSFR of 116%
  - Liquid assets representing 4.9x one year wholesale refinancing needs
  - Loan to deposit ratio (for commercial balance sheet) roughly stable at 94%
- **Continued strong asset quality**
  - Sound asset quality with a slightly improving asset quality ratio, at 1.96% as of December 2019 (vs. 2.05% in Dec. 2018) and coverage ratio of 62.3% (vs. 61.6% in 2018)

Notes: 1. Based on an ordinary dividend (EUR 261m) as proposed by the BoD of February 20, 2020; 2. Note that the countercyclical buffer is quarterly assessed

# Belfius shows solid capital and leverage ratios

## CET1, Tier 1 and Total capital ratio<sup>1</sup>

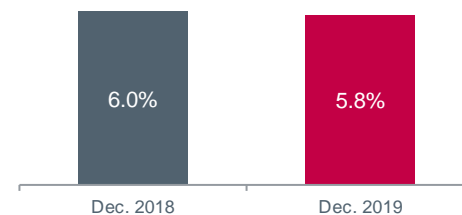


In EURm

CET1	8,037	8,329	8,780
T1	8,037	8,826	9,277
CAD	9,134	10,230	10,669
RWA	50,615	52,065	56,398

- CET1 ratio stood at 15.6%, 43bps down compared to December 31, 2018
- Total Capital ratio remained strong at 18.9%
- Decrease of capital ratios stemming from increasing regulatory credit risk exposure essentially driven by (i) the higher commercial loan outstandings (mainly in business and corporate banking) and (ii) market evolutions (especially lower interest rates) leading to higher exposure values; and anticipation of certain regulatory changes to come in 1H 2020

## Leverage ratio

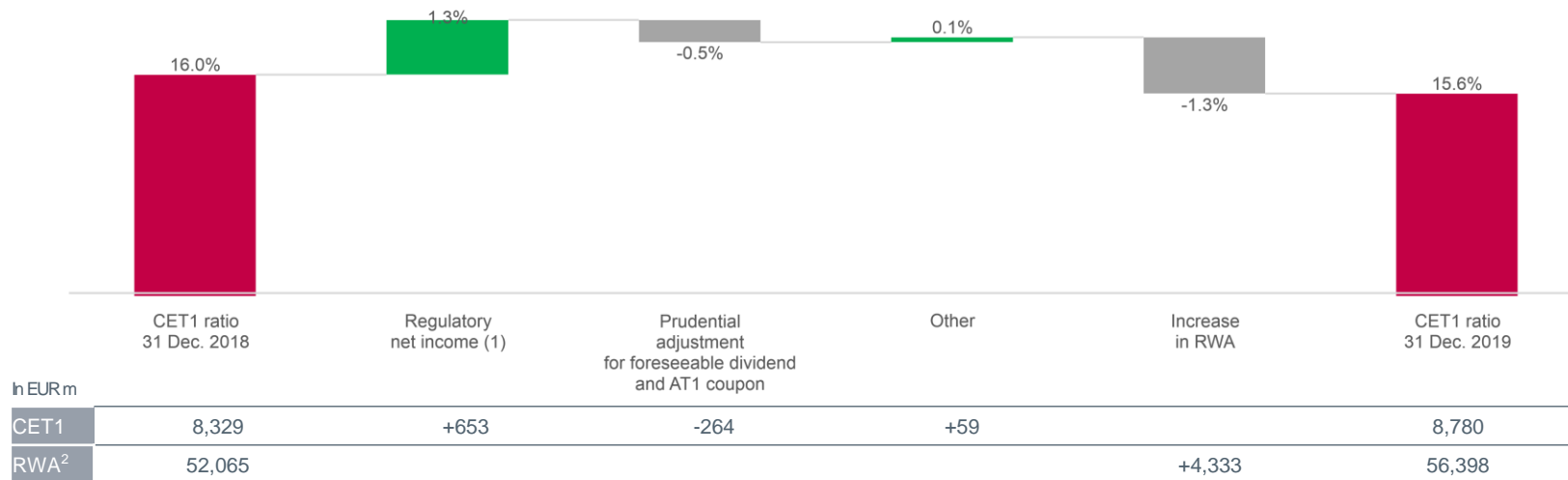


- Leverage ratio stood at 5.8%, down 20bps compared to Dec. 2018
- The slight decrease is due to the higher level of the total leverage exposure measure, partially offset by the higher regulatory Tier 1 capital

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

# Strong CET1 ratio enabling Belfius to support its commercial dynamics

This solid capital base compares well to Belfius' SREP level and internally defined minimum operational and target levels

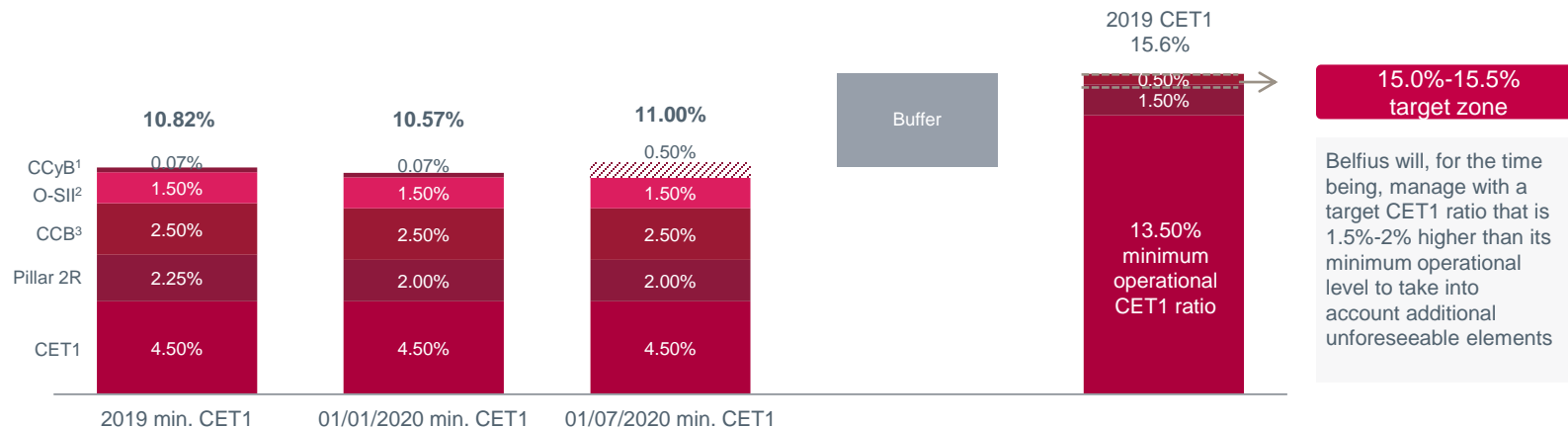


- CET1 capital is reduced by
  - The provisional “foreseeable” dividend of EUR 261m, of which EUR 100m already paid through an interim dividend. This prudential adjustment is based on a dividend pay-out ratio of 40% for 2019 as it is proposed by the Board of Directors of February 20, 2020
  - The foreseeable but not yet paid out AT1 coupon of EUR 3m (for the period October – December 2019)
- In 2019, the increase in RWA results mainly from regulatory credit risk exposure essentially driven by (i) the higher commercial loan outstandings (mainly in business and corporate banking) and (ii) market evolutions (especially lower interest rates) leading to higher exposure values; and anticipation of certain regulatory changes to come in 1H 2020
- Using the deduction method<sup>3</sup> instead of the Danish Compromise, the CET1 ratio would amount to 16.1% as of end of December 2019



