



# Belfius 1H 2020 Results

Presentation to analysts and investors

7 August, 2020



# 1. Summary Highlights

- **Belfius' net income 1H 2020 stands at EUR 21m**, lower than last year (EUR 304m), due to the Covid-19 crisis impact. This net profit is the result of a negative contribution of Belfius Bank (EUR -68m) and a positive contribution by Belfius Insurance (EUR +89m)
- Even in these unprecedented times, Belfius continues to focus on its strategic long term development by investing in business model, customers as well as in human and digital capacities. This results in **continued resilient and meaningful commercial activities** in all segments of the Belgian economy, also in 1H 2020
- In current challenging sanitary and macroeconomic context, Belfius is **still able to further grow its net interest, net fee and commission and non-life insurance income**, and to **contain its operating costs**, leading to an **overall resilient pre(impairment)-provision<sup>1</sup> income of EUR 421m in 1H 2020**, even considering some negative impacts from the financial markets' turmoil especially in 1Q 2020, impacting negatively the fair value of financial instruments accounted in fair value through P&L (pre-provision income stood at EUR 445m in 1H 2019):
  - increase of net interest income bank (EUR 779m in 1H 2020 vs EUR 738m in 1H 2019) mainly thanks to (i) higher outstanding loans with, on average, a higher margin, more than offsetting the negative impact from lower interest rates on higher volumes of non-maturing deposits in 1H 2020, and (ii) supported by a large restructuring of a specific corporate leasing file, leading to a material pre-payment interest, and (iii) despite the negative impact from the moratorium on mortgage loans
  - higher net fee and commission income bank (EUR 302m in 1H 2020 vs EUR 268m in 1H 2019) mainly due to higher management and entry fees
  - increased non-life insurance income (EUR 129m in 1H 2020 vs EUR 90m in 1H 2019)
  - these positive evolutions have been somewhat offset by the impact of the negative financial markets, especially during 1Q 2020, mainly translating into (i) lower life insurance income (EUR 115m in 1H 2020 vs EUR 171m in 1H 2019) also due to the adverse impact of these financial markets on the return of some financial assets booked at fair value through P&L, and (ii) negative impacts on fair value adjustments on derivatives due to the general credit spread widening
  - the operating costs remained well under control at EUR 711m in 1H 2020 vs EUR 710m in 1H 2019. C/I ratio stood at 62.8% in 1H 2020 compared to 61.5% in 1H 2019

# 1. Summary Highlights

- In light of the Covid-19 crisis, **Belfius made a detailed analysis of its credit risk portfolio, and increased its IFRS9 provisions materially in line with the strongly deteriorated economical environment**, leading to a cost of risk through P&L strongly increasing from EUR 30m in 1H 2019 to EUR 393m in 1H 2020 (or approximately 30 bps of the outstandings), of which EUR 312m (24 bps) can economically be labelled as our current best estimate “ex-ante provisioning” of expected losses due to the effects of the Covid-19 crisis
- In terms of financial solidity metrics, in current unprecedented circumstances, **Belfius continues to display sound solvency, liquidity and risk metrics**, with CET1 ratio of 15.5%, SII ratio for Belfius Insurance of 215%, LCR ratio of 134% and asset quality ratio (NPL ratio) at Belfius Bank of 1.97%
- **Belfius’ consolidated Net Asset Value stands at EUR 9.7bn end June 2020** (vs close to EUR 10bn end 2019), a slight negative evolution mainly due to negative evolutions in financial instruments booked at fair value through OCI

# Belfius remains commercially and financially solid, even though current management overlays for cost of risk related to Covid-19 crisis materially impact the net result

## 1H 2019

€445m

Pre-provision Income

€304m

Net Income

61.5%

Cost/Income ratio

15.9%<sup>1</sup>

CET1 ratio Basel III

€9.4bn

LT loans production

€9.98bn<sup>1</sup>

Net Asset Value

€100m

(Interim) Dividend

## 1H 2020

€421m

€21m

62.8%

15.5%

€9.3bn

€9.75bn

€0m<sup>2</sup>

## 2. Belfius at a glance

- **Integrated bank-insurer**
  - Net Income of EUR 21m, of which EUR -68m Bank and EUR 89m Insurance
  - **Bank-insurance approach shows material resilience**, since current Covid-19 crisis only has a limited impact on Belfius Insurance 's commercial activities and profit contribution
  - **Growing net fee & commission income** testimony of strategic investments in Asset Management, Private Banking and Wealth Management, to become full-blown universal bank
- **Anchored in all segments of the Belgian economy**
  - 3.7m customers in Retail & Commercial (RC) and 21.4k customers in Public & Corporate (PC)
  - **Loans to customers of EUR 97.9bn**, o.w. EUR 54.8bn to RC clients and EUR 43.1bn to PC clients
  - **Savings and Investments of EUR 155.9bn**, o.w. EUR 117.0bn RC and EUR 38.9bn 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, with **1.5m customers using Mobile/Tablet application at least (on average) once a day**
  - **Belfius' mobile app ranked #1 in Belgium<sup>1</sup> and #2 in Europe<sup>2</sup>**
- **Risk and financial management, two key pillars supporting Belfius' capacity to continue to support the Belgian economy**
  - **Strong solvency and liquidity position**, solidly respecting all regulatory minima, which have been relaxed
  - **Sound credit quality**, with continued solid Asset Quality Ratio, even despite Covid-19 crisis
  - **Non-financial risks remain 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 3.7 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 3.7m customers
- #1 in mobile banking<sup>3</sup> in Belgium
- #2 best bank app<sup>4</sup> in Europe
- #4<sup>5</sup> bank to 300,000 professional customers
- EUR 54.8bn loans to customers
- EUR 117.0bn savings and investments

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

- #1 bank to 10.3k Public & Social sector customers
- #3<sup>5</sup> bank to 11k Corporate customers
- EUR 43.1bn loans to customers
- EUR 38.9bn savings and investments

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

- ALM Liquidity Bond portfolio (EUR 8.2bn)
- Run-off portfolios
  - ALM Yield Bond portfolio (EUR 3.5bn)
  - Derivatives (EUR 14.3bn)
  - Credit guarantees (EUR 3.6bn)
- Other non-core activities

### 3. Group Highlights

- Since the start of the Covid-19 crisis, Belfius continued to live up to its purpose of being “meaningful and inspiring for the Belgian society” by focusing on (i) **protecting the safety and health of its staff and customers** (ii) **servicing its customers in the best possible way** and **supporting them funding-wise** to get through these difficult times
- **In terms of support to the Belgian economy, Belfius quickly implemented the Belgian governmental and regional support measures to the Belgian society (payment holidays, guarantee scheme), and even added some Belfius-specific measures.** As of end of June:
  - 24,261 accepted requests for deferred payments on EUR 4.3bn of loans to corporate and business customers
  - 14,483 accepted requests for deferred payments on EUR 818m of leasing contracts of corporate and business customers
  - 16,166 accepted requests for deferred payments on EUR 1.6bn of mortgage loans under the general Covid-19 scheme, in addition to 8,331 accepted requests for deferred payments on EUR 918m of mortgage loans under contractual terms
  - EUR 329m of new loans, to corporate and business customers, under the Belgian State guarantee scheme, were granted
- **The continued strong commercial dynamics of Belfius**, even during Covid-19 times, enabled it also to continue to (i) **use its large volume of non-maturing deposits for financing loans to the Belgian economy**, and (ii) **advise its customers to further diversify their investments also into off-balance sheet assets under management:**
  - total S&I growth by EUR 4.5bn, the highest half-year growth since Belfius' existence, also due to heightened Covid-19 related savings-tendency by the Belgian population, especially within non-maturing deposits (growing with EUR 7.0bn)
  - despite financial markets turmoil and the negative returns on the equity markets during 1H 2020, off balance sheet AuM decreased by only EUR -0.8bn over 1H 2020, net of EUR -1.5bn market impact and EUR +0.7bn organic growth

### 3. Group Highlights

- **The 1H 2020 net result was heavily impacted by the Covid-19 crisis**, mainly through the related Loan Loss Provisioning charge ("cost of risk"). The cost of risk results from stage 3 provisioning for EUR 81m and for EUR 312m of ex-ante provisioning (stage 1 and stage 2). The latter results from the combination of (i) deteriorated macroeconomic parameters, and (ii) expert layers for vulnerable sectors or individual enterprises. Belfius' net income 1H 2020 stands at EUR 21m (1H 2019 EUR 304m), mainly the result of **resilient pre-provision income of EUR 421m** (1H 2019 EUR 445m) almost fully **compensated by a cost of risk of 393 m EUR** (equaling a credit cost ratio of 30 bps) (1H 2019 EUR 30m).
- **The resilient pre-provision income is the result of increasing NII** (EUR 779m in 1H 2020 vs EUR 738m in 1H 2019), **fee & commission income** (EUR 302m in 1H 2020 vs 268m in 1H 2019) **and non-life insurance contributions** (EUR 129m in 1H 2020 vs EUR 90m in 1H 2019), despite some headwinds from negative financial markets in 1H 2020, negatively affecting (a) life insurance income (EUR 115m in 1H 2020 vs EUR 171m in 1H 2019) through lower investment results, and (b) negative impacts on fair value of derivatives due to widening credit spreads and lowering interest rates. **Belfius combines these income dynamics with a strict cost control, even if it continues to invest structurally in IT and digitization**, with operating costs amounting to EUR 711m in 1H 2020 (vs EUR 710m in 1H 2019). All-in-all, Belfius moves in 1H 2020 to a C/I ratio of 62.8%, up from 61.5% in 1H 2019



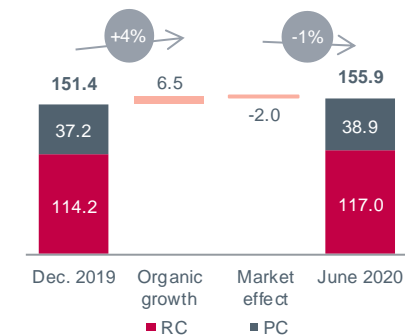
# Continued commercial dynamics lead to further volume growth in customer balances, lending and non-life insurance premiums

Group

Strong performance in savings & investments and loans to customers

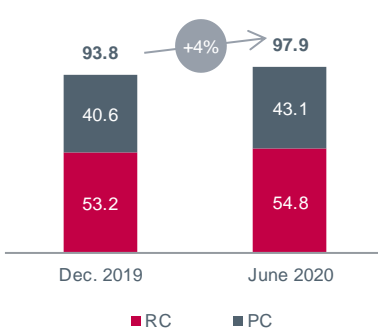
## Outstanding savings & investments

EUR bn



## Outstanding loans to customers

EUR bn



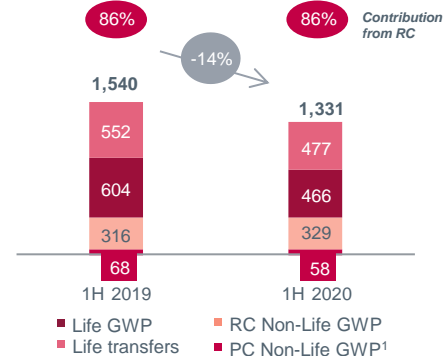
- Total savings & investments amounted to EUR 155.9bn in June 2020, up 3% compared to December 2019
  - RC displays strong organic growth of EUR +4.7bn mainly in non-maturing products, only partially offset by a negative market effect of EUR -1.9bn
  - PC's non-maturing products increased by 9% and realised organic growth of EUR +1.8bn
- Increase of loans outstanding (+4%) mainly driven by
  - a strong increase in business and mortgage loans
  - an increase especially in roll over loans with corporate customers

Insurance

Mixed picture in insurance sales and continued evolution of insurance reserves

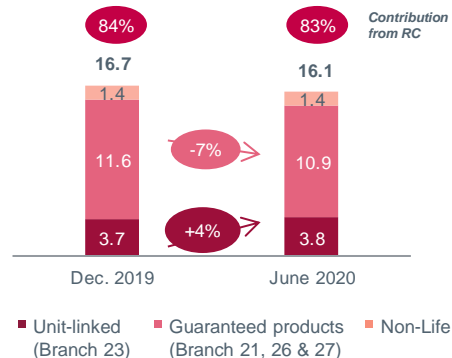
## Insurance production

EUR m



## Insurance reserves

EUR bn



- Overall increasing non-life GWP (+0.8%) as strong growth of RC non-life GWP to EUR 329m in 1H 2020 (up 4.3% compared to 1H 2019), especially in the bankinsurance channel (+11.4% compared to 1H 2019) that more than offsets the anticipated decrease in PC (run-off strategy)
- Life insurance production stood at EUR 944 m in 1H 2020, down 18.4% compared to 1H 2019, as a consequence of the continuously low yield environment, further accentuated by the Covid-19 crisis
- Continued implementation of the strategy to switch from guaranteed yield products to unit-linked products (+4% increase in unit-linked reserves), boosted by the bank distribution channel

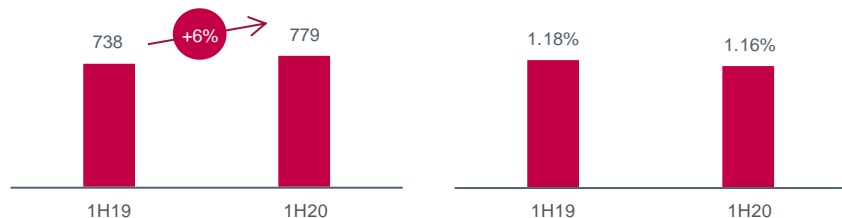
# Despite challenging macroeconomic and the Covid-19 context, increasing NII and F&C

Bank

## Increasing NII, despite slight pressure in NIM from low interest rate environment

Net interest income Bank  
EUR m

NIM<sup>1</sup>



- NII strong performance mainly resulting from increasing commercial loan volumes at higher margins, the ECB's two-tier system and a large restructuring of a specific corporate leasing file; hence counterbalancing the negative impact of the historically low interest rate environment especially on interest margin of further increasing volumes of non-maturing deposits and of the modification loss (EUR -9.5m) booked on some mortgage loans moratoria
- Strict pricing discipline on both sides of the balance sheet allows to contain the decrease of NIM to only 2 bp from 1.18% in 1H 2019 to 1.16% in 1H 2020