# Capital framework in line with strategic priorities

## Belfius' minimum CET1 requirements vs. Belfius' 2019 CET1 capital position & target

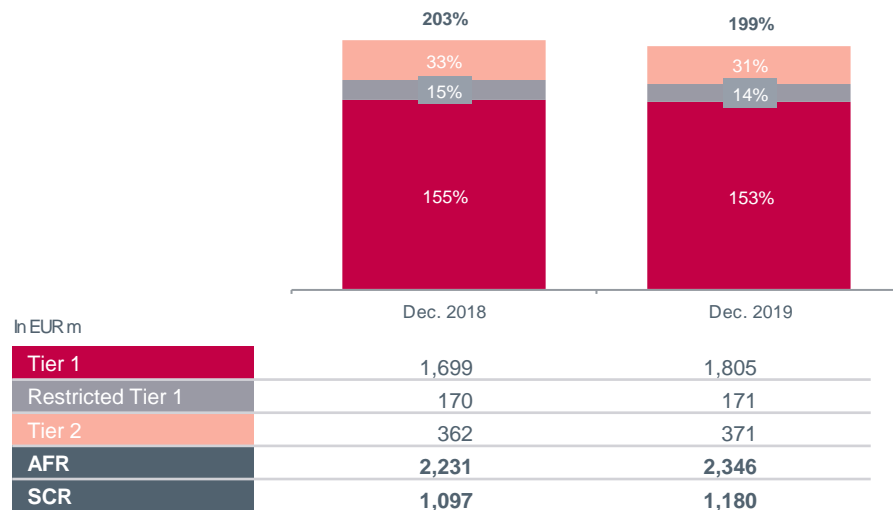


- The SREP review for 2019, finalized by the ECB in the beginning of 2019, resulted in a minimum CET1 ratio of 10.75% (without countercyclical buffer) and 10.82% including the countercyclical buffer.
- Pursuant to its macroprudential powers laid down in the Belgian Banking Law of 2014, the National Bank of Belgium decided on 28 June 2019 to increase the countercyclical buffer rate for credit risk exposures to the Belgian private non-financial sector from 0 % to 0.5 % for 3Q 2019. This decision will be binding as from 1 July 2020 onwards as it is subject to a one-year implementation period. Considering that Belgian private non-financial sector represents c. 85% of Belfius' exposures, it is expected to lead to an additional Ccyb of c. 42.6 bps for Belfius. Note that if cyclical systemic risks would decrease and the credit cycle would turn, these additional buffer requirements could still be relaxed by the NBB, commensurate with the cycle. Taking this additional Ccyb into account as well as the reduced Pillar 2 Requirement (from 2.25% to 2% as from 2020), Belfius' SREP will result in a minimum CET1 ratio of 11.0% as of July 1<sup>st</sup>, 2020
- The ECB also notified Belfius of a Pillar 2 Guidance (P2G<sup>4</sup>) of 1% CET 1 ratio for 2019 (same as in 2018), a recommended buffer to be held over the minimum requirements set forth above
- As of end of December 2019, Belfius' CET1 ratio stood at 15.6%, well above the minimum supervisory requirement as well as its internally defined minimum operational CET1 ratio and above its target zone

Notes: 1. Countercyclical buffer, based on the calculation at the end of December 2019. Note that the countercyclical buffer is quarterly assessed; 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

## Available Financial Resources and Solvency Capital Requirement



## Decomposition of Solvency Capital Requirement

EUR m	Dec 2018	Dec 2019	Delta %
Market risk	1,024	961	(6%)
Credit risk	170	188	11%
Life risk	323	357	11%
Health risk	72	84	17%
Non-life risk	245	258	6%
Diversification	511	548	7%
<b>BSCR</b>	<b>1,322</b>	<b>1,301</b>	<b>(2%)</b>
Operational risk	94	97	3%
Adjustments <sup>1</sup>	318	218	(32%)
<b>SCR</b>	<b>1,097</b>	<b>1,180</b>	<b>7%</b>

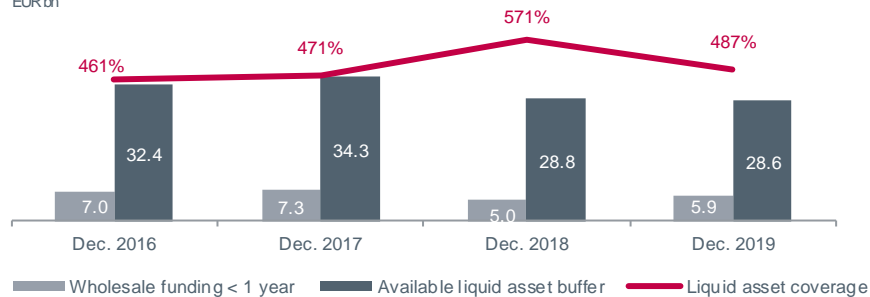
- Strong and high quality capital levels
- Compared to December 2018, the AFR of Belfius Insurance has increased by EUR 115m mainly following the increasing market value of Belfius' investments backed by a strong stock market at year end, slightly offset by an increase in Best Estimate of Technical Provisions due to the continuous decline of the interest rates
- The increase of SCR is due to the negative impact of the low interest rate environment and the decrease of the LACT DT offset by positive effect of the revision of the treatment of guarantees by the regional governments and local authorities (RGLA) and the treatment of long-term and unlisted equities (LTE).
- Most important solvency sensitivity is related to market risk, with credit spread movements being the most impacting market element<sup>2</sup>

# Belfius Bank continues to display strong liquidity stance

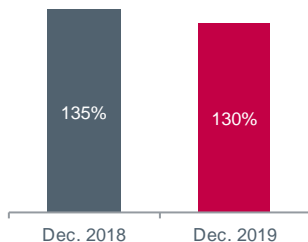
Bank

## Strong liquidity profile

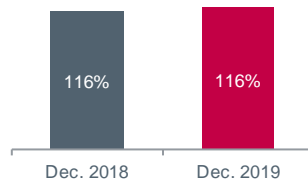
EUR bn



## LCR<sup>1</sup>



## NSFR<sup>2</sup>

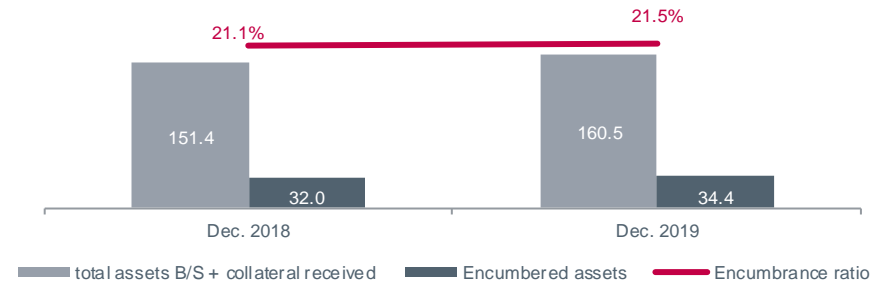


Notes: 1. Calculation based on 12 months average. The Liquidity Coverage Ratio (LCR) refers to the regulatory ratio between the stock of high quality liquid assets and the total net cash outflow over the next month under stress ; 2. The Net Stable Funding Ratio (NSFR) refers to the regulatory ratio between 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