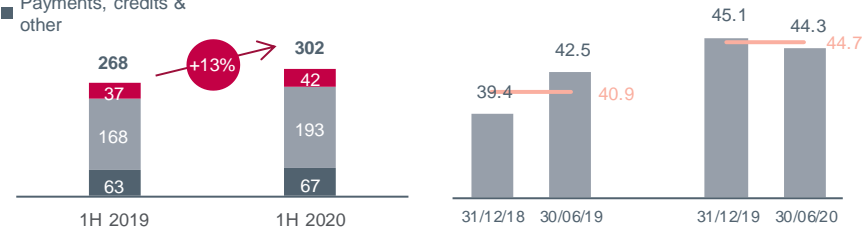
Bank

## Bank fee & commission income increases

F&C income Bank  
EUR m

Assets under management<sup>4</sup>  
EUR bn, end of period (■) and average (—)

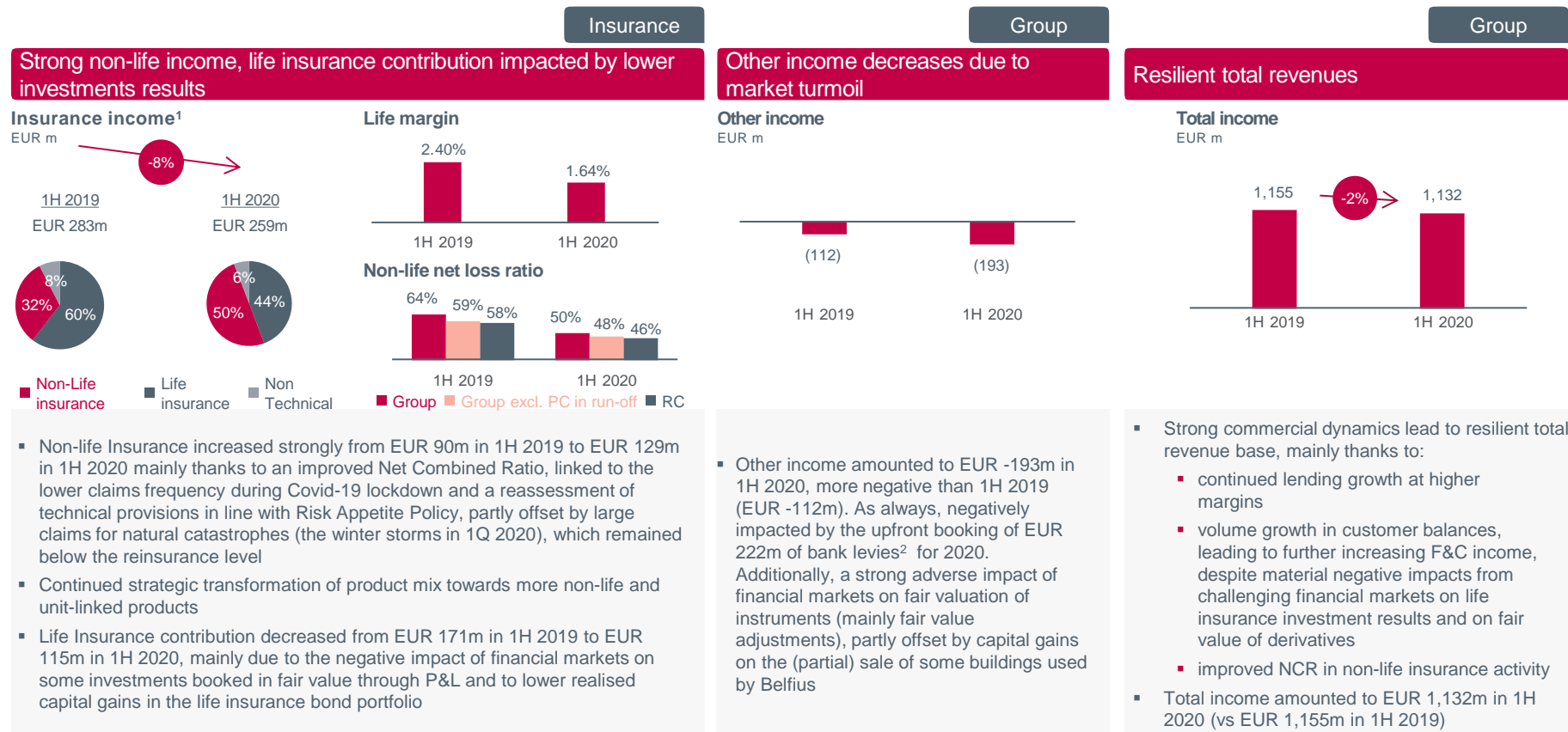
- Distribution from insurance<sup>2</sup>
- Savings & Investments<sup>3</sup>
- Payments, credits & other



- Strongly increasing fee and commission income (+13%)
  - higher fees from (classical life and non-life) insurance products sold through bankinsurance channels (especially on credit linked life insurance product, in line with the strong production of mortgage loans) and from payment services in RC segment
  - increasing fees from RC savings and investments mainly following higher entry and management fees (in bps), also thanks to higher average AuM

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

# Strong non-life income contribution, decrease of contribution of life insurance and other income due to negative financial markets over 1H 2020



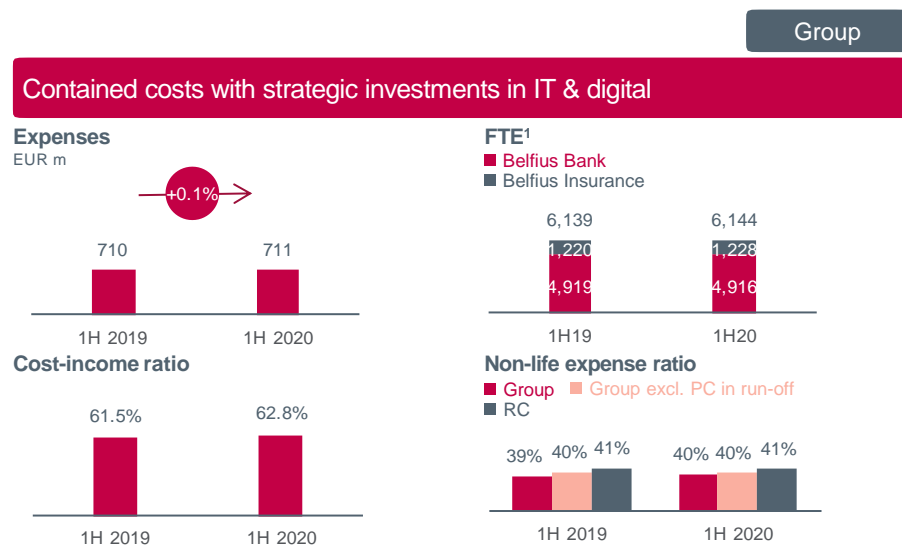
- Non-life Insurance increased strongly from EUR 90m in 1H 2019 to EUR 129m in 1H 2020 mainly thanks to an improved Net Combined Ratio, linked to the lower claims frequency during Covid-19 lockdown and a reassessment of technical provisions in line with Risk Appetite Policy, partly offset by large claims for natural catastrophes (the winter storms in 1Q 2020), which remained below the reinsurance level
- Continued strategic transformation of product mix towards more non-life and unit-linked products
- Life Insurance contribution decreased from EUR 171m in 1H 2019 to EUR 115m in 1H 2020, mainly due to the negative impact of financial markets on some investments booked in fair value through P&L and to lower realised capital gains in the life insurance bond portfolio

- Other income amounted to EUR -193m in 1H 2020, more negative than 1H 2019 (EUR -112m). As always, negatively impacted by the upfront booking of EUR 222m of bank levies<sup>2</sup> for 2020. Additionally, a strong adverse impact of financial markets on fair valuation of instruments (mainly fair value adjustments), partly offset by capital gains on the (partial) sale of some buildings used by Belfius

- Strong commercial dynamics lead to resilient total revenue base, mainly thanks to:
  - continued lending growth at higher margins
  - volume growth in customer balances, leading to further increasing F&C income, despite material negative impacts from challenging financial markets on life insurance investment results and on fair value of derivatives
  - improved NCR in non-life insurance activity
- Total income amounted to EUR 1,132m in 1H 2020 (vs EUR 1,155m in 1H 2019)

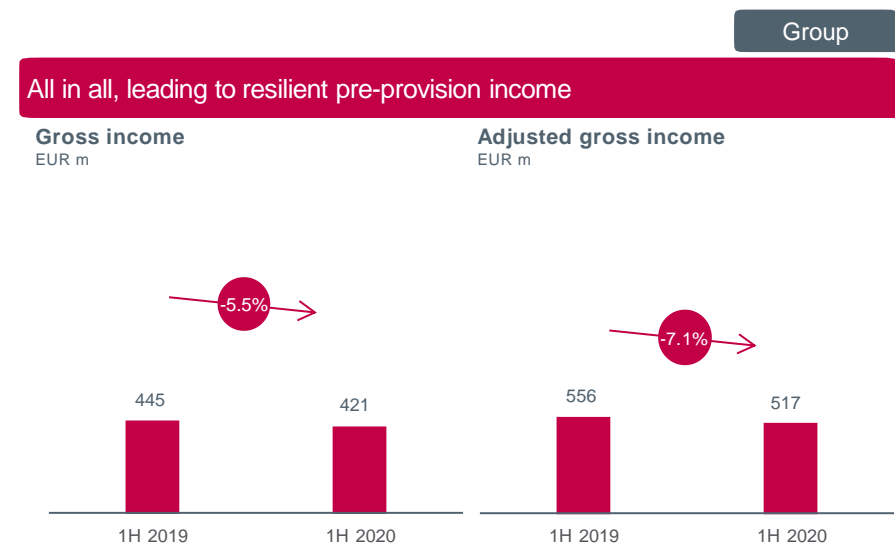
Notes: 1. Full insurance income including non technical insurance income which is also included in group other income figures 2. EUR 205m in 2019. Note that sector levies of Belfius Insurance (EUR 17m in 2019 and EUR 15m in 2020) are included in Insurance income

# These income dynamics, combined with continued cost containment, lead to resilient pre-provision income



- Expenses in 1H 2020 remained stable compared to 1H 2019 thanks to general cost control measures, notwithstanding Belfius' ambitious growth journey driven by digitalization and modernization, hence impacting IT expenses. The excellent service quality that Belfius was able to give to its customers during the Covid-19 lockdown underlines the pertinence of this digital transformation strategy
- Staff expenses decrease in line with this transformation journey, as higher IT/digitalization investments lead to increase of staff costs activation at first
- General expenses decrease thanks to a strict cost control and notwithstanding the strategic initiatives which impact the IT expenses
- Network fees decrease further, in line with the digitalization strategy and continued network density adjustment
- Depreciation costs increase further in line with the intensified IT/digitalization investments

Notes: 1. Average active FTEs



- All in all, the combination of good income dynamics, despite some headwinds from negative financial markets, and well contained operating expenses, while continuing to invest structurally in IT and digitization, leads to resilient pre-provision income at EUR 421m (vs EUR 445m in 1H 2019)

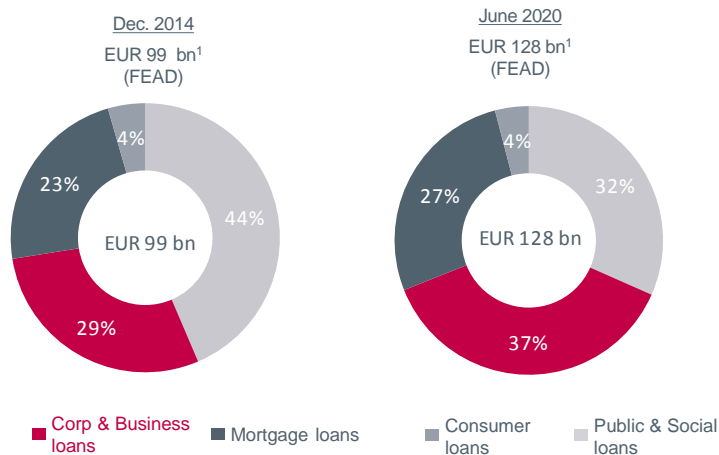
# Zoom on Cost of Risk

## Belfius' well balanced loan portfolio has been screened in detail

From 2015 onwards the commercial franchise has been further developed

### Evolution of the loan portfolio

%



- Belfius, focussing on supporting all segments of the Belgian economy since 2015, developed a balanced loan portfolio
- The mortgage loan portfolio increased from EUR 22.9bn per end 2014 to EUR 34.6bn per end June 2020
- The corporate and business loan portfolio increased from EUR 28.8bn per end 2014 to EUR 47.9bn as per June 2020

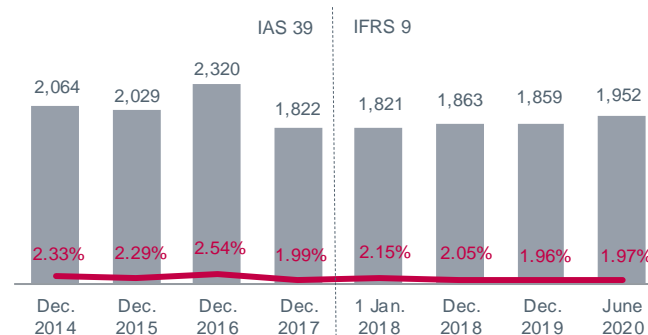
Notes: 1. Bank loan portfolio excluding GC

Low NPL continues to reflect good credit quality of the portfolio

### Evolution of impaired loans to customers

EUR m

Asset quality ratio (—)



- The impaired loans to customers decreased since 2016, reflecting the solid quality of the portfolio. The asset quality ratio has improved from 2014-2016 levels and remains since 2018 more or less stable

# Zoom on Cost of Risk

## IFRS 9 impairment methodology

### IFRS 9 impairment methodology at Belfius and Covid-19 elements

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

### Belfius worked on complementary approach to estimate the cost of risk

#### Pillar 1

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

#### Pillar 2

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

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

**All in all, stress testing was used as complementary tool** which tends to shock the business loans and corporate portfolio by declining turnover, but taking into account an adjustment for their cost of operations to reflect a.o. governmental measures

# Zoom on Cost of Risk

## IFRS 9 macroeconomic scenarios

### Pillar 1: Belfius uses more negative IFRS 9 macroeconomic scenarios

#### Neutral scenario

GDP (% YoY)	2020	2021	2022
Belgium	-10.6	8.2	2.1
Eurozone	-10.9	8.1	3.5
United States	-8.0	4.8	3.5