Bank

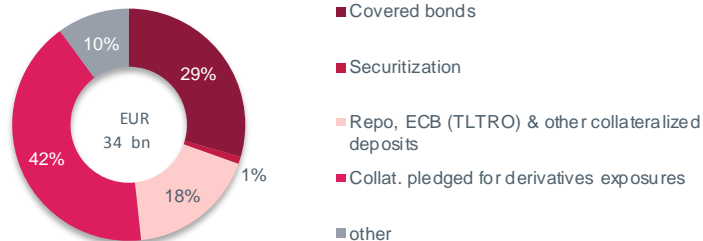
## Encumbered assets<sup>3</sup>

EUR bn

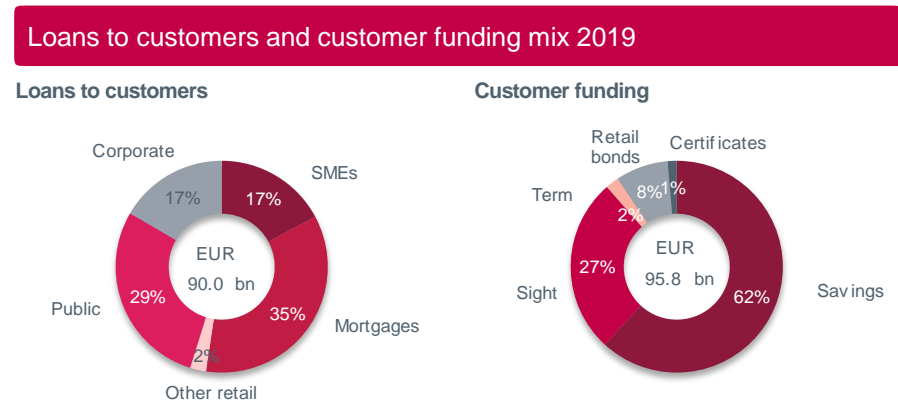
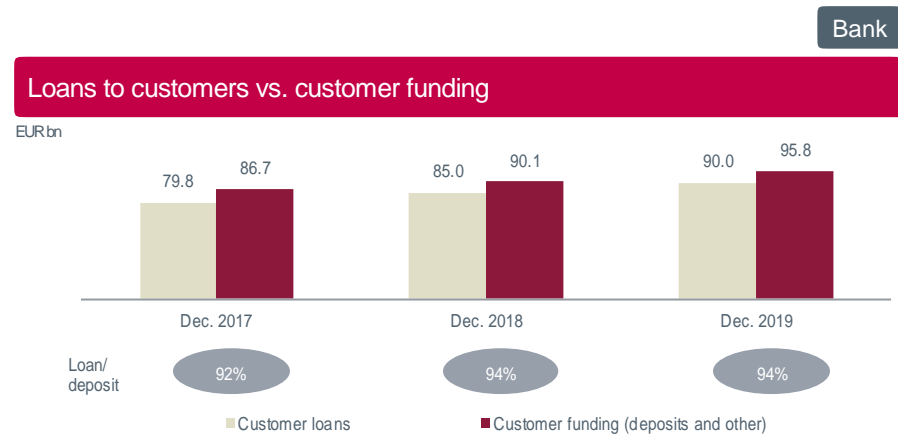
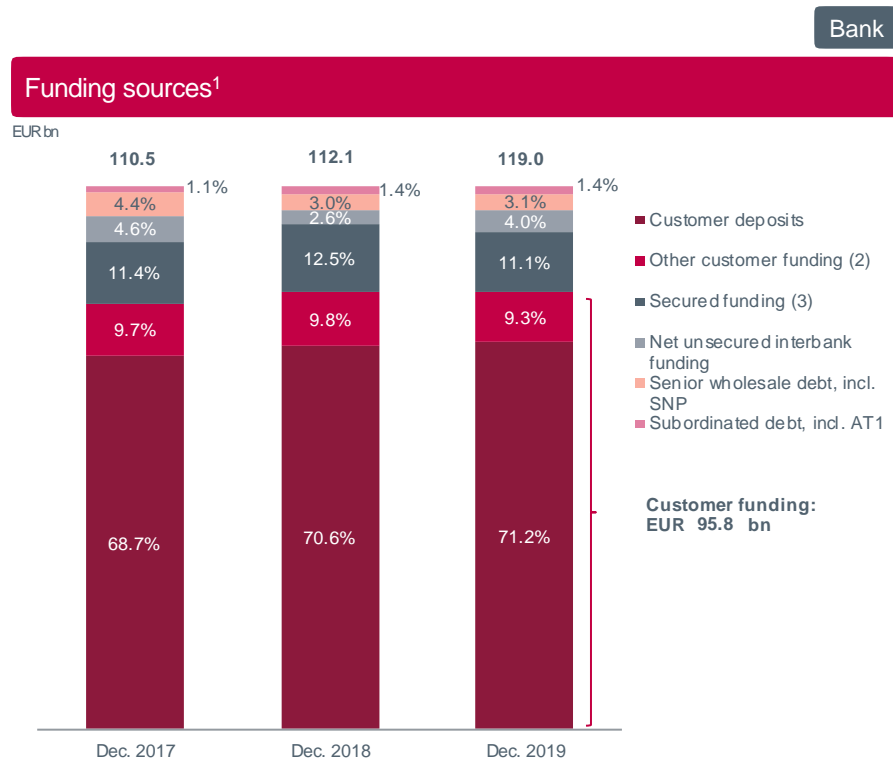


## Detail of the encumbered assets

EUR bn



# Belfius Bank has a continuously increasing funding base, mainly driven by significant contribution from RC and PC customers

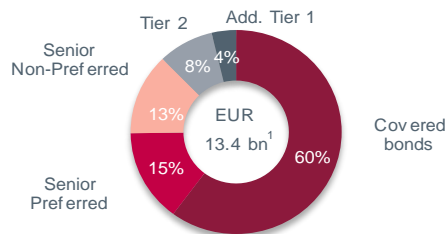


Notes: 1. Belfius Bank only; 2. Other customer funding includes retail bonds and savings certificates (8.2% and 1.1% as percentage of total funding, respectively); 3. Secured funding includes Covered Bonds (6.8%), TLTRO (3.4%) and other longer term secured funding (1.0%)

# Belfius continues its diversification focused funding strategy

## MLT wholesale funding strategy

As of December 2019

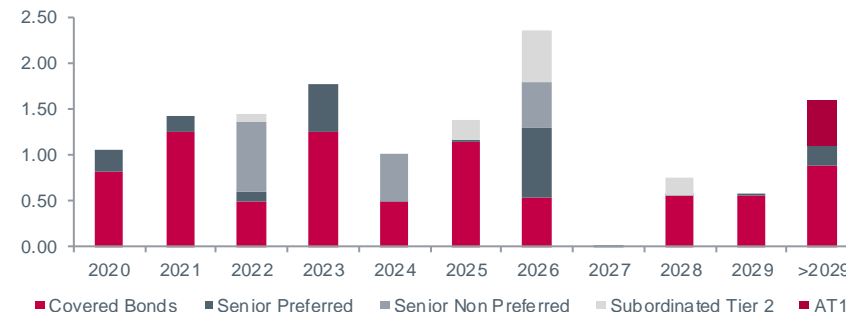


- Focus on diversification of funding sources and investor base
  - First Preferred Senior benchmark since 2014 (Aug 2018)
  - Inaugural AT1 issuance (1Q 2018)
  - First Belgian Issuer Senior Non Preferred (Sept 2017)
  - Inaugural Tier 2 issued (Apr 2016)
  - First (since 2007) Belgian Issuer of a public RMBS transaction (Oct 2015)
  - First Issuer of Belgian Public Covered Bonds (Oct 2014)
  - First Issuer of Belgian Mortgage Covered Bonds (Nov 2012)
- In 2019, Belfius issued successfully 3 benchmark transactions: a EUR 750m Preferred Senior transaction with a maturity of 7 years, a EUR 500m Public Covered Bonds issue with a maturity of 10 years and a EUR 500m Non Preferred Senior transaction with a 6.25 years maturity. In January 2020, Belfius started its 2020 funding program with a EUR 500m Mortgage Covered Bonds issue with a maturity of 10 years

Notes: 1. Wholesale funding of EUR 13.4bn, representing 11.3% of total funding of EUR 115.9bn as illustrated on previous slide, ie 6.8% covered bonds + 3.1% senior wholesale debt + 1.4% subordinated debt

## Redemption profile MLT wholesale funding

EUR bn



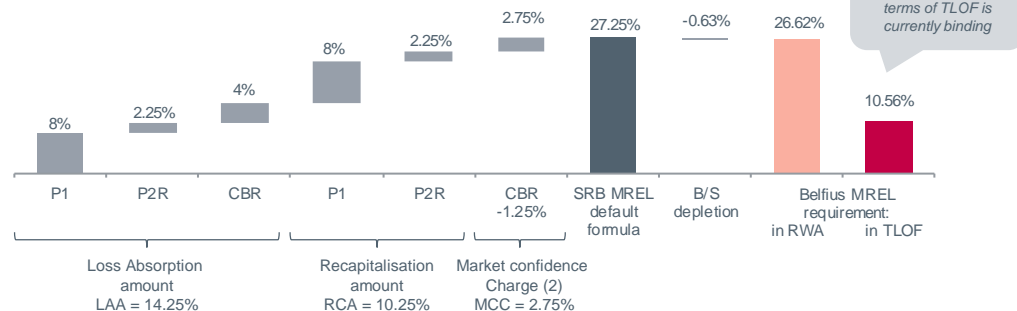
- Belfius' funding needs are in line with the redemptions, however can be adapted to general evolutions within the banking environment
- Over the coming 3 years, around EUR 3.9bn wholesale funding comes to maturity
- Various instruments can be targeted both under benchmark or private placement format

# SRB MREL requirement for Belfius

## SRB methodology and formal requirement

### Used Methodology and SRB Requirement<sup>1</sup>

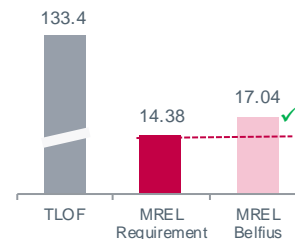
% RWA as of Dec. 2017



## Belfius' compliance

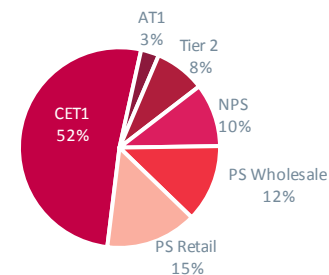
### Compliance as of December 2019

EUR bn



### MREL eligible instruments

Dec. 2019, in %

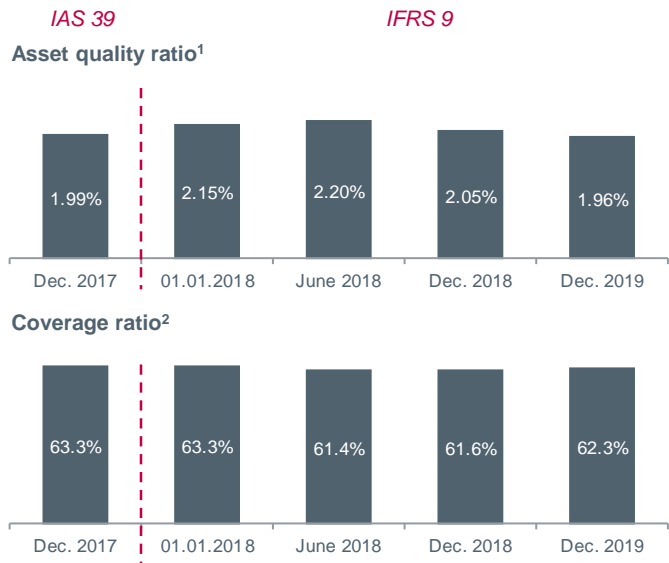


- The Single Resolution Board (SRB) determines the consolidated MREL requirement for Belfius Group at the level of **10.56% of Total Liabilities and Own Funds (TLOF<sup>3</sup>)**, to be met at all times and taking into account an evolving balance sheet. Based upon data as of 31 December 2019, Belfius' MREL of EUR 17.04bn exceeds the MREL requirement of EUR 14.38bn
- Following the current SRB methodology, Belfius Group exceeded the MREL requirement based on data as of 31 December 2017, and hence no transitional period has been defined by the SRB for Belfius.
- According to the latest SRB MREL policy<sup>4</sup>, a subordinated MREL floor of (14%+CBR) of RWA has been indicated as benchmark for O-SIIs<sup>5</sup>. Applying this benchmark, using current CBR applicable to Belfius, would lead to a benchmark level of subordinated MREL of 18.07% of the total risk exposures as of 31 December 2019. Based upon data as of 31 December 2019, Belfius achieves a subordinated MREL level of 22% of RWA and hence already exceeds this benchmark
- The SRB intends to publish by the end of April 2020 its "MREL policy 2020" which will form the basis for MREL setting under BRRD2 / SRMR2. The SRB expects to communicate the BRRD2 MREL decisions to banks in 2021. Until end 2020, SRB MREL decisions continue to be based on SRMR1 / BRRD1.
- Following the publication of the Banking Package in the Official Journal of the EU on 7<sup>th</sup> June 2019 and the CRR2 that came into force on 27<sup>th</sup> June 2019, Belfius will be impacted by a change in MREL eligibility as "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, Belfius will have to exclude liabilities issued by Belfius Financing Company, i.e. Belfius' Luxembourg based issuance vehicle for CP and Retail Bonds (that are currently partly accounted for as MREL eligible instruments). Excluding these retail senior securities Belfius remains compliant as of December 2019.

Notes: 1. As officially notified by the NBB in April 2019; 2. Belfius' current countercyclical buffer of 7bps (mainly stemming from UK exposures) not yet included in current Belfius' MREL requirement. 3. TLOF: based on regulatory conso scope with prudential netting of derivatives exposures; 4. Second wave of the 2018 SRB policy; 5. O-SIIs: Other Systemically Important Institutions

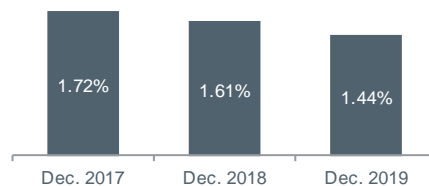
# Belfius displays continued strong asset quality

## Historical excellent asset quality ratio

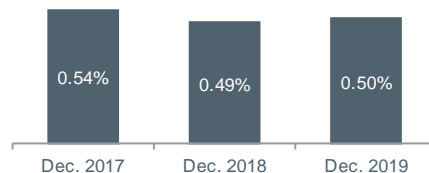


## RCB

### Asset quality ratio<sup>3</sup>, RCB

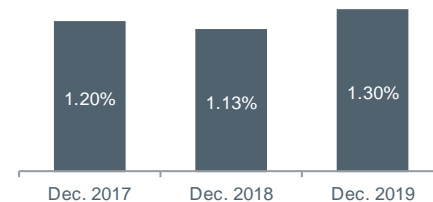


### Asset quality ratio, mortgages<sup>4</sup>

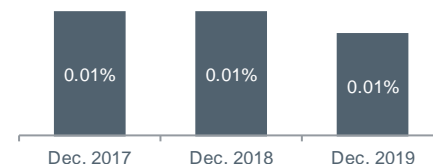


## PCB

### Asset quality ratio<sup>3</sup>, PCB



### Asset quality ratio, Public & Social<sup>5</sup>



- Sound risk management and good credit quality of commercial assets continue to translate into strong asset quality ratios. The asset quality ratio was at a historically low level of 1.96% in 2019, slightly improving compared to December 31, 2018 following the positive scissor effect stemming from stabilizing impaired loans and strong increase in gross outstanding loans. The coverage ratio stands at 62.3%
- The evolution of non-performing loans has continued its declining trend and stabilized at a low level in RCB as well as in Public & Social Banking. Nevertheless, we observe a certain deterioration in the Corporate Banking subsegment; especially due to a limited number of files, although the level of non-performing loans remains at an acceptable level, a monitoring is required in the perspective of changing (macro-)economic conditions

Section 6

Appendices

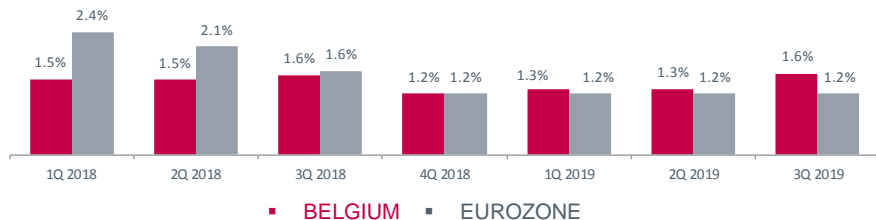


# Some Belgian economical statistics

## Rather stable GDP trend

### GDP

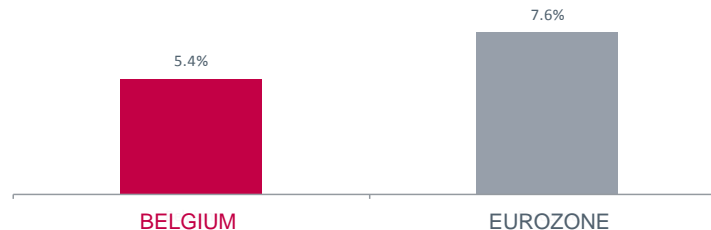
Market prices, chain-linked volumes, year-on-year