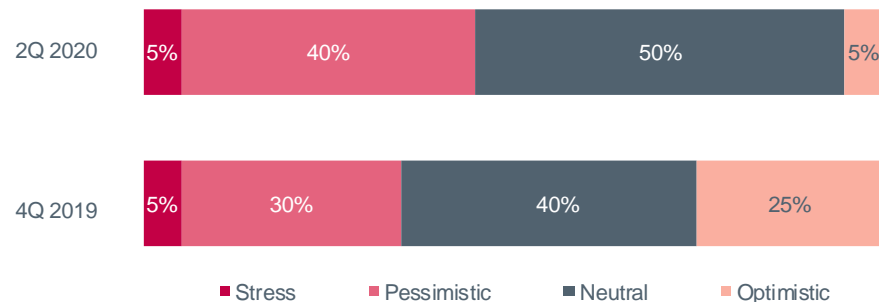
CPI (% YoY)	2020	2021	Unemployment (% YoY)	2020	2021
Belgium	0.2	1.3	Belgium	7.9	8.4
Eurozone	-	-	Eurozone	10.4	9.6
United States	-	-			

#### Four scenarios

GDP Belgium (% YoY)	As of end 2019		As of 2Q 2020	
Scenarios	2020	2021	2020	2021
Optimistic	1.5	-6.0	5.0	
Neutral	1.1	-10.6	8.2	
Pessimistic	0.8	-12.5	6.0	
Stress	-0.5	-13.9	6.4	

### Pillar 1: Belfius materially increased the weight of more negative macroeconomic scenarios

#### Probability weighted forward-looking scenarios



- Due to the Covid-19 crisis, Belfius has adjusted the weights of its four economic scenarios to reflect the Covid-19 crisis' impacts:
  - lower weight to the optimistic scenario and higher weights to the neutral and pessimistic scenarios

# Zoom on Cost of Risk

## IFRS 9 detailed analyses leading to expert overlays

### Pillar 2: Covid-19 impacted (sub)sectors of the corporate and business loan book defined by Belfius

Category 1. Sectors directly forced to stop the major part of their activities due to Government's decision (such as horeca, arts, events and retail trade excluding food)

% of total portfolio (FEAD)<sup>1</sup>

1.4%

Category 2. Other sectors with activities heavily impacted by the social distancing measures (such as travel, transport, airlines, automotive and wholesale trade)

4%

Category 3. Other sectors delivering services to directly impacted sectors in category 1 and 2 (such as construction, shipping, warehousing, non-residential real estate and service companies)

6.7%

Category 4. Sectors that will be suffering from the global economical impact of the crisis (macro-economic effect with demand and production disruptions)

15.3%

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

### Pillar 2: Expert overlays added to mechanical provisioning

#### Risk pockets

Mortgages	Loans at risk: to borrowers using moratorium and loans with indicators reflecting potentially higher risk pockets (buy to let loans, loans to borrowers with low ratings)
Commercial real estate	Sensitive market segments (e.g. retail, leisure, hospitality)
Vulnerable companies	Companies with low ratings belonging to sectors identified as very much impacted by Covid-19 and flagged as having lower resilience
Individual names	Expert analysis pointing to potential increased credit risk (not detected by the mechanical approach) or potential increased risk of default companies (but not yet unlikely to pay)

- Belfius combines the "Covid-19 adjusted" mechanical calculations with expert overlays. These overlay layers are designed to result, overall, in best estimate total coverage of ECL in some specifically identified risk pockets (defined in terms of sectors, groups of companies or individual exposures) when the credit risk is estimated to be (potentially) insufficiently covered by the mechanical provisions
- This analysis, performed by multi-disciplinary teams, is performed starting with the sectors, portfolios and companies considered most at risk. As of end 1H 2020, Belfius screened on a line by line basis, focussing on the most vulnerable sectors, 40% of its total exposure on corporates, SME's and self-employed (at bank level). This review feeds the formal quarterly impairment process and is entitled to shift individual files or risk pockets from stage 1 to 2 and to increase the coverage ratio, for instance, by considering stressed LGD

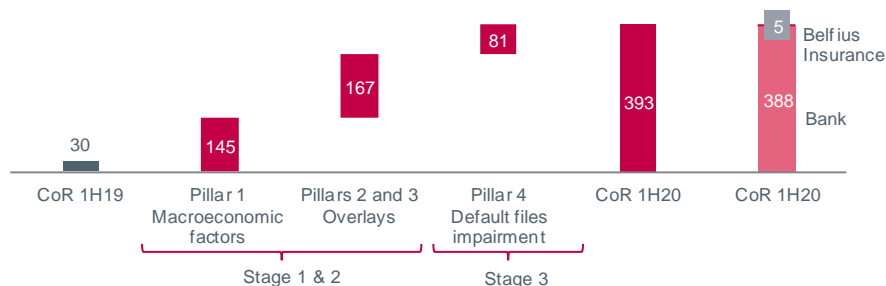


# Zoom on Cost of Risk

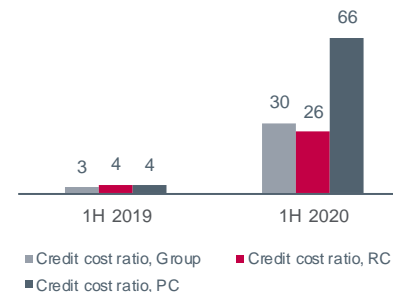
## Resulting cost of risk metrics 1H 2020 (1/2)

### The cost of risk in 1H 2020 – P&L impact

**Cost of risk**  
EUR m



**Credit cost ratio**  
Bps (ytd)



- Belfius' cost of risk approach 1H 2020 is based on four pillars
  - Pillar 1: provisions for stage 1 and stage 2 are calculated in a mechanical way, based on macro-economic assumptions (past & future), taking into account ECB and EBA recommendation
  - Pillar 2: additional expert overlays are added for stage 2 when Belfius' considers that certain risk pockets are not sufficiently covered by the mechanical provisions
  - Pillar 3: additional management adjustment on the ECL in stage 2 if provisions are deemed insufficient when certain individual counterparties indicate significant increased credit risk, but not yet in default
  - Pillar 4: for counterparties in default (stage 3), the normal impairment process is run and specific provisions are calculated and booked
- As a consequence of the Covid-19 crisis, the cost of risk increased strongly from EUR 30m in 1H 2019 to EUR 393m (or 30 bps<sup>1</sup>) in 1H 2020 YTD, with Covid-19 related stages 1 and 2 ex ante provisioning amounting to EUR 312m reflecting economic parameters revised downwards and management overlays, and stage 3 provisioning contributing for EUR 81m, including some additional specific impairments for a number of corporate loans that were already higher risk profile pre-Covid-19 crisis and that shifted to default during 1H 2020

Notes: 1. Calculated as the 1H 2020 YTD cost of risk divided by first half 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

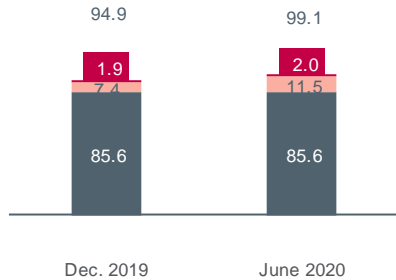
# Zoom on Cost of Risk

## Resulting cost of risk metrics 1H 2020 (2/2)

### Asset quality metrics 1H 2020 – Consolidated Bank balance sheet

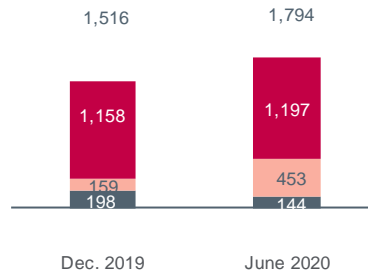
#### Gross outstanding loans to customers

EUR bn



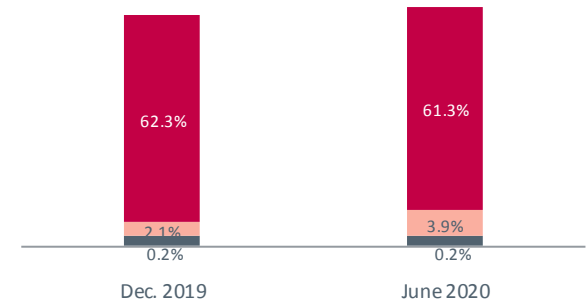
#### Stock of impairments on loans to customers

EUR m



#### Coverage ratio

%



■ Stage 1    ■ Stage 2    ■ Stage 3

- On the B/S this leads to a material increase of outstanding stock of impairments under IFRS9, from EUR 1.7bn end 2019 to EUR 2.0bn in 1H 2020. IFRS9 impairments related to “loans and advances to customers” increased from EUR 1.5bn end 2019 to EUR 1.8bn end 1H 2020
- The increase is especially material, due to Covid-19 crisis, in stage 2, from revised economic parameters and management overlays, including as a result of migration of files from stage 1 to stage 2.

# Covid-19 crisis related cost of risk is leading to materially lower Net Income

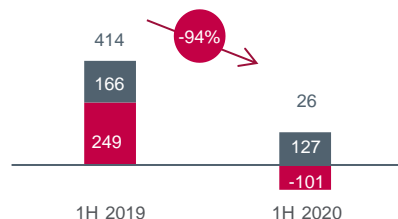
Group

## Decreasing NIBT

### Net income before tax

EUR m

■ Insurance  
■ Bank



- Net income before tax amounted to EUR 26m, compared to EUR 414 m in 1H 2020, lower mainly due to a sharp increase of the cost of risk in this Covid-19 context

Group

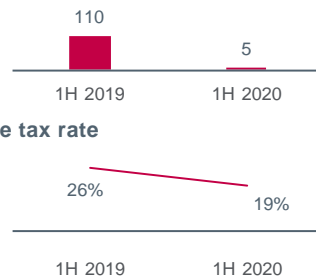
## Lower tax expenses

### Tax expenses

EUR m

### Effective tax rate

%



- Consolidated tax expenses amount to EUR 5m in 1H 2020 (ETR 19%), compared to EUR 110m in 1H 2019 (ETR 26%)
- At the bank, negative NIBT (EUR -101m) leading to positive corporate taxes of EUR 34m, and positive NIBT (EUR 127m) at Belfius Insurance, leading to a corporate tax charge of EUR -39m

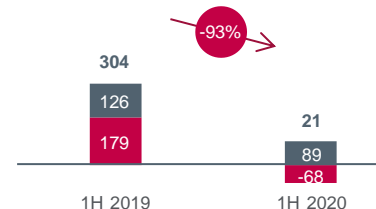
Group

## All-in-all lower net income

### Net income

EUR m

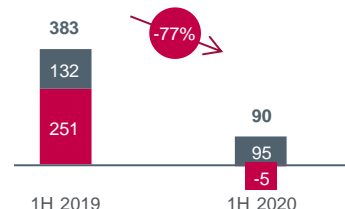
■ Insurance  
■ Bank



### Adjusted net income

EUR m

■ Insurance  
■ Bank



- All in all leading to a net income of EUR 21m in 1H 2020 compared to EUR 304m in 1H 2019
- Excluding special items (see appendix), net income of EUR 90m in 1H2020 down from EUR 383m in 1H 2019

## 4. Segment results

### 1. RC

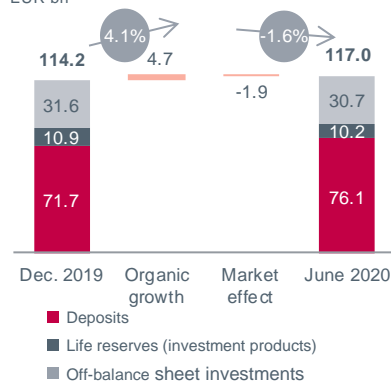
- **Retail & Commercial segment showing continued strong commercial momentum:**
  - customer savings & investments (+2%): strong organic growth (EUR +4.7bn) since end 2019, combined with a negative market effect (EUR -1.9bn). Very strong organic growth in non-maturing deposits (EUR +5.1bn), but also, despite Covid-19 crisis, in off balance sheet products (EUR +0.7bn), showing resilience of our investment services franchise.
  - outstanding loans to customers (+3%) continue to grow in mortgage and business segments
  - continued strong performance in GWP non-life (+4.3%), especially via bank distribution channel (+11.4%)
- **A strong digital track record in mobile - omnichannel banking**
  - further increase of Belfius' active mobile users: almost 1.5m 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
  - social distancing during Covid-19 gave additional boost to customer transactions via remote channels: e.g. in 1H 2020, 70% of the new pension savings contracts were subscribed via direct channels
- Covid-19 crisis resulted in material increase in savings rates, and as such in higher volumes on sight and savings accounts. Strong RC loan volume growth at loan margins on average slightly above margins on stock could not fully offset the interest margin pressure on these non-maturing deposits due to persistent low interest rates and the legal tariff floor on savings deposits, all-in-all leading to a **slightly decreasing NII**
- **Strong increase in fee & commission income** thanks to the good development of fees from (i) classical Life and non-life insurance products sold through bankinsurance channels, (ii) payment services due to higher client equipment and transaction volumes and (iii) excellent activity in investment services resulting in higher entry and management fees (in bps)
- **Lower insurance income contribution** as a result of strong decrease of life insurance income mainly due to lower investment returns due to financial markets turmoil (especially in 1Q 2020), partially offset by excellent RC non-life results as a consequence of a drop in claims frequency during the lockdown period
- **Operating expenses stable** compared to 1H 2019, benefitting from strict cost controls, even considering the continued investments in strategic priorities such as Investment Services, IT and digitization
- **Resilient pre-provision income** of EUR 333m (vs EUR 339m in 1H 2019)
- The **cost of risk in RC** was materially negatively impacted by the Covid-19 crisis, especially on the business loan segment
- All-in-all, lower **net income of EUR 143m**, down from EUR 236m in 1H 2019 (i.e. -39%)

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

## Solid growth in Savings & investments and loans to customers

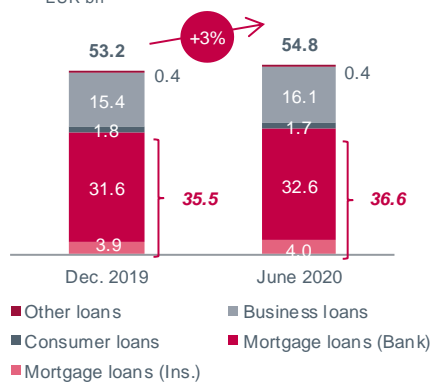
### Outstanding savings & investments

EUR bn



### Outstanding loans to customers

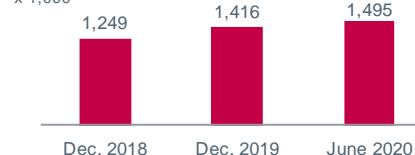
EUR bn



## Growing activity on direct channels

### Active mobile users

x 1,000



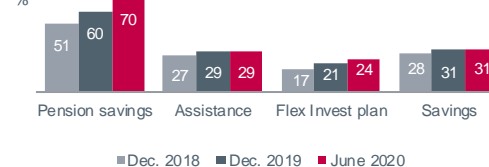
### Credit cards



~45% of credit cards are sold through direct channels<sup>1</sup>

### Sales through direct channels<sup>1</sup>

%



### Customer equipment rate

3.11

Products per customer

- Retail & Commercial continues to show overall excellent activity dynamics, although there is some income pressure from continuing growth of non-maturing deposits:
  - strong organic growth (EUR +4.7bn), both in non-maturing products (EUR +5.1bn) as in off-balance sheet products (EUR +0.7bn), testimony of strong investment franchise of Belfius, despite the fact that negative market effect (EUR -1.9bn) slightly weighed on life insurance and off-balance sheet investments
  - outstanding loans increased by EUR 1.6bn (+3%) compared to Dec. 2019. The increase is driven by a strong growth in business loans (+4.0%) and mortgage loans (+2.8%)

- Increasing customer engagement resulting into steady increase of active mobile users (+6% vs. Dec. 2019), with on average 35 logins per active user in the month of June 2020. 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 1H 2020, 70% of the new pension savings contracts, 45% 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 (3.11 in 1H 2020), supported by increasing direct sales

Notes: 1. Belfius' direct channels are Belfius Connect, Belfius Mobile (smartphone and tablet) and Belfius Direct Net (computer); 2. As published by Trends-Tendence (February 2020) following a study by Sia Partners

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

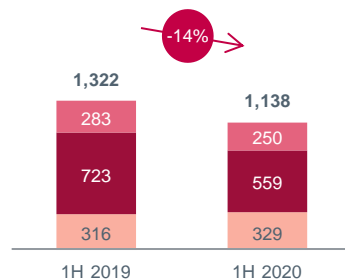
Retail & Commercial

Insurance

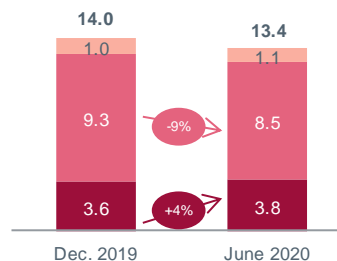
Bank-Insurance

## Insurance sales & reserves in line with product mix evolution

**Insurance production**  
EUR m



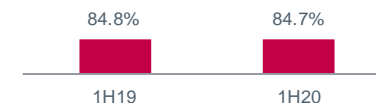
**Insurance reserves**  
EUR bn



## Continuously solid bank-insurance cross-sell

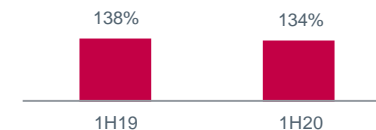
**Property insurance**

Belfius Home & Family cross-sell (%)



**Credit linked Life insurance**

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



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

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

- RC non-life insurance premiums in 1H 2020 stood at EUR 329m, up 4.3% compared to 1H 2019, boosted by the bank distribution channel (+11.4%)
- RC Life insurance (unit-linked and traditional) production stood at EUR 809m in 1H 2020<sup>1</sup>, down 19.6% compared to 1H 2019<sup>2</sup>
  - unit-linked (Branch 23) production decreased by -22.7% as 1H 2019 was a particularly strong half year in the production of Branch 23 and 1H20 was adversely impacted by the Covid-19 crisis
  - traditional Life (Branch 21/26) production decreased with 11.8% following the low interest rates environment as guaranteed rates are continuously at historical low levels
- Total RC insurance reserves stood at EUR 13.4bn: unit-linked reserves increased by 4.3% even after negative market effect due to Covid-19 crisis, while traditional life reserves decreased by 8.8%, 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 331m GWP and EUR 477m transfers; 2. of which EUR 454m GWP and EUR 552m transfers; 3. Mortgage-related cross-selling ratio based on contractual data and showing the average insured amount compared to the mortgage.

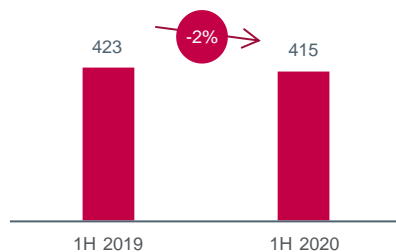
# Increase in non-maturing deposits continues to put pressure on bank NII, however more than compensated by strongly increasing fees

Bank

## Resilient NII in a continuously low interest rate environment

### Net interest income

EUR m



- Slight decrease of RC NII amounting to EUR 415m as of June 2020:
  - driven by margin pressure on outstanding non-maturing deposits due to the persistent low interest rate environment and increasing volumes
  - though almost fully compensated by the strong growth in RC loan volumes (especially in mortgage and business loans) at margins still slightly above the margins in the RC loan stock

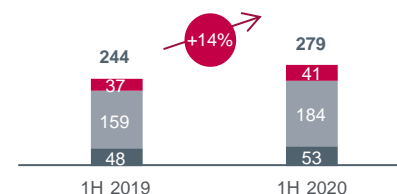
Bank

## Strong Fee & Commission income

### F&C income

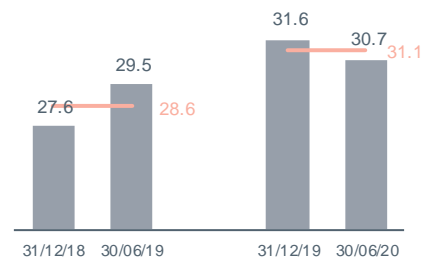
EUR m

- 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 (■) and average (—)



- Strongly increasing fee and commission income (+14.4%):
  - good development of fees from (classical Life and non-life) insurance products sold through bankinsurance channels (especially on Credit linked Life insurance product, in line with the high production of mortgage loans)
  - fees from payment services in RC segment increased mainly thanks to higher transaction volumes
  - increasing fees from savings & investments mainly following strong activity and higher average volumes leading to higher entry and management fees (in bps)

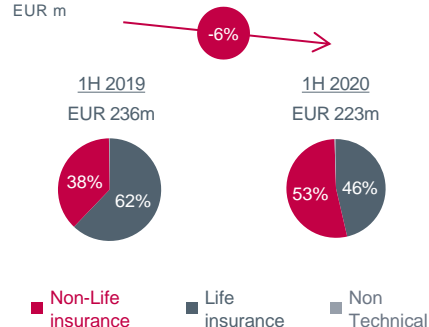
# Lower life insurance and other income, partially compensated by strong increase of non-life income, leads to overall resilient total income

## Insurance

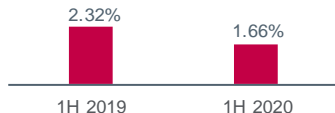
### Good contribution from insurance

#### Insurance income

EUR m



#### Life margin



#### Non-life net loss ratio

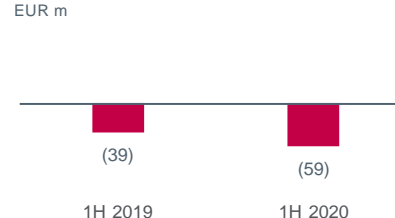


## Bank-Insurance

### Other income

#### Other income

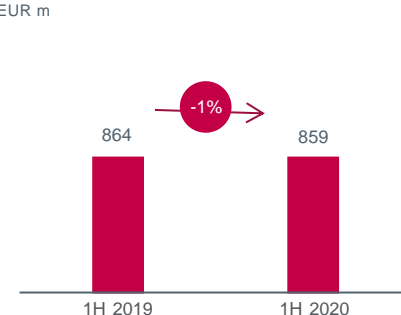
EUR m



### Resilient total income

#### Total income

EUR m



- RC Insurance results show decrease in life income and an increase in non-life income, resulting from :
  - life insurance contribution amounted to EUR 105m, down -29% in 1H 2020 compared to 1H 2019 mainly driven by a negative evolution stemming from (i) decreasing outstandings in Branch 21 products (low interest rate environment) (ii) lower investment returns on assets covering the life reserves, due to financial markets' impacts on financial instruments booked in fair value through P&L<sup>1</sup>
  - non-life Insurance contribution reached EUR 120m (+34% vs. 1H 2019) as a result of a drop in claims frequency leading to an important decrease of the claims charge, despite important claim charges for natural catastrophes in the first quarter of 2020

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

- Slightly decreasing revenues (-0.6%) demonstrating the resilience of Belfius' RC business model in the context of the adverse sanitary and macroeconomic environment

Notes: 1. Life margin without this specific impact in fair value through P&L would have been 1.94%



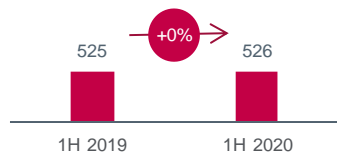
# Strategic initiatives with further investments in Investment Services, IT and digital are executed within strict overall cost control framework. Covid-19 related cost of risk much higher than in 1H 2019

Retail & Commercial

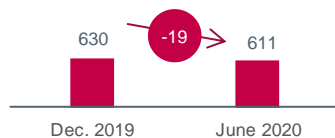
## Well controlled operating expenses

### Expenses

EUR m

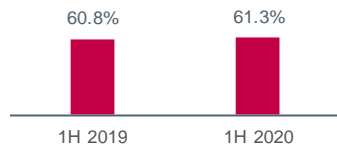


### # bank branches



### Cost-Income ratio

%



### Non-life expense ratio

%

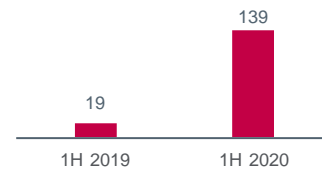


- Expenses in 1H 2020 remained stable compared to 1H 2019 thanks to cost control measures notwithstanding Belfius' ambitious growth journey driven by digitalization and modernization, hence impacting IT expenses
- Belfius continues to adjust step by step its physical branch network, in line with customer behaviour, digitalisation trend and bank-insurance platform integration
- Slightly decreasing RC income combined with contained costs lead to a slight increase of the cost-income ratio to 61.3% (from 60.8% in 1H 2020)

## Low risk profile

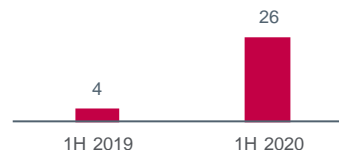
### Cost of risk

EUR m



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

In bps

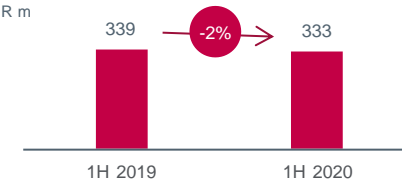


- Deterioration of the credit cost ratio and cost of risk, heavily impacted by the Covid-19 crisis, of which
  - business loans: EUR 116.6m CoR in 1H 2020 (74 bps)
  - mortgage loans (Bank): EUR 14.8m CoR in 1H 2020 (4.6 bps)
  - consumer loans: EUR 1.9m CoR in 1H 2020 (11bps)

## Resilient pre-provision income, lower net income

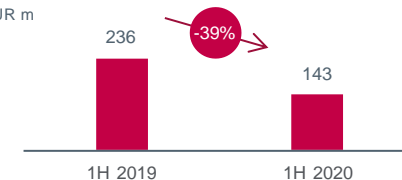
### Gross income

EUR m



### Net income

EUR m



- Resilient pre-provision income of EUR 333m (vs EUR 339m in 1H 2019), showing well diversified business model of RC
- Total net income amounts to EUR 143m in 1H 2020 (down from EUR 236m in 1H 2019)

Notes: 1. Year to date figure, calculated as the 1H 2020 YTD cost of risk divided by first half average outstanding loans for the segment

## 4. Segment results

### 2. PC

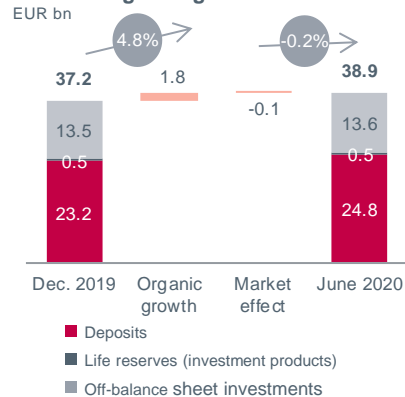
- Even more relevant during Covid-19 crisis times, **Public & Corporate** continues to develop into full-blown bank for Belgian corporates, and remains the leading full service provider in the Belgian Public & Social segment
  - Strong increase in loans to Belgian Corporates (+11%)
  - Continued momentum in Debt Capital Markets; participation rate of 87% with Public and Social segment clients respectively 55% with corporate clients in Belgian market
  - 7 capital market transactions within Equity Capital Markets for various corporate clients continuously building on the partnership with Kepler Cheuvreux
- **Growing NII** thanks to higher loan volumes, especially in the Corporate segment, also thanks to the pre-payment interests booked on a restructuring of a material leasing file in the first quarter of 2020
- **Slightly increased contribution of fees and commissions**
- **Decreasing income contribution from insurance activities** due to (i) lower investment returns on life insurance reserves due to impact from financial instruments booked in fair value through P&L, (ii) despite increasing contribution from non-life insurance activities, thanks to improving NCR
- **Slight increase of operating expenses**, as result of strong development of activities and investments in IT and digitalization, however also in PC segment partially compensated by overall strict cost control
- **Resilient pre-provision income** of EUR 167m (vs EUR 176m in 1H 2019)
- **Increase of the credit cost ratio** on the Corporate segment, as explained before due to the strong macroeconomic downturn linked to the Covid-19 crisis, as well as linked to some specific corporate loans which negatively impacted stage 3 impairments in 1H 2020
- All-in-all leading to a **net income** of EUR -83m in 1H 2020, compared to EUR +117m in 1H 2019