## Unemployment level below Eurozone average

### Unemployment rate

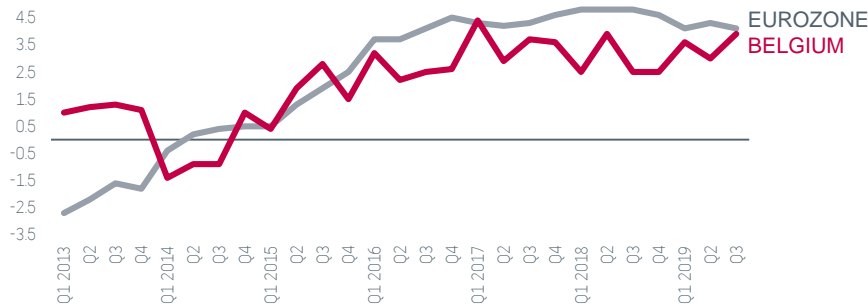
% of active population, Avg. Q1-Q4 2019



## House prices continued to grow

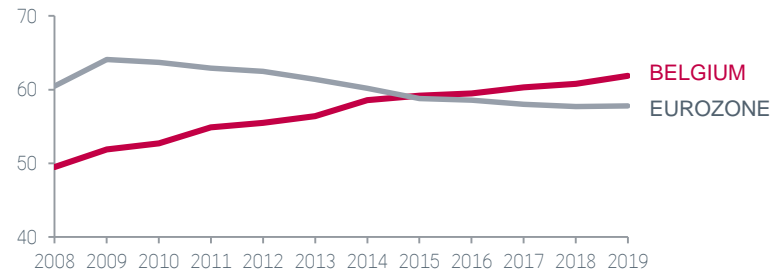
### Increase in house prices

Annual rate of change, %yoy



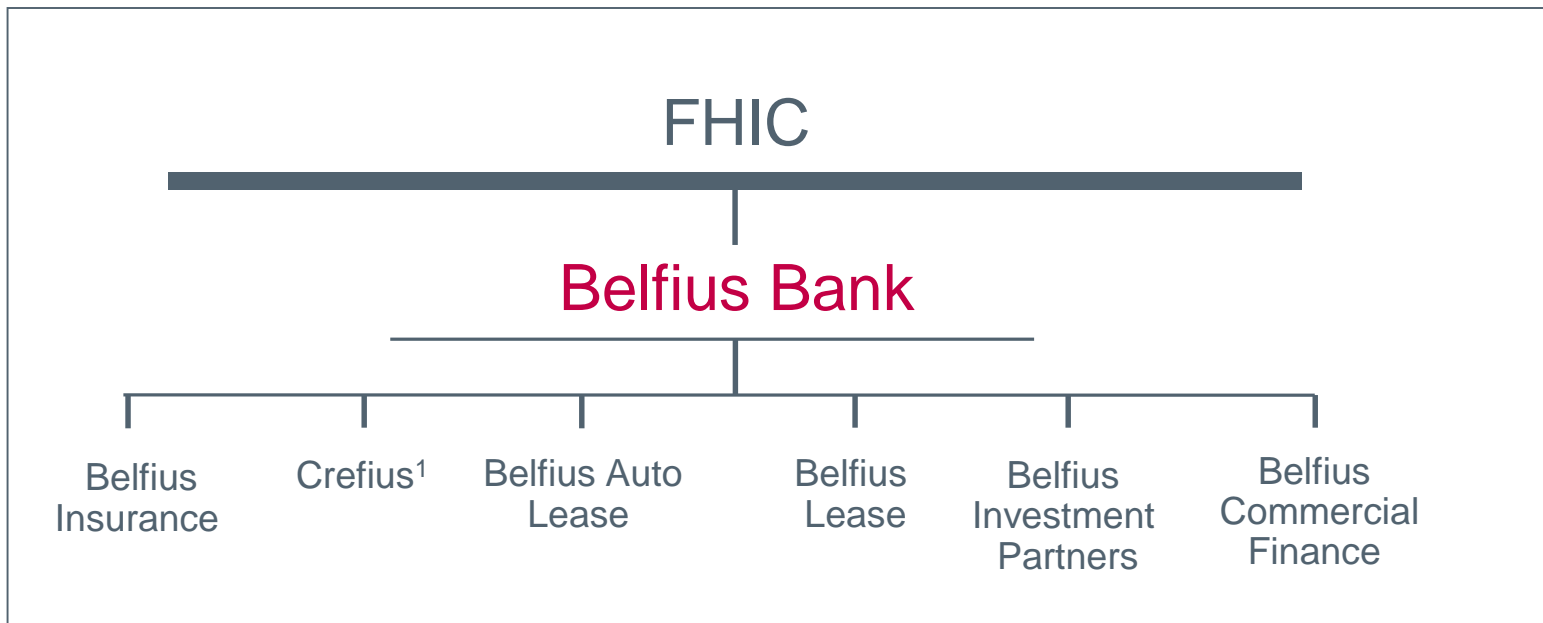
## Continued growth in Belgian household debt

### Household debt as a % of GDP



# 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

# Consolidated statement of income

Belfius Bank Conso

EUR m	2018				2019				Evolution
	RC	PC	GC	Total	RC	PC	GC	Total	%
<b>Income</b>	<b>1,650</b>	<b>533</b>	<b>178</b>	<b>2,361</b>	<b>1,731</b>	<b>550</b>	<b>207</b>	<b>2,489</b>	<b>5%</b>
Net interest income bank	845	407	196	1,448	855	436	197	1,488	3%
Fee and commission bank	488	47	1	537	517	48	-2	563	5%
Life insurance contribution	231	53	-0	283	248	48	-2	295	4%
Non-Life insurance contribution	190	9	0	199	200	-1	-0	199	0%
Other (1)	-103	17	-19	-105	-90	20	14	-56	-47%
<b>Expenses</b>	<b>-1,047</b>	<b>-234</b>	<b>-144</b>	<b>-1,426</b>	<b>-1,057</b>	<b>-228</b>	<b>-167</b>	<b>-1,452</b>	<b>2%</b>
<b>Gross income</b>	<b>603</b>	<b>299</b>	<b>33</b>	<b>935</b>	<b>674</b>	<b>322</b>	<b>40</b>	<b>1,036</b>	<b>11%</b>
Cost of risk	-54	-24	12	-66	-37	-77	3	-111	68%
Impairments	-1	-1	-	-2	-8	1	-	-7	218%
<b>Net Income before tax</b>	<b>548</b>	<b>274</b>	<b>45</b>	<b>867</b>	<b>630</b>	<b>246</b>	<b>42</b>	<b>918</b>	<b>6%</b>
Taxes	-139	-66	-11	-217	-169	-67	-16	-252	16%
Non-controlling interests	-0	-0	-1	-1	3	0	-1	1	
<b>Net income group share</b>	<b>408</b>	<b>208</b>	<b>33</b>	<b>649</b>	<b>464</b>	<b>179</b>	<b>25</b>	<b>667</b>	<b>3%</b>
o/w bank contribution	235	188	21	445	287	164	10	461	4%
o/w insurance contribution	173	19	12	205	177	15	15	207	1%

# Statement of income Belfius Insurance, consolidated accounts

Belfius Insurance

EUR m	2018	2019	Evolution
<b>Income</b>	<b>487</b>	<b>520</b>	<b>6.7%</b>
<i>Of which</i>			
Net interest income	421	409	-2.8%
Dividend income	59	52	-11.6%
Net income from equity method companies	1	1	39.1%
Net income from financial instruments at fair value through profit or loss	-22	-1	-95.1%
Net income on investments and liabilities	66	57	-14.1%
Net fee and commission income	19	16	-13.1%
Technical result from insurance activities	-71	-37	-48.0%
<b>Expenses</b>	<b>-232</b>	<b>-248</b>	<b>7.1%</b>
<b>Gross income</b>	<b>256</b>	<b>272</b>	<b>6.3%</b>
Impairments on financial instruments and provisions for credit commitments	2	7	184.5%
Impairments on tangible and intangible assets	0	-5	-
<b>Net income before tax</b>	<b>258</b>	<b>273</b>	<b>5.8%</b>
Tax (expense) income	-65	-71	8.6%
Current tax (expense) income	-46	-48	4.4%
Deferred tax (expense) income	-19	-22	-
Attributable to non-controlling interests	1	-1	-
<b>Net income group share</b>	<b>192</b>	<b>204</b>	<b>6.1%</b>

# Consolidated balance sheet

Belfius Bank Conso

EUR m	31/12/2018	31/12/2019	Evolution
<b>TOTAL ASSETS</b>	<b>164,165</b>	<b>172,439</b>	<b>8,274</b>
of which			
Cash and balances with central banks	8,314	6,716	-1,598
Loans and advances due from credit institutions	13,107	16,208	3,101
Loans and advances	91,123	94,944	3,822
Debt securities & equity instruments	28,569	29,490	921
Unit linked products insurance activities	2,838	3,671	833
Derivatives	12,768	13,305	537
<b>TOTAL LIABILITIES</b>	<b>154,206</b>	<b>161,933</b>	<b>7,728</b>
of which			
Cash and balances from central banks	3,962	4,017	54
Credit institutions borrowings and deposits	5,867	5,819	-47
Borrowings and deposits	79,661	85,450	5,789
Debt securities issued and other financial liabilities	26,687	27,655	968
Unit linked products insurance activities	2,838	3,671	833
Derivatives	17,740	18,630	890
Provisions for insurance activities	13,908	13,180	-728
Subordinated debts	1,219	1,157	-62
<b>TOTAL EQUITY</b>	<b>9,960</b>	<b>10,506</b>	<b>546</b>
of which			
Shareholders' core equity	9,055	9,348	293
Gains and losses not recognised in the statement of income	392	636	244
Additional Tier-1 instruments included in equity	497	497	0
Non-controlling interests	16	25	9

# Balance sheet Belfius Insurance, consolidated accounts

Belfius Insurance

EUR m	31/12/2018	31/12/2019	Evolution
<b>Total assets</b>	<b>20,309</b>	<b>21,612</b>	<b>1,304</b>
Of w hich			
Loans and advances due from credit institutions	401	378	-23
A Measured at amortised cost	401	378	-23
Loans and advances	4,101	4,536	435
A Measured at amortised cost	3,981	4,436	455
C Measured at fair value through profit or loss	121	101	-20
Debt securities & equity instruments	11,878	11,947	69
A Measured at amortised cost	5,987	6,082	96
B Measured at fair value through other comprehensive income	4,999	5,041	42
C Measured at fair value through profit or loss	892	823	-69
Unit linked products insurance activities	2,838	3,671	833
Derivatives	28	1	-27
Investments in equity method companies	32	42	10
Tangible fixed assets	492	544	53
Intangible assets	53	53	0
Technical insurance provisions - part of the reinsurer	100	108	8
<b>Total liabilities</b>	<b>18,514</b>	<b>19,468</b>	<b>954</b>
Of w hich			
Credit institutions borrowings and deposits	541	1,390	849
A Measured at amortised cost	541	1,390	849
Unit linked products insurance activities	2,838	3,671	833
Provisions for insurance activities	13,920	13,191	-729
Subordinated debts	583	583	0
A Measured at amortised cost	583	583	0
<b>Total equity</b>	<b>1,794</b>	<b>2,144</b>	<b>350</b>
Of w hich			
Shareholders' core equity	1,499	1,546	47
Gains and losses not recognised in the statement of income	279	573	295
Non-controlling interests	16	25	9