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

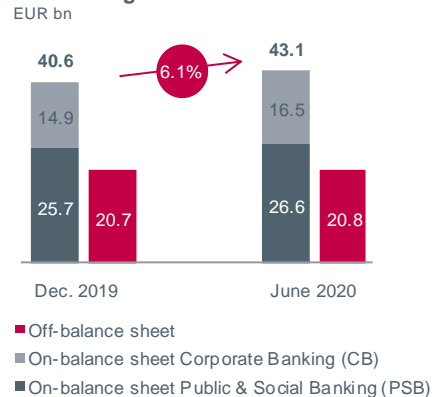
Public & Corporate

## Savings & investments and loans & commitments to customers

### Outstanding savings & investments



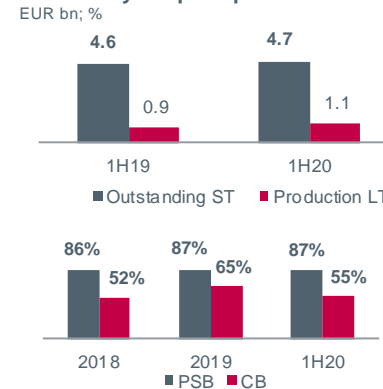
### Outstanding loans and commitments



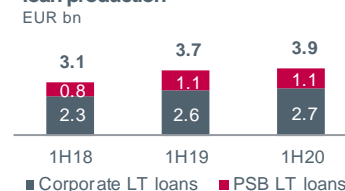
- Public & Corporate continues to grow towards full-blown lead bank for Belgian corporates and continues to stay the reference for the Public & Social segment:
  - total customer balances amounted to EUR 38.9bn, up 4.6% compared to end 2019, with organic growth of EUR 1.8bn largely exceeding the limited negative markets effect of EUR -0.1bn
  - strong support during Covid-19 crisis and continued commercial strategy towards Belgian corporates resulted in a 10.5% increase of outstanding loans to EUR 16.5bn as per June 2020
  - outstanding loans in PSB also increased but to a more limited extent, by 3.6%, to EUR 26.6bn, in line with Belfius' support during Covid-19 crisis,

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

### DCM activity and participation rate



### PSB and corporate long term loan production<sup>1</sup>



### Equity Capital Markets (ECM)

7 Transactions in 1H 2020

- PC clients maintain diversified financing profiles through DCM activity
  - during 1H 2020, Belfius has placed a total funding amount of EUR 4.7 billion short 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 55% in new LT bond issuances, Belfius also confirmed during 1H 2020, its position as leader in bond issues for Belgian corporates
- The production of corporate LT loans reached EUR 2.7bn, slightly higher than in 1H 2019. Production of PSB LT loans remained stable and amounted to EUR 1.1bn in 1H 2020
- Belfius also structured and placed a total of 7 capital market transactions within ECM for various corporate clients in close cooperation with Kepler Cheuvreux with whom Belfius executes a strategic partnership since November 2017

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

# Price discipline and strong momentum with corporates driving NII expansion

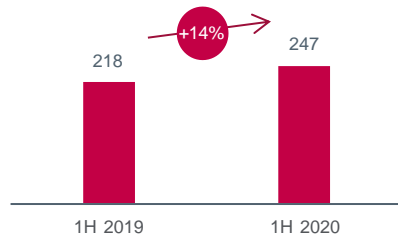
Public & Corporate

Bank

Increasing net interest income despite adverse rate environment

## Net interest income

EUR m



- Increasing bank NII in PC to EUR 247m, mainly thanks to the growth of loans to the corporate segment, at higher margins than on stock, also benefitting from the pre-payment interests booked on a restructuring of a material leasing file in the first quarter of 2020

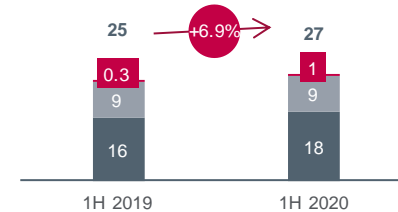
Bank

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 slight increase of fee and commission income

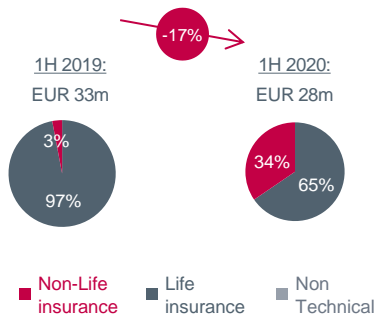
# Lower insurance contribution and other income compensating the NII expansion, leading to slightly decreasing PC income

## Insurance

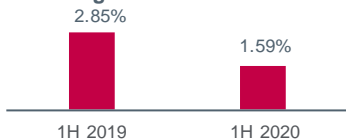
### Decrease of insurance contribution

#### Insurance income

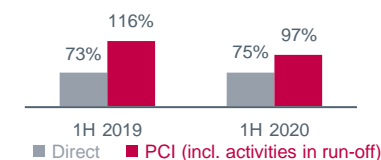
EUR m



#### Life margin



#### Non-life net loss ratio

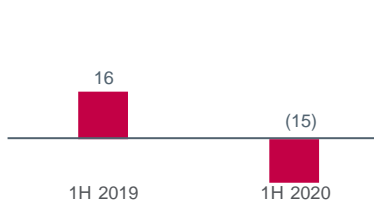


## Bank-Insurance

### Slight decrease of revenues

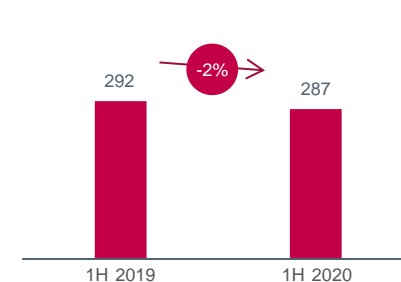
#### Other income

EUR m



#### Total income

EUR m



- PC life insurance results evolving negatively in 1H 2020 due to the impact of Covid-19 crisis on the investment return on financial assets booked at fair value through P&L covering life reserves
- Non-life result was positively impacted thanks to positive results on claims from the past and lower current year claims charge as a consequence of the lock-down

- Other income 1H 2020 negatively impacted by financial markets turmoil (especially in 1Q 2020), a.o. resulting in additional fair value adjustments on non-collateralized derivatives with PC customers

- Higher net interest income and resilient fee and commission income, combined with lower insurance and other income lead to a slightly decreasing PC total income, to EUR 287m in 1H 2020

# Strategic initiatives with further investments in Corporate Banking, IT and digital, are executed within strict overall cost control framework.

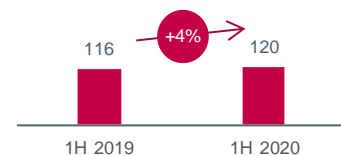
## Cost of risk materially higher than in 1H 2019, due to Covid-19.

Public & Corporate

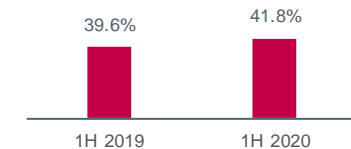
### Costs remain well contained

#### Expenses

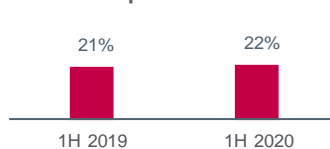
EUR m



#### Cost-Income ratio



#### Non-life expense ratio

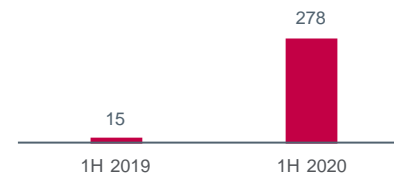


- The impact of Belfius' strategic development and digital and IT investment programs is partially compensated by strict cost control measures
- Reported Cost-Income ratio (41.8%) still at a level below group average

### Cost of risk impacted by Covid-19 crisis

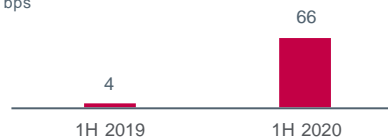
#### Cost of risk

EUR m



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

In bps

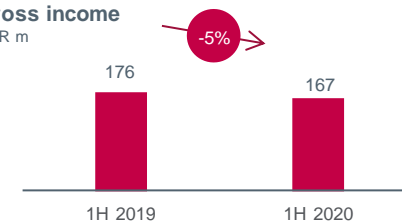


- Increase of the credit cost ratio mainly stemming from the strong macroeconomic downturn linked to the Covid-19 crisis, and stemming from our expert judgement analysis and from some Corporate Banking loans that were already showing higher risk profiles pre-Covid-19 crisis, and that shifted to default (stage 3) status in 1H 2020
- Corporate loans: EUR 276m CoR in 1H 2020 (176bps)

### Resilient pre-provision income, but net income in negative territory

#### Gross income

EUR m



#### Net income

EUR m



- Overall, pre-provision income PC shows some resilience, as is the case in RC
- Due to Covid-19, the negative evolution in cost of risk brings net income of PC to a net loss of EUR -83m in 1H 2020

Notes: 1. Year to date figure, calculated as the 1H 2020 YTD cost of risk divided by first half average outstanding loans for the segment

## 4. Segment results

### 3. GC

- **GC income amounted to EUR -14m** mainly due to the impact of the Covid-19 crisis on financial markets, although the net interest income increased thanks to better interest rate transformation results and improved treasury income, and some capital gains on the sale of some buildings
- **Costs decreased** from EUR 69m in 1H 2019 to EUR 65m in 1H 2020, benefitting from general cost control framework
- **Pre-provision income GC** slightly lower than in 1H 2019 (EUR-79m vs EUR -70m) due to financial markets impacts, especially on fair value impacts for funding and credit value adjustments
- **The cost of risk** booked in GC stood at (a net reversal of) EUR +24m in 1H 2020, compared to EUR +3m in 1H 2019, mainly related to the partial reversal of a stage 3 impairment after reassessment of potential outcome scenarios
- **GC net income before tax** amounted to EUR -55m, compared to EUR -66m in 1H 2019
- All in all, **GC net income is slightly better than last year** despite the impact of Covid-19 and stood at EUR -38m in 1H 2020 compared to EUR -49m in 1H 2019
- The **run-off portfolios continue their progressive (natural) run-off**, helped by some opportunistic derisking actions (unwind of some collateralized and novation of some uncollateralized derivatives)

# Reminder – summary overview of Belfius' Group Center

Belfius' Group Center (notional amounts as of June 2020)

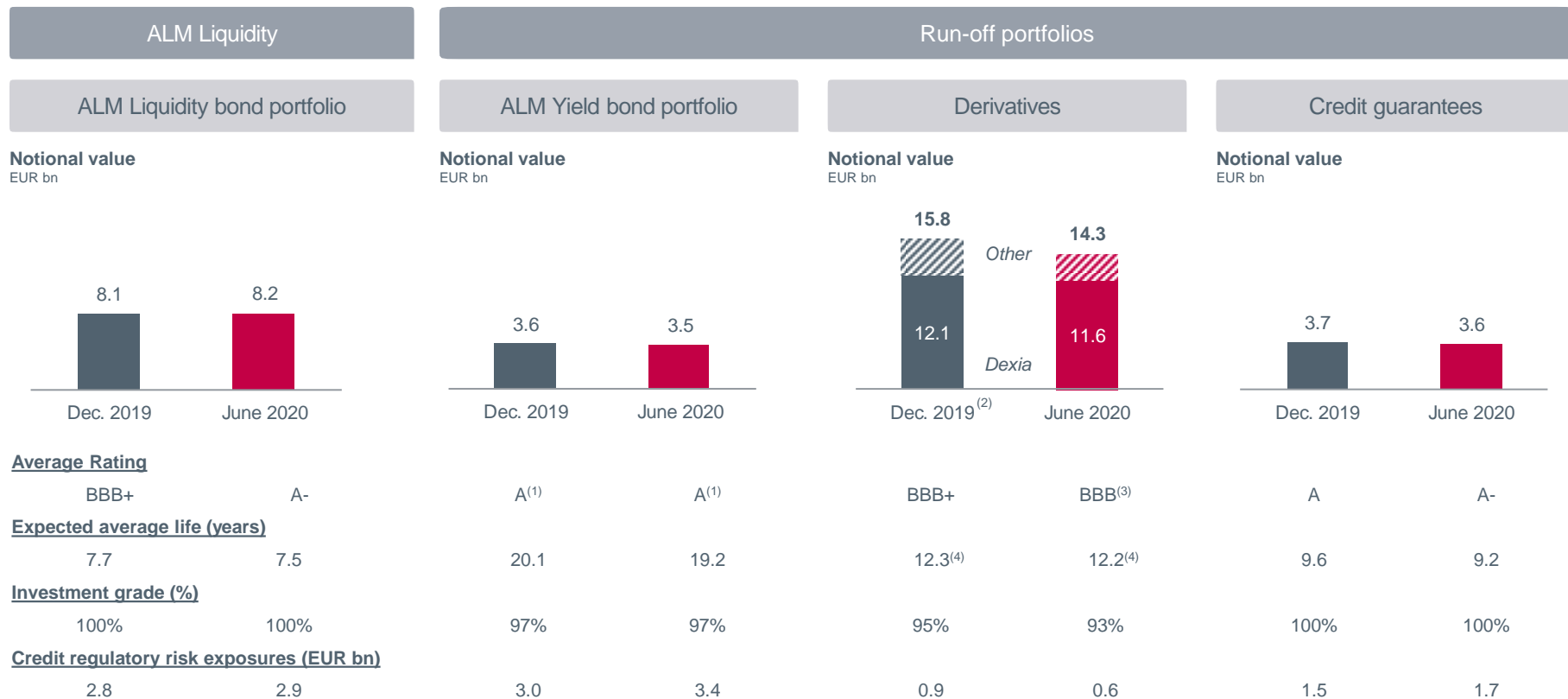
		Bond portfolio		Derivatives and guarantees	Other GC activities
		ALM Liquidity	Run-off ALM Yield	Run-off portfolio	
		<ul style="list-style-type: none"> <li>LCR eligible bonds (EUR 8.2bn)</li> </ul>	<ul style="list-style-type: none"> <li>Non-LCR eligible bonds (EUR 3.5bn)</li> <li>Bought credit protection for some ALM yield bonds</li> </ul>	<ul style="list-style-type: none"> <li>Collateralized derivatives with Dexia entities, intermediated and hedged with Financial Markets (notional of EUR 11.6bn)</li> <li>Non-collateralized derivatives with international counterparts<sup>1</sup> (notional of EUR 2.7bn)</li> <li>Credit guarantees: protection given, partly reinsured with monolines (notional of EUR 3.6bn)</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 ~19 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 from 2020 onwards, collateralized derivatives with international counterparts are considered as non-legacy derivative exposure, hence not part of the run-off portfolio anymore



# Evolution of GC portfolios

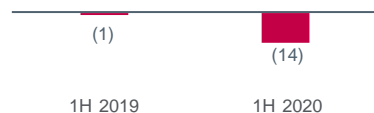


Notes: 1. Includes rating impact from bought credit protection for some ALM yield bonds; 2. Pro forma figure, please note that Kofiba (ex-Dexia Kommunalbank Deutschland / DKD) bought in 2Q 2019 by Helaba and therefore out of Dexia Group is now a collateralized derivative on a foreign counterparty and therefore not more reported here; 3. Decrease in average rating relates to derisking action (novation of uncollateralized derivatives from a AA-rated counterpart); 4. Calculated based on EAD

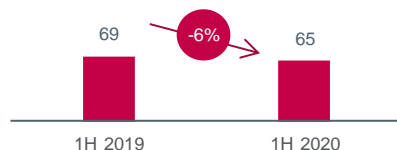
# Lower income and lower expenses combined with higher release in CoR lead overall to a slightly less negative net income for GC

## Income lower and expenses slightly better

### Income EUR m



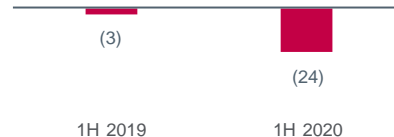
### Expenses EUR m



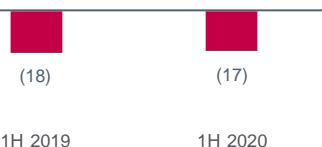
- GC income amounted to EUR -14m in 1H 2020 mainly due to the impact of the Covid-19 crisis on financial markets, although the net interest income increased thanks to better transformation results and improved treasury income, and some capital gains on the sale of some buildings
- Costs decreased from EUR 69m in 1H 2019 to EUR 65m in 1H 2020, benefitting from general cost control framework

## Higher release in CoR and stable tax benefit

### Cost of risk EUR m



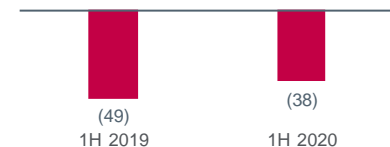
### Tax expenses EUR m



- The cost of risk stood at EUR +24m in 1H 2020, compared to EUR +3m in 1H 2019, mainly related to the partial reversal of a stage 3 impairment after reassessment of potential outcome scenarios
- GC tax benefit stable at +17m in 1H 2020 compared to EUR +18m in 1H 2019, mainly as a result of positive corporate taxes on losses in the group center activities managed in Belgium, and absence of corporate taxes in the group center activities (large part of Run Off portfolio's) managed in Ireland

## All-in-all leading to a slightly lower net loss

### Net income EUR m



### Adjusted net income EUR m



- All in all, **GC net income** is slightly better than last year and stood at EUR -38m in 1H 2020 compared to EUR -49m in 1H 2019. Adjusted net income rather stable at EUR 30m

## 4. Segment results

### 4. RoE

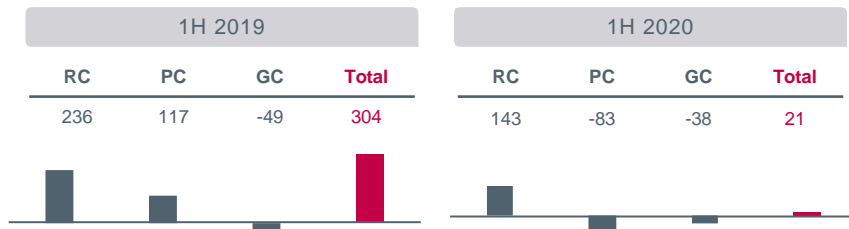
- Belfius' strategy is based on the development of a **strong commercial franchise** that is to be supported by **solid risk and financial profile** foundations, a strategy even more relevant since the Covid-19 crisis
- This translates into **growing commercial activities, further growing their footprints in a through the cycle profitable way** and investments in future business model developments, on the basis of solid solvency foundations
- Of course, the unprecedented adverse impact of the Covid-19 crisis has put the RoAE under pressure. RoAE stood at 0.5% in 1H 2020 compared 6.8% in 1H 2019 mainly as a result of the increased cost of risk in 1H 2020. For RC, the RoAE stood at 9.9% compared to 17.9% in 1H 2019, whereas the RoAE for PC stood at -6% in 1H 2020 compared to 9.5% in 1H 2019.

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

## Decreasing net income for RC and PC and increasing RWA

### Net income

EUR m



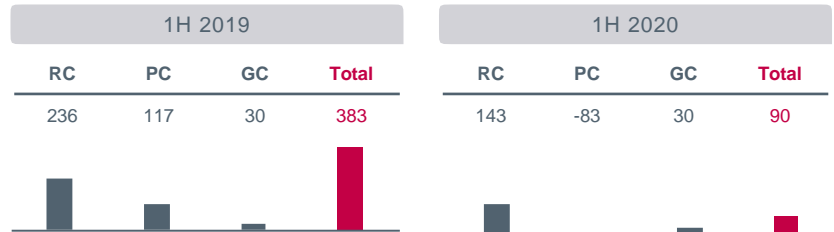
### RWA

EUR bn

RC	PC	GC	Total
20.1	19.8	14.9	54.8
21.7	20.8	14.2	56.6

### Adjusted net income

EUR m



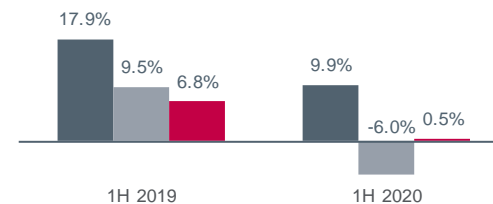
### RWA

EUR bn

RC	PC	GC	Total
20.1	19.8	14.9	54.8
21.7	20.8	14.2	56.6

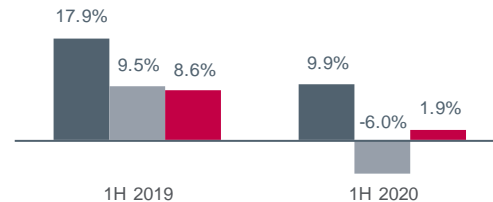
## Low RoAE at group level due to high CoR

### Return on Average Equity



■ RoNRE<sup>1</sup> RC ■ RoNRE<sup>1</sup> PC ■ RoAE Group

### Adjusted Return on Average Equity



■ RoNRE<sup>1</sup> RC ■ RoNRE<sup>1</sup> PC ■ RoAE Group

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

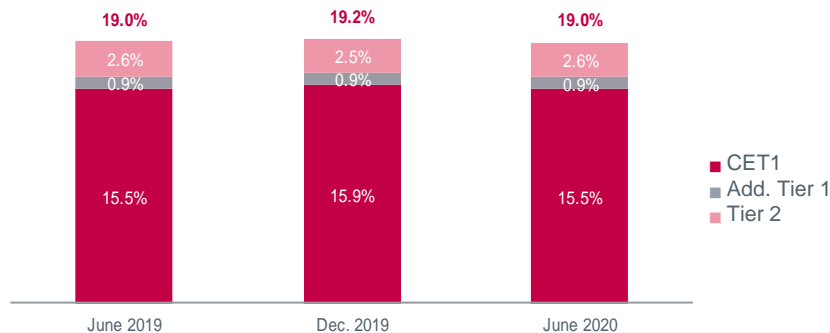
## 5. Financial solidity

- Even though deploying a strategy to continue to put our capital at work to support our commercial dynamics and to support our customers during the Covid-19 crisis, Belfius continues to **show solid solvency metrics**:
  - CET1 ratio of 15.5% as of end June 2020, down 33 bps compared to December 2019 mainly as a result of (i) the prudential result and (ii) extremely slight increase in risk weighted assets. The latter reflects opposite developments. Credit risk exposures have continued to increase as a result of strong commercial dynamics and temporary add-on from the regulator (New Definition of Default), mitigated however by the anticipation of the CRR2 quick fix (SME supporting factor). CVA RWA has sharply reduced as result of active balance sheet management (derivatives unwind and new CVA hedges), despite decrease of interest rates, (iii) market evolutions (especially declining stock markets following the Covid-19 pandemic), and (iv) Covid-19 relief measures and the accelerated implementation of certain regulatory changes
  - Continued solid leverage ratio of 5.6%
- This solid capital base still **compares well to Belfius' minimum SREP level and internally defined minimum operational zone**
  - Minimum CET1 supervisory requirement currently set at 9.625% for 2Q 2020 compared to 10.82% for end 2019. The lower CET1 supervisory requirement follows (i) decisions of various national supervisors to release the countercyclical buffer rates due to the Covid-19 crisis and (ii) the implementation of the notification of the ECB measure whereby P2R (Article 104-a of CRD IV) can be partially met with capital instruments that do not qualify as Common Equity Tier 1 (AT1 and Tier 2 instruments)
  - CET1 of 15.5% well above the internally defined minimum operational CET1 ratio range of 12.5% to 13.5%
- **Insurance activities also show continued solid solvency metrics**, with Solvency II ratio of 215% end of June 2020
- **Continued strong liquidity and funding profile**
  - LCR of 134% and NSFR of 122%
  - Liquid assets as of end 1H 2020 representing 8.9x one year wholesale refinancing needs, partly supported by additional (retained) covered bonds
  - Loan to deposit ratio (for commercial balance sheet) roughly stable at 92%
- **Asset quality clearly impacted by Covid-19 crisis**
  - As explained in the specific zoom on Cost of Risk, Belfius increased its LLP for loans to customers from EUR 1.5bn end 2019 to EUR 1.8bn in 1H 2020
  - As of end 1H 2020, the Covid-19 crisis mainly translated into materially higher Stage 2 provisions (going from EUR 159m end 2019 to EUR 453m as of 1H 2020), and migrations to Stage 3 remained rather modest so far, leading to rather stable NPL ratio of 1.97% as per June 2020 (vs. 1.96% in Dec. 2019). This combined with continued solid provisioning coverage for NPL, translated into a coverage ratio of 61.3% as of 1H 2020 (vs. 62.3% in Dec. 2019)

# Belfius continues to show solid capital and leverage ratios

Group

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



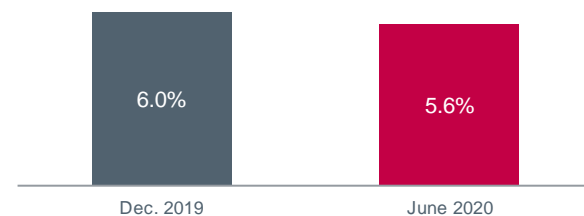
EUR m

	June 2019	Dec. 2019	June 2020
CET1	8,508	8,941	8,793
T1	9,005	9,438	9,290
CAD	10,408	10,830	10,750
RWA	54,793	56,398	56,643

- CET1 ratio stood at 15.5%, 33bps down compared to Dec. 2019 as a result of negative effects of lower CET1 capital (-26 bps) and higher total risk exposure (-7 bps)
- Total Capital ratio stood at 19.0%

Bank

## Leverage ratio<sup>2</sup>



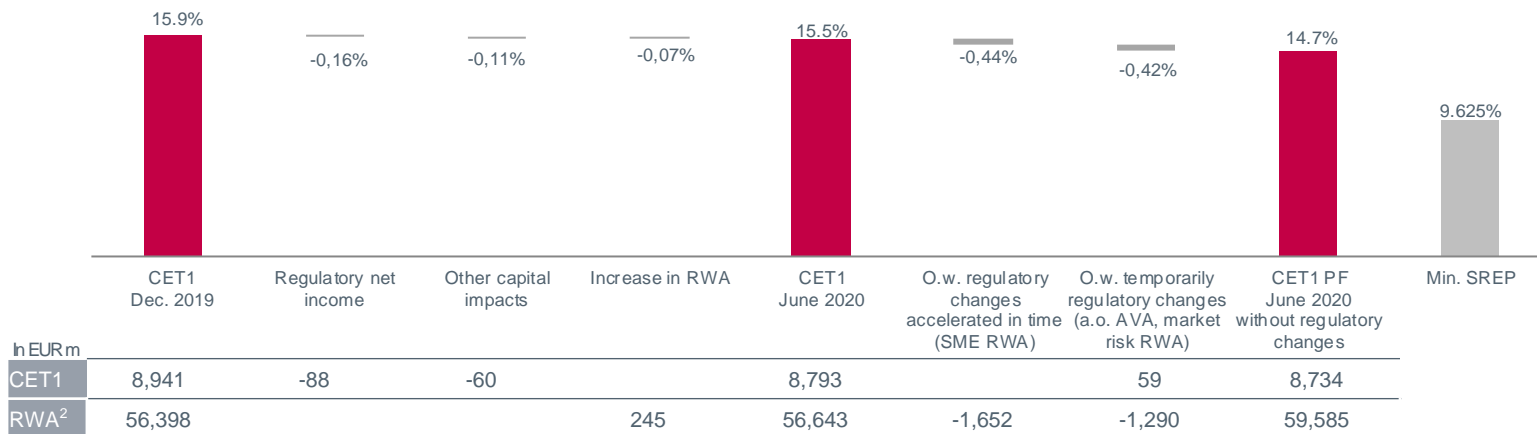
- Leverage ratio stood at 5.6%<sup>3</sup>, down 38 bps compared to Dec. 2019
- The decrease is the result of negative effects from the lower level of Tier 1 capital (-9 bps) and the higher total leverage exposure measure (-29 bps) mainly from higher volumes of loans to customers and an increase in securities financing transactions exposures due to increased off balance commitments, partially offset by a Covid-19 relief measure allowing banks to exclude some Central Bank exposure from the total leverage exposure measure

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; 2. Based on the prudential consolidation perimeter, where Belfius Insurance is considered as an external party (hence not consolidated); 3. The leverage ratio without the allowed Covid-19 relief measure to exclude part of the exposures to Central Banks amounts to 5.3%