# Focus on regulatory capital

EUR m	Dec. 2018	Dec. 2019
<b>Core shareholders' equity</b>	<b>9,055</b>	<b>9,348</b>
Elimination of Belfius Insurance (*)	-178	-198
<b>Core regulatory equity</b>	<b>8,877</b>	<b>9,150</b>
Elimination of foreseeable dividend	-266	-164
<b>Gains and losses not recognised in the statement of income</b>	<b>99</b>	<b>144</b>
Remeasurement Defined Benefit Plan	39	90
OCI reserves - portfolios measured at FVTOCI	60	54
<b>Items to deduct</b>	<b>-380</b>	<b>-350</b>
Deferred tax assets	-1	-1
Transitory measures	-	-
Other	-379	-349
<b>Common equity Tier 1 - CET1</b>	<b>8,329</b>	<b>8,780</b>
Additional own funds Tier 1	497	497
<b>Tier 1 equity</b>	<b>8,826</b>	<b>9,277</b>
Tier 2 - Capital instruments	1,120	1,098
Other	284	294
<b>Total regulatory capital</b>	<b>10,230</b>	<b>10,669</b>

Notes: 1. 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'

# Focus on regulatory risk exposures

## Regulatory risks exposures - by type of risk

<u>EUR m</u>	<u>Dec. 2018</u>	<u>Dec. 2019</u>
Regulatory credit risk exposure	38,932	42,543
Regulatory CVA exposure	1,606	1,382
Regulatory market risk exposure	1,801	1,315
Regulatory operational risk exposure	2,975	3,140
Danish Compromise <sup>1</sup>	6,751	6,868
Additional risk exposure (Art 3 CRR)	-	1,150
<b>Total Regulatory Risks Exposures</b>	<b>52,065</b>	<b>56,398</b>

## Regulatory risks exposures - by segment

<u>EUR m</u>	<u>Dec. 2018</u>	<u>Dec. 2019</u>
Retail and Commercial	19,519	21,076
Public and Corporate	18,056	20,019
Group Center	14,491	15,303
<b>Total Regulatory Risks Exposures</b>	<b>52,065</b>	<b>56,398</b>

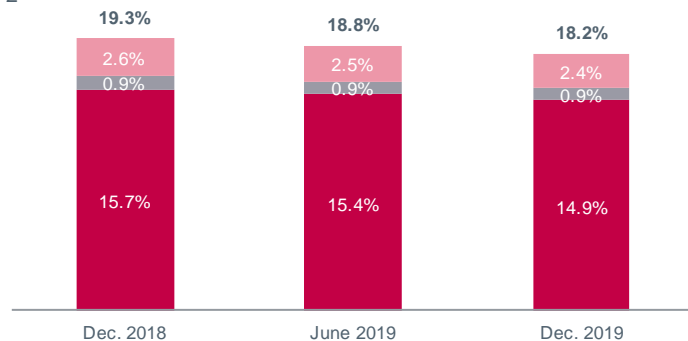
Notes: 1. For the determination of the Common Equity Tier 1 capital under Basel III, the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the equity instruments held by Belfius Bank in Belfius Insurance, after deduction of goodwill. This is commonly known as "Danish compromise"



# Focus on solo capital ratios

Basel III ratios Belfius Bank Solo, excluding<sup>1</sup> result of the year

■ CET1  
■ Add. Tier 1  
■ Tier 2

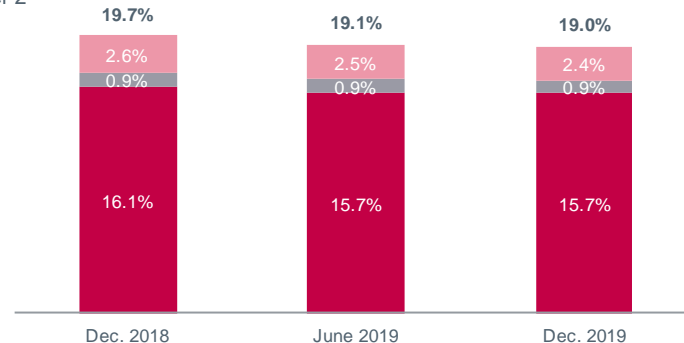


EURm

CET1	8,273	8,498	8,459
Tier 1	8,771	8,995	8,956
CAD	10,153	10,371	10,325
RWA	52,615	55,279	56,801

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

■ CET1  
■ Add. Tier 1  
■ Tier 2



EURm

CET1	8,488	8,677	8,906
Tier 1	8,985	9,174	9,403
CAD	10,367	10,550	10,773
RWA	52,615	55,279	56,801

- At the end of December 2019, the available distributable items on statutory level amounted to EUR 3,897 million, up 8% compared to end of 2018

# Continued positive rating actions

Ratings of Belfius Bank as at 21 February 2020

	Moody's	S&P	Fitch
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+	

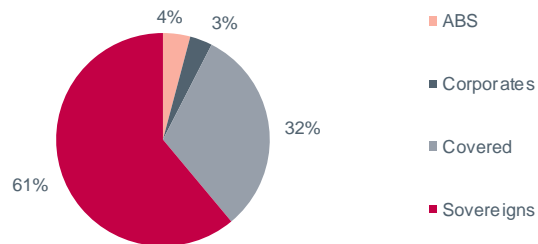
- Latest rating actions

- On November 8<sup>th</sup> 2019, Fitch affirmed Belfius' long-term rating at A- and upgraded Belfius' short-term rating to F1 from F2
- In May 2019, Moody's upgraded Belfius' Baseline Credit Assessment (BCA) to baa1 from baa2 and its long-term deposit and senior unsecured debt ratings to A1 from A2. The short-term deposit ratings were affirmed at Prime-1. The outlook has changed from positive to stable.
- In October 2018, S&P affirmed Belfius' rating at A- and raised the ratings on Belfius' subordinated and capital instruments by one notch following the bank's improved unsupported group credit profile

# ALM Bank Liquidity bond portfolio

## Breakdown by type of counterpart

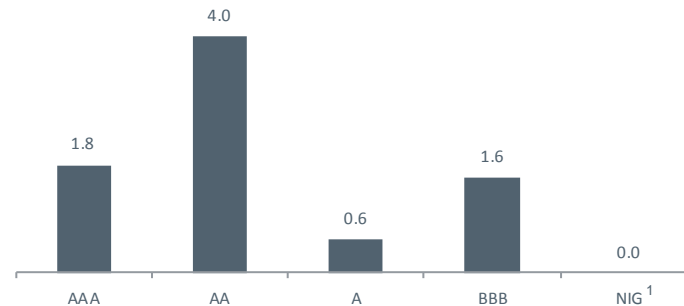
EUR 8.1bn  
31 December 2019



## Breakdown by rating

EUR bn

Average rating: BBB+

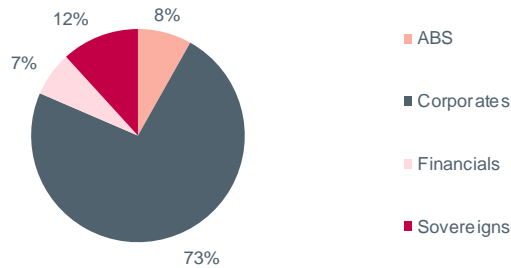


- ALM Bank Liquidity bond portfolio stood at EUR 8.1bn as at 31 December 2019, compared to EUR 7.7bn as at year-end 2018. This increase is mainly due to a reinvestment program in LCR eligible bonds.
- The portfolio is of good quality
  - 100% of the portfolio is Investment Grade
  - The average rating stood at BBB+
- Expected average Life: 7.7 years