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

Group

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

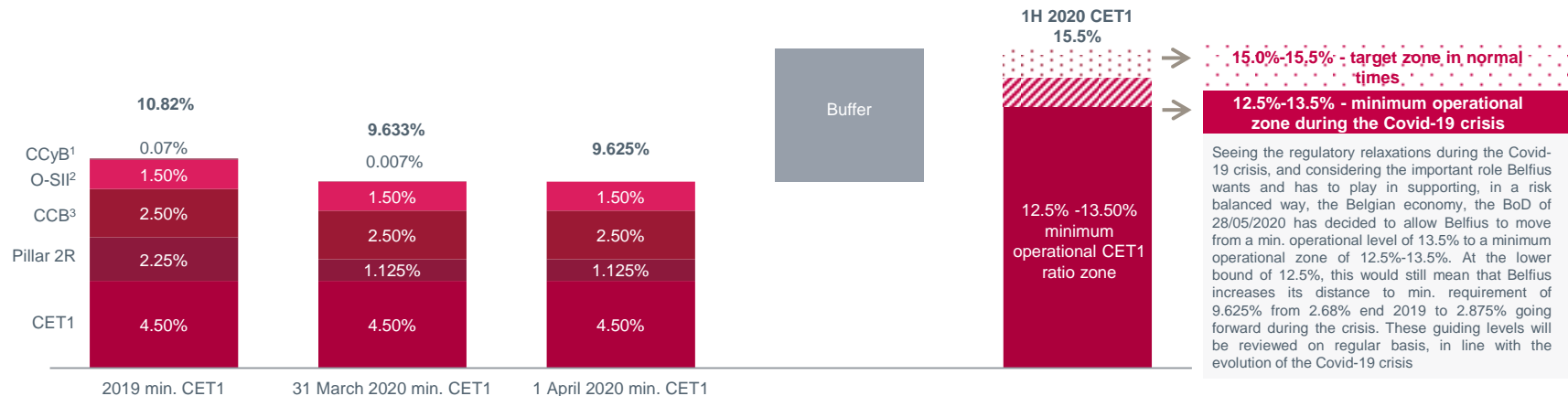


- CET1 capital slightly decreased due to the net income (prudential scope) of EUR -88m in 1H 2020 and some other capital impacts (a.o. FVTOCI, additional AVA, ..)
- In 1H 2020, the increase in RWA (EUR 245m in 1H 2020 compared to FY 2019) results mainly from (i) higher regulatory credit risk exposure essentially driven by the higher commercial loan outstandings (mainly in business and corporate banking) and the regulatory add-on due to the new DoD partially offset by the impact from the revised SME supporting factor, (ii) higher regulatory market risk exposure caused by market evolutions (especially volatility on financial markets caused by the Covid-19 crisis) mitigated by temporary softening VaR overshooting regulation, (iii) a decrease in CVA exposure due to active management of counterparty risk and (iv) the annulment of the additional regulatory risk exposure Belfius had anticipatively added to end 2019 RWA in accordance with article 3 of CRR, as assessed to be - for the time - not relevant anymore during Covid-19 crisis.
- Using the deduction method<sup>2</sup> instead of the Danish Compromise, the CET1 ratio would amount to 16.1% as of June 2020
- Without regulatory changes, Belfius estimates that its CET1 ratio end 1H 2020 would have been approximately 14.7%. Please note that as of 1H 2020, Belfius did not yet apply for the amended IFRS9 transition rules in its prudential accounts. If Belfius would apply the amended rules, this could have an estimated positive impact of potentially approximately +65 bps on CET1 ratio 1H 2020 „pro forma“

Notes: 1. Includes the RWA equivalent for Belfius Insurance based on Danish Compromise; 2. Deducting Belfius' Insurance own funds (equity participation and subordinated instruments) from Belfius Bank's CET1, T1 and T2 capital respectively.

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

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



- The SREP review finalized by the ECB in the beginning of April 2020, resulted in a minimum CET1 requirement for end of March 2020 of 9.625% without countercyclical buffer and 9.633% including the then applicable countercyclical buffers. As from 1 April 2020, some countercyclical buffers have been relaxed, resulting in a minimum CET1 requirement of 9.625% for 2Q 2020
- The ECB also notified Belfius of a Pillar 2 Guidance (P2G) of 1% CET1 ratio for 2020 (same as in 2019), a recommended buffer to be held over the minimum requirements set forth above
- As of June 2020, Belfius' CET1 ratio stood at 15.5%, well above both the minimum supervisory requirement and its internally defined minimum operational CET1 ratio zone

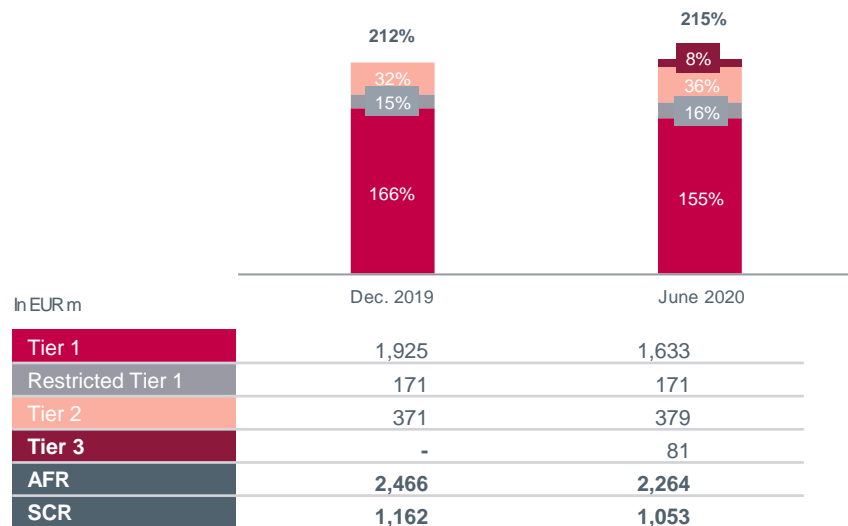
Notes: 1. Countercyclical buffer. Note that the countercyclical buffer is quarterly assessed and the main countercyclical buffers applying to Belfius were set at 0.007% in 1Q 2020 and at 0% in 2Q 2020; 2. Other Systemically Important Institutions Buffer; 3. Capital Conservation Buffer; 4. P2G is set above the level of binding capital requirements (Pillar 1 and Pillar 2 Requirement (P2R)) and on top of the combined buffers. According to the EBA clarification, the Pillar 2 capital guidance is not relevant for the Maximum Distributable Amount trigger and calculation.



# Belfius Insurance continues to display solid solvency metrics

Insurance

## Available Financial Resources and Solvency Capital Requirement

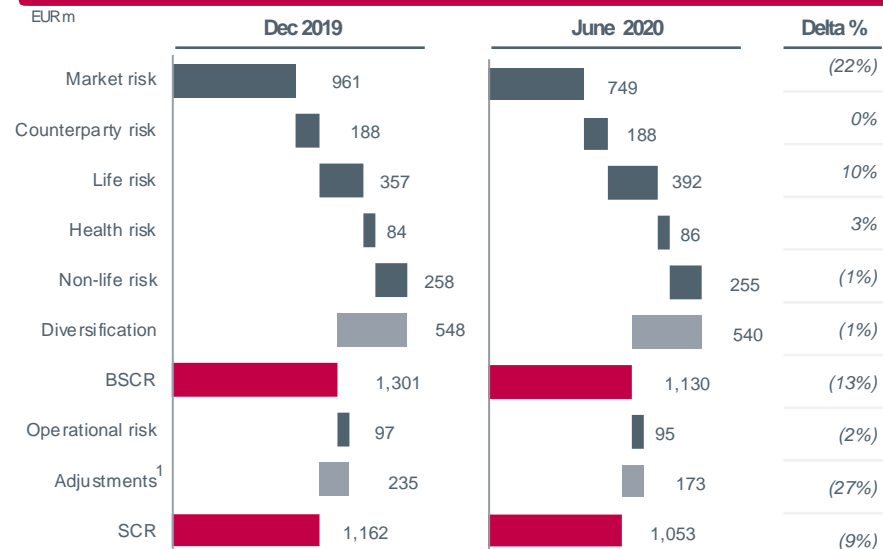


- Strong and high quality solvency levels
- Compared to December 2019, the AFR of Belfius Insurance has decreased by EUR 202m due to a significant drop in the yield curve, the negative return on stock markets and spread changes partly offset by a small increase in own funds due to the annual review of insurance specific and operations' driven liability projection assumptions (e.g. mortality rates, policy management costs, surrender rates, ..)
- The required capital amounted to EUR 1,053m at the end of June 2020, which is EUR 110m lower compared to end 2019 mainly thanks to some de-risking of the balance sheet that occurred during the first quarter of 2020.
- Market risk<sup>2</sup> remains the main contributor to the required capital due to spread and equity risk

Notes: 1. Loss absorbing capacity of deferred taxes; 2. See appendix for more details.

Insurance

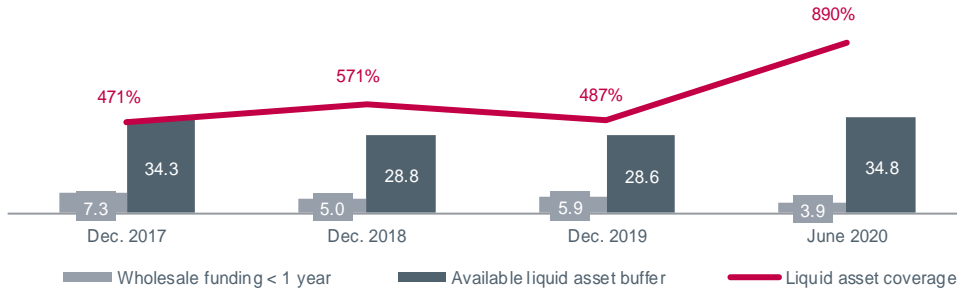
## Decomposition of Solvency Capital Requirement



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

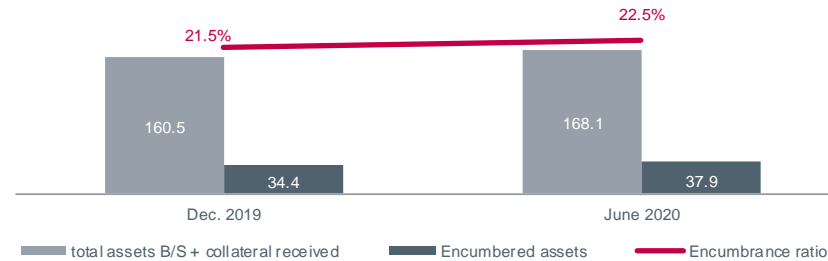
## Strong refinancing need coverage

EURbn

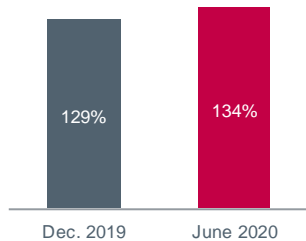


## Encumbered assets<sup>3</sup>

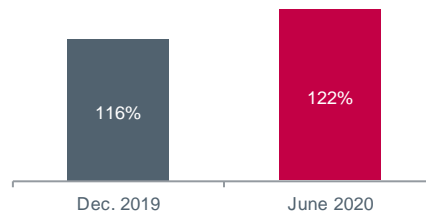
EURbn



## LCR<sup>1</sup>



## NSFR<sup>2</sup>



## Detail of the encumbered assets

EURbn

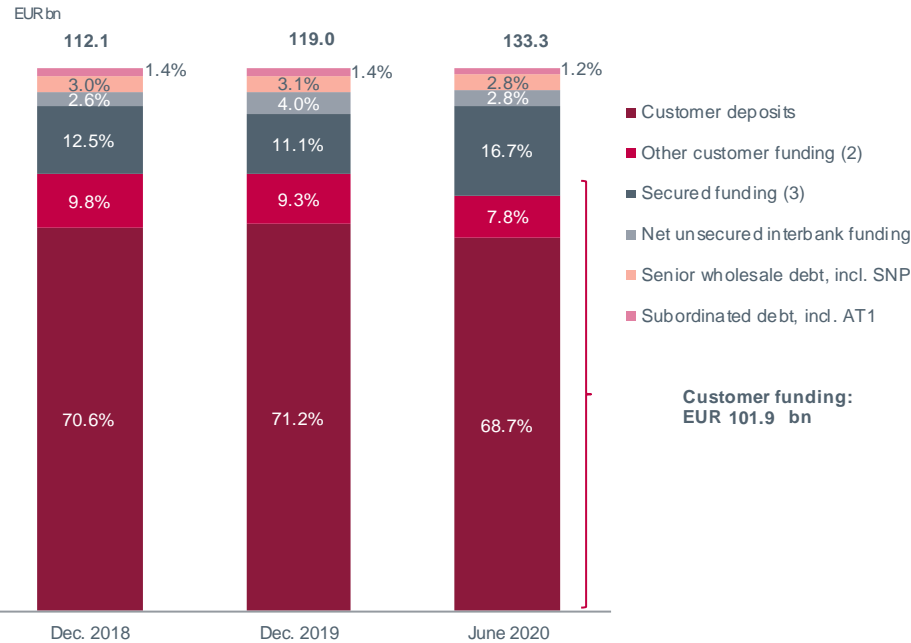


Notes: 1. Calculation based on 12 months average. The Liquidity Coverage Ratio (LCR) refers to the regulatory ratio between the stock of high quality liquid assets and the total net cash outflow over the next month under stress ; 2. The Net Stable Funding Ratio (NSFR) refers to the regulatory ratio between the available amount of stable funding and the required amount of stable funding and is based on Belfius' interpretation of the current Basel Committee guidelines, which may change in the future; 3. Based on median values as required by the EBA. Asset encumbrance increase due to additional TLTRO borrowing in 1H 2020