# ALM Bank Yield bond portfolio

## Breakdown by type of counterpart

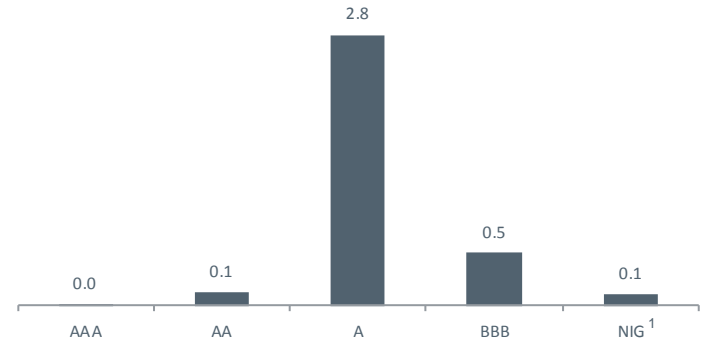
EUR 3.6bn  
31 December 2019



## Breakdown by rating

EUR bn

Average rating: A



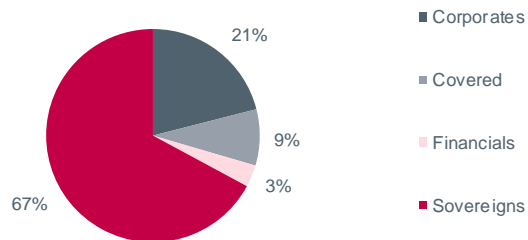
- ALM Bank Yield bond portfolio stood at EUR 3.6bn as at 31 December 2019, stable compared to year-end 2018, mainly due the natural amortization of the portfolio
- The portfolio is of good quality
  - 97% of the portfolio is Investment Grade
  - The average rating stood at A
- Expected average Life: 20.1 years

# ALM Insurance Bond portfolio

## Breakdown by type of counterpart

EUR 9.1bn

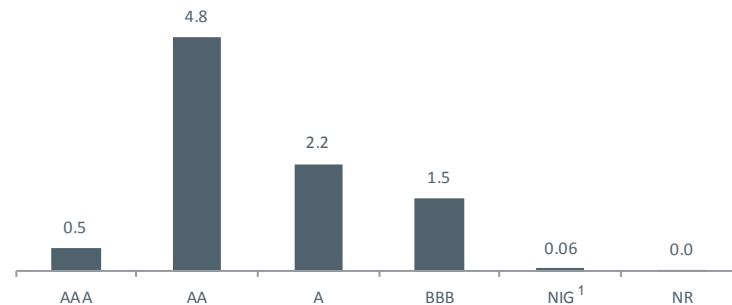
31 December 2019



## Breakdown by rating

EUR bn

Average rating: A-

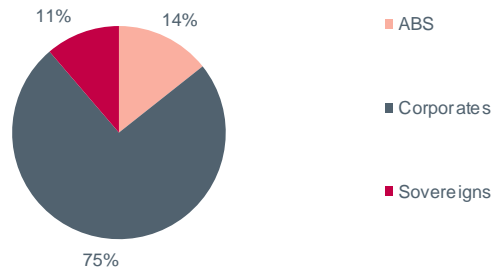


- ALM Insurance fixed income portfolio stood at EUR 9.1bn as at 31 December 2019, compared to EUR 9.4bn at year-end 2018
- The ALM Insurance portfolio remains of good quality
  - 99% of the portfolio is investment grade
  - The average rating at A-
- Expected average Life: 9.0 years

# Credit guarantees

## Breakdown by type of counterpart

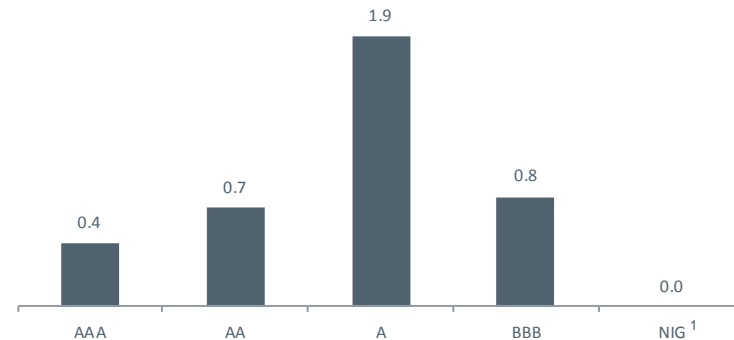
EUR 3.7bn  
31 December 2019



## Breakdown by rating

EUR bn

Average rating: A



- Credit guarantees portfolio stood at EUR 3.7bn as at 31 December 2019, stable compared to year-end 2018.
- The credit guarantees portfolio is of good quality
  - 100% of the portfolio is Investment Grade
  - The average rating stood at A
- Expected average Life: 9.6 years

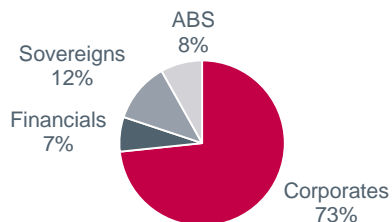
# Hedging strategy to manage residual risks

## Run-off portfolios as of December 2019

### ALM Yield bond portfolio

- 39% 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

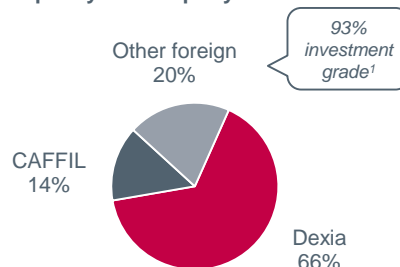
#### Notional split by type



### Derivatives

- 66% notional exposure to Dexia, fully cash collateralised, leading to an EaD (including add-on) of EUR 19 million end of December 2019
- Derivatives with other foreign counterparts and with CAFFIL are uncollateralised (BBB+ average rating) except Landesbank Hessen-Thüringen (notional of EUR 2.6bn)

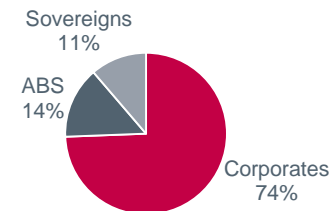
#### Notional split by counterparty



### 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

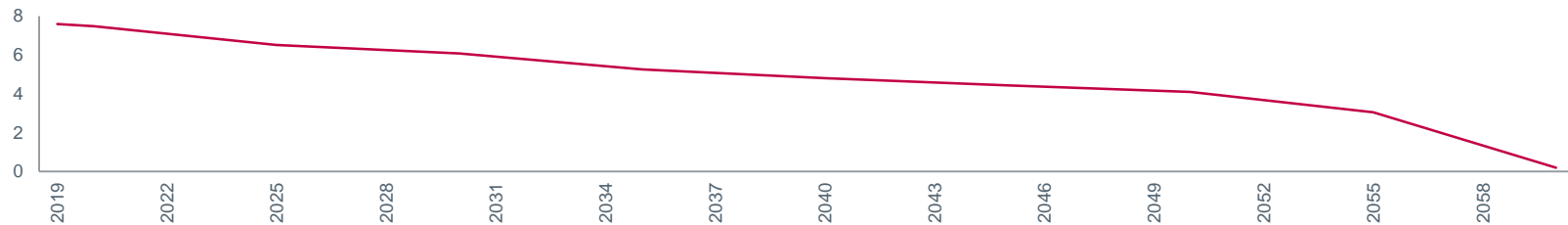
#### Notional split by type of underlying



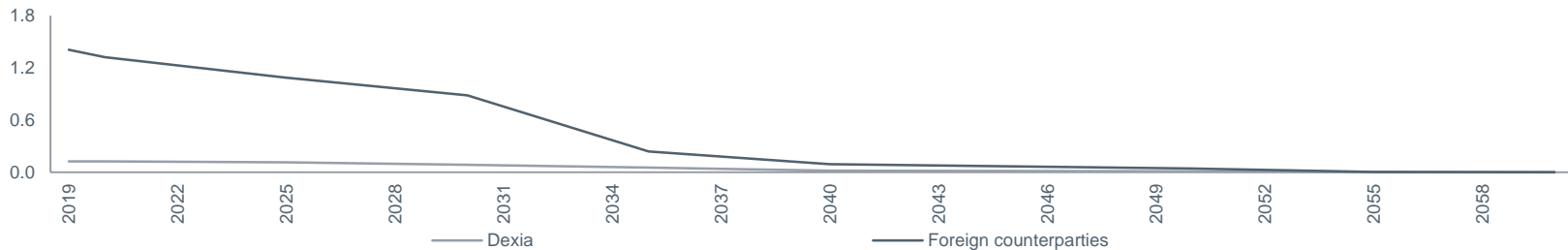
# Progressive run-off of GC run-off portfolios in the coming years

Run-off portfolios evolution – EaD; EUR bn

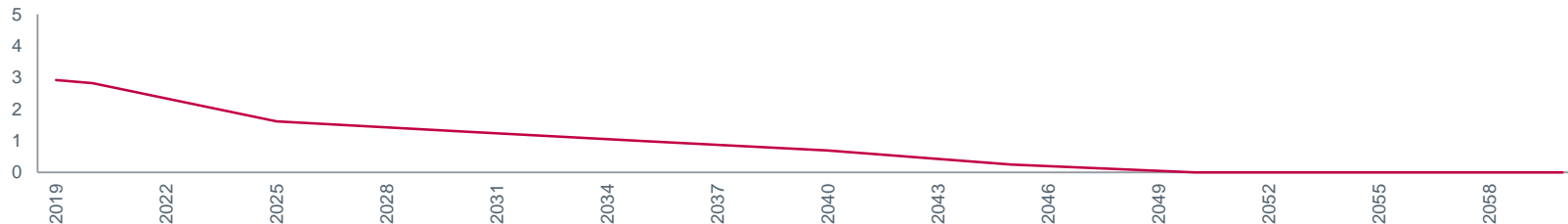
ALM Yield bond portfolio



Derivatives



Credit guarantees



Note: Based on current markets

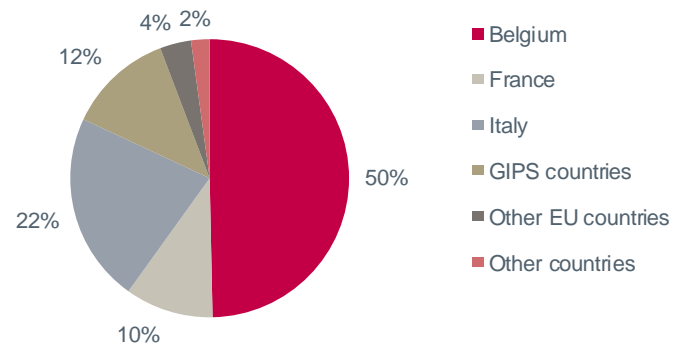


# Outstanding exposures on government bonds

## Evolution<sup>1</sup>

EUR m	Dec. 2018	Dec. 2019
Belgium	5,180	4,950
France	875	1,020
Italy	2,231	2,198
GIPS countries	792	1,223
Other EU countries	351	361
Other countries	195	214
<b>Total<sup>1</sup></b>	<b>9,625</b>	<b>9,967</b>

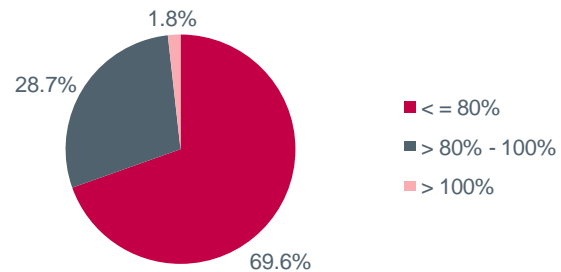
## Breakdown as of end of December 2019



- Total government bond portfolio stood at EUR 10bn<sup>1</sup>, up 4% compared to December 2018
- Half of the portfolio (50%) is invested in Belgian government bonds

# Credit risk statistics on mortgage loans

## Mortgage loans Belfius Bank Loan-to-value ratio



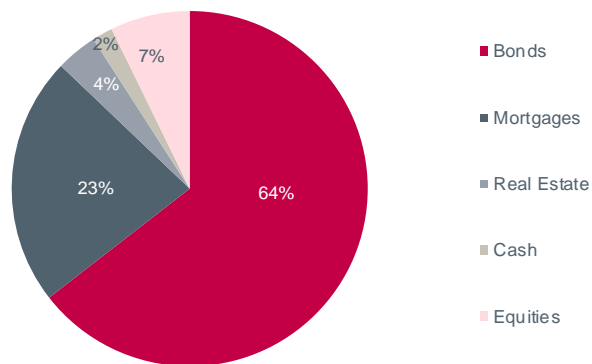
- Very sound LTV-ratio's
  - Average LTV-ratio, based on outstandings (with indexation of real estate prices) stood at 62.1% at end of December 2019
  - The part of the portfolio with an LTV > 100% is limited to 1.8 %

# ALM Belfius Insurance

## Diversified asset allocation

EUR 19.1bn

31 December 2019

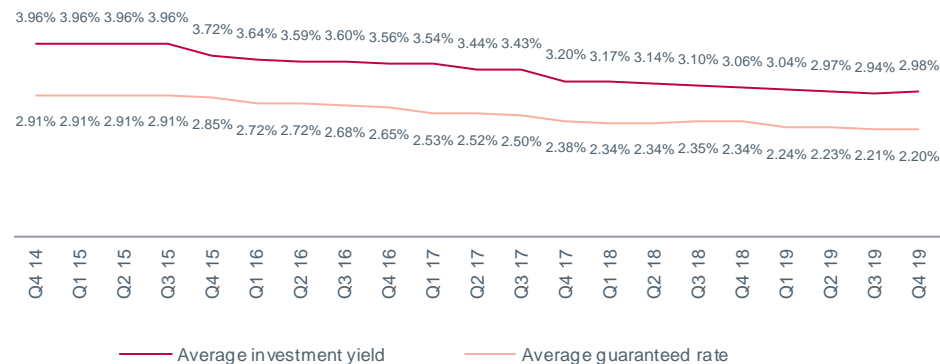


- Prudent investment strategy of the asset portfolio with a well-diversified asset allocation
- Efficient insurer on the Belgian market enjoying high customer satisfaction

## Duration Gap Life and Non-Life

	Dec. 2018	Dec. 2019
Total Life	-1.00	-0.80
Total Non-Life	-0.33	0.01
<b>Total</b>	<b>-0.66</b>	<b>-0.39</b>

## Investment yield vs. guaranteed rate<sup>1</sup>



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

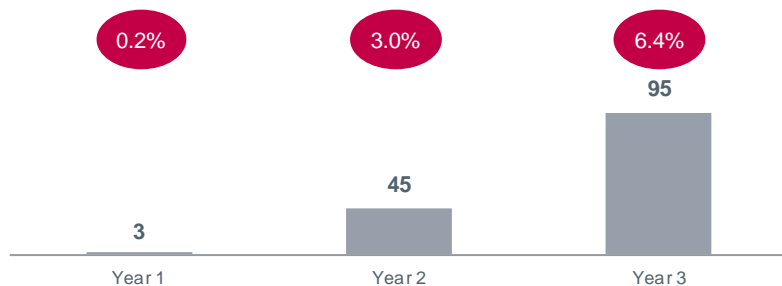
# Solvency II ratio sensitivity table

Solvency II Sensitivities FY 2019	Δ SCR (in EUR m)	Δ AFR (in EUR m)	Δ Solvency II ratio (in %)
<b>Base Case</b>	<b>1,180</b>	<b>2,346</b>	<b>199%</b>
<b>Interest rate:</b> Shock +50bps	<b>(53)</b> (5%)	<b>6</b> 0%	<b>209%</b> +10%
<b>Interest rate:</b> Shock -50bps	<b>57</b> +5%	<b>(8)</b> (0%)	<b>189%</b> (10%)
<b>Credit spread:</b> Spread on fixed income (corporate) +50bps	<b>19</b> +2%	<b>(72)</b> (3%)	<b>190%</b> (9%)
<b>Credit spread:</b> Spread on fixed income (government) +50bps	<b>49</b> +4%	<b>(123)</b> (5%)	<b>181%</b> (18%)
<b>Credit spread:</b> Spread on fixed income (government and corporate) +50bps	<b>69</b> +6%	<b>(198)</b> (8%)	<b>172%</b> (27%)
<b>Credit Spread:</b> No Volatility Adjuster	<b>32</b> +3%	<b>(60)</b> (3%)	<b>189%</b> (10%)
<b>Equity:</b> Downward shock - 30%	<b>(146)</b> (12%)	<b>(387)</b> (17%)	<b>190%</b> (9%)
<b>Real estate:</b> Downward shock -15%	<b>6</b> 1%	<b>(81)</b> (3%)	<b>191%</b> (8%)
<b>UFR:</b> Downward adjustment to 3%	<b>36</b> +3%	<b>(55)</b> (2%)	<b>188%</b> (10%)

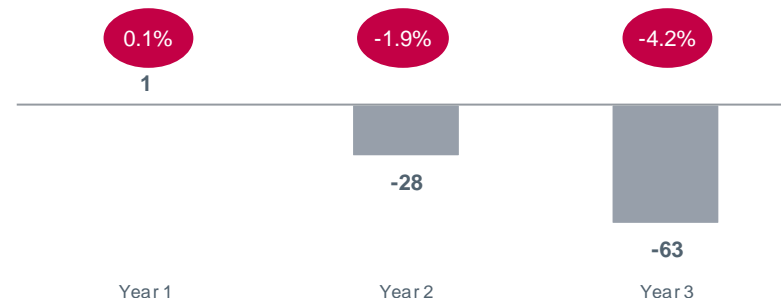
# Belfius sensitivity to interest rates

Bank

NII impact from +50 bps immediate parallel shift in rate curve, EUR m



NII impact from -35 bps immediate parallel shift in rate curve, EUR m



- Belfius would benefit from rising rates with net interest income increasing 3% within two years in case of a +50bps 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 2019 net interest income bank

Notes: NII sensitivity analysis assumes a constant Belfius' balance sheet as of 31 December 2019

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