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

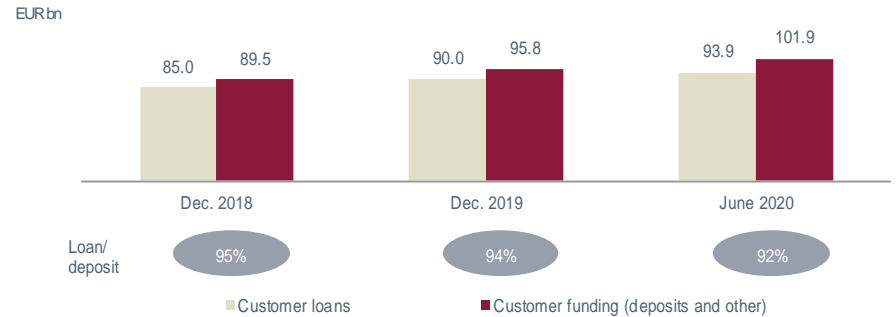
Bank

## Funding sources<sup>1</sup>



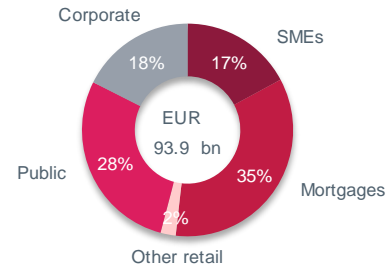
Bank

## Loans to customers vs. customer funding

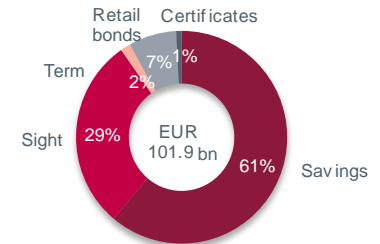


## Loans to customers and customer funding mix 1H 2020

### Loans to customers



### Customer funding

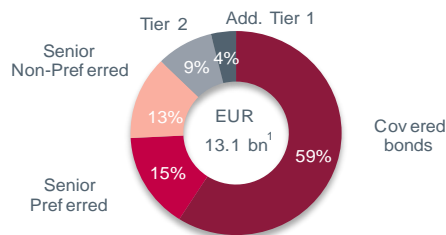


Notes: 1. Belfius Bank only; 2. Other customer funding includes retail bonds and savings certificates (7.1% and 0.7% as percentage of total funding, respectively); 3. Secured funding includes Covered Bonds (5.8%), TLTRO (9.8%) and other longer term secured funding (1.1%). Please note: end 2019, Belfius' TLTRO funding amounted to EUR 4bn, end 1H 2020, Belfius' TLTRO funding amounted to EUR 13bn

# Belfius continues its diversified funding strategy

## MLT wholesale funding strategy

As of June 2020

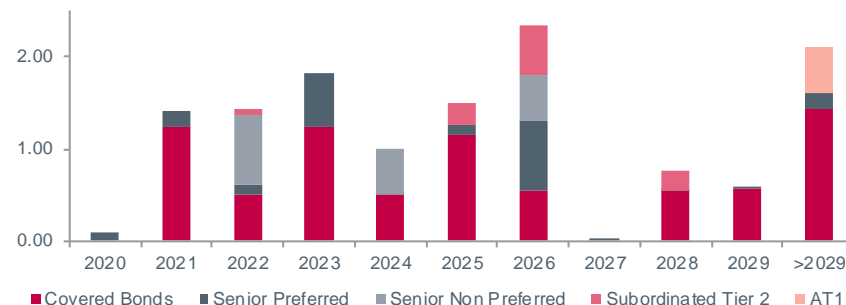


- Focus on diversification of funding sources and investor base
  - First Preferred Senior benchmark since 2014 (Aug 2018)
  - Inaugural AT1 issuance (1Q 2018)
  - First Belgian Issuer Senior Non Preferred (Sept 2017)
  - Inaugural Tier 2 issued (Apr 2016)
  - First (since 2007) Belgian Issuer of a public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

Group

## Redemption profile MLT wholesale funding

EUR bn



Group

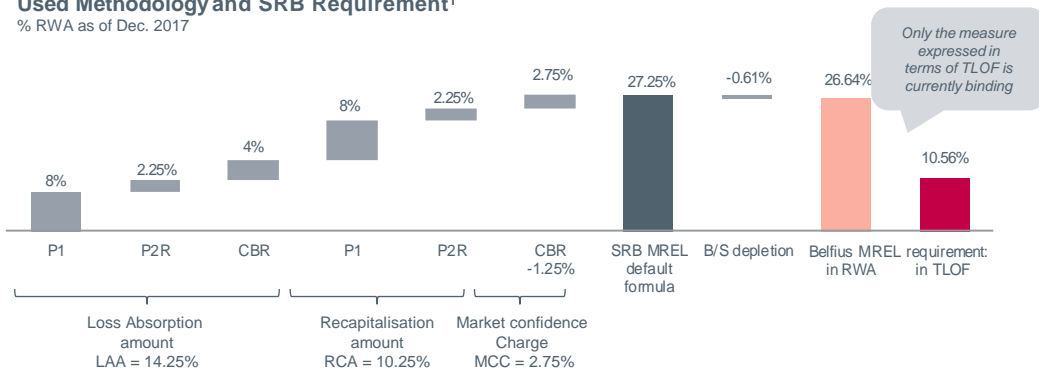
- Due to the material drawing of TLTRO III, Belfius' effective wholesale funding needs could be limited in the next two years
- Over the coming 3 years, approximately EUR 3bn wholesale funding comes to maturity
- Hence, current intention is that new wholesale issues will be mainly targeted towards MREL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

# SRB MREL requirement for Belfius

## SRB methodology and formal requirement

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

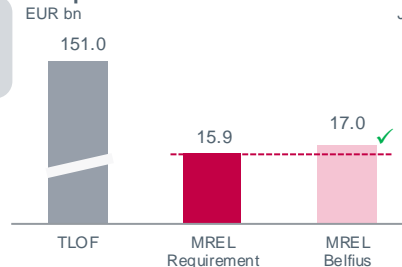
% RWA as of Dec. 2017



## Belfius' compliance

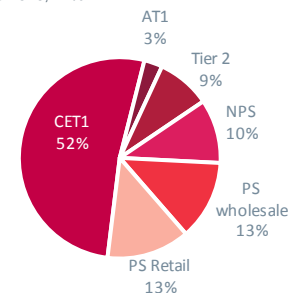
### Compliance as of June 2020

EUR bn



### MREL eligible instruments

June 2020, in %



- On 17 April 2019, the National Bank of Belgium (NBB) notified Belfius Bank of the MREL requirement imposed by the Single Resolution Board (SRB), setting the consolidated MREL requirement for Belfius Group at 10.56% of Total Liabilities and Own Funds (TLOF<sup>2</sup>), to be met at all times
- Based upon data as of 30 June 2020 and according to the current Banking Recovery and Resolution Directive (commonly referred to as 'BRRD1'), Belfius' eligible own funds and liabilities for MREL purpose stood at EUR 17.0 billion, in excess of the MREL requirements of EUR 15.9 billion. To remind, and according to the current SRB methodology, Belfius Group exceeded the MREL requirement based on data as of 31 December 2017, and hence no transitional period was defined by the SRB for Belfius at that time
- Following the publication of the RRM Package in the Official Journal of the EU on 7 June 2019, the BRRD framework is set to evolve (towards what is commonly referred to as "BRRD2"), with full effect in March 2021, with a transition period until January 1<sup>st</sup>, 2022 whereby Belfius will be subject to a binding intermediate target. By January 1<sup>st</sup>, 2024, Belfius will be subject to the final binding target. It is to note that Belfius is also to be impacted by a change in MREL eligibility whereby "liabilities should be directly issued and should not be owned by an undertaking in which the institution has a participation of more than 20%". As a consequence, the liabilities issued by Belfius Financing Company (Belfius' Luxembourg-based issuance vehicle for CP and Retail Bonds) cease to be MREL-eligible and are to be excluded
- SRB will communicate new MREL target requirements to banks under the new banking package before the end of 2020, with full effect from March 2021 onwards. In the meantime, Belfius and SRB are in contact to anticipate the expected impacts, although SRB MREL decisions currently continue to be based on SRMR1/BRRD1

Notes: 1. As officially notified by the NBB in April 2019. 2. TLOF: based on regulatory conso scope with prudential netting of derivatives exposures

# Overall, Belfius' loan loss provisioning increased materially in light of the Covid-19 crisis. Stage 3 statistics not yet (materially) impacted by Covid-19 crisis (1/2)

## IFRS 9 Credit risk impairments

### Loan Loss Provision (Loans to customers)

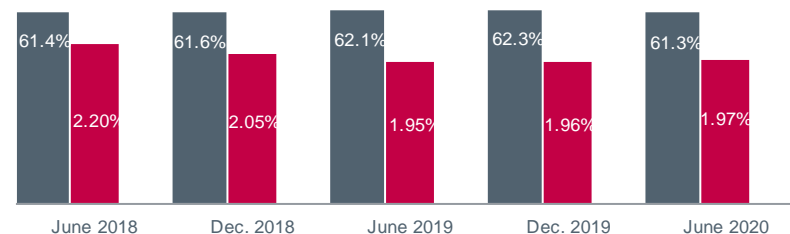
EUR m

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

## Asset quality ratio and coverage ratio

### Asset quality ratio<sup>1</sup> and coverage ratio<sup>2</sup>

%

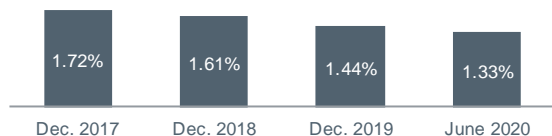


- The asset quality of Belfius' portfolio has clearly been impacted by the Covid-19 crisis
  - as explained in the specific zoom on Cost of Risk, Belfius increased its LLP from EUR 1.5bn end 2019 to EUR 1.8bn in 1H 2020
  - as of end 1H 2020, the Covid-19 crisis mainly translated into materially higher Stage 2 provisions (going from EUR 159m end 2019 to EUR 453m as of 1H 2020), and migrations to Stage 3 remained rather modest so far, leading to rather stable NPL ratio of 1.97% as per June 2020 (vs. 1.96% in Dec. 2019). This combined with continued solid provisioning coverage for NPL, translated into a coverage ratio of 61.3% as of 1H 2020 (vs. 62.3% in Dec. 2019)
- We refer to the specific zoom on Covid-19 / Cost of Risk at the beginning of this presentation

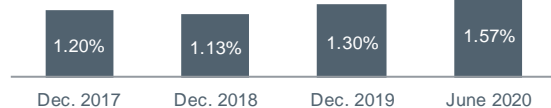
# Overall, Belfius' loan loss provisioning increased materially in light of the Covid-19 crisis. Stage 3 statistics not yet (materially) impacted by Covid-19 crisis (2/2)

## Asset quality ratio<sup>1</sup> per business line

RCB<sup>1</sup>  
%

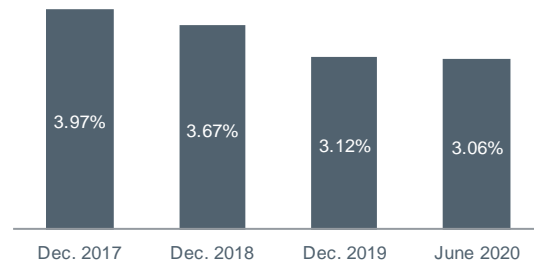


PCB<sup>2</sup>  
%

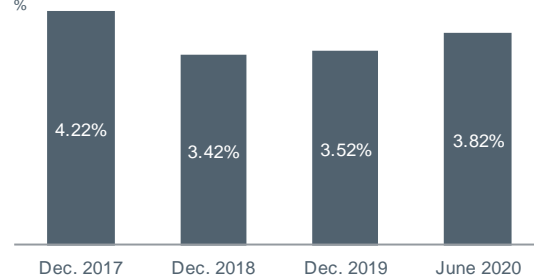


## Asset quality ratio<sup>1</sup> by segment

Business loans  
%

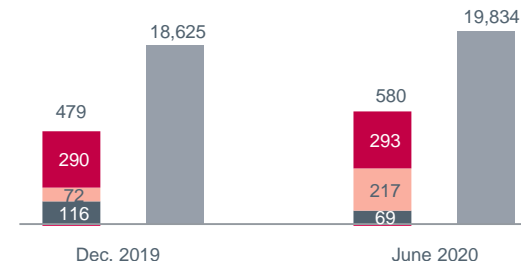


Corporate loans  
%

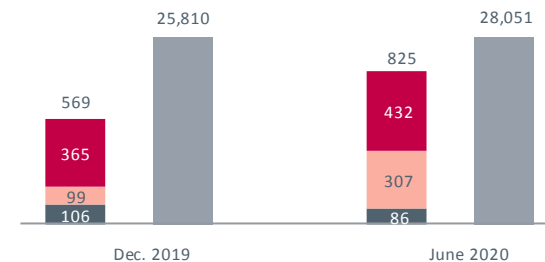


## Impairments<sup>2</sup> and gross outstandings<sup>3</sup> by segment

Business loans (FEAD)  
EUR m



Corporate loans (FEAD)  
EUR m



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

- Business loans and Corporate loans represent the most impacted segments, under current IFRS9 provisioning for Covid-19 crisis, with LLP increasing to EUR 580m for business loans (from EUR 479m end 2019) and EUR 825m for corporate loans (from EUR 569m end 2019)

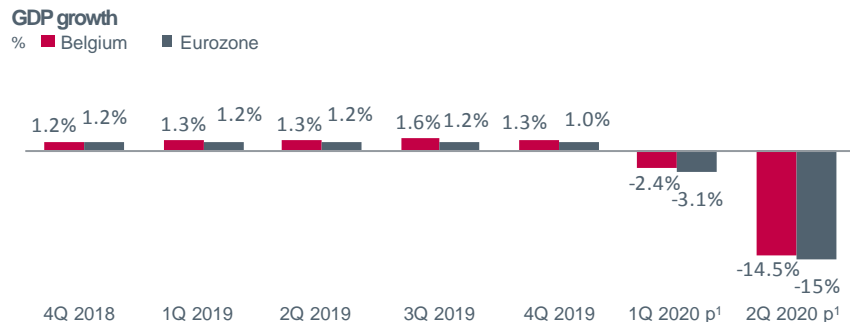
Section 6

Appendices



# Some Belgian economical statistics

## Belgian GDP outpacing the average GDP growth in the eurozone

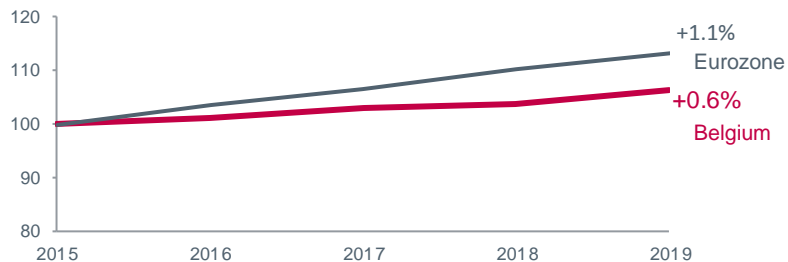


Note: 1. p means provisional; source NBB

## The rate of house price inflation less robust than in the euro area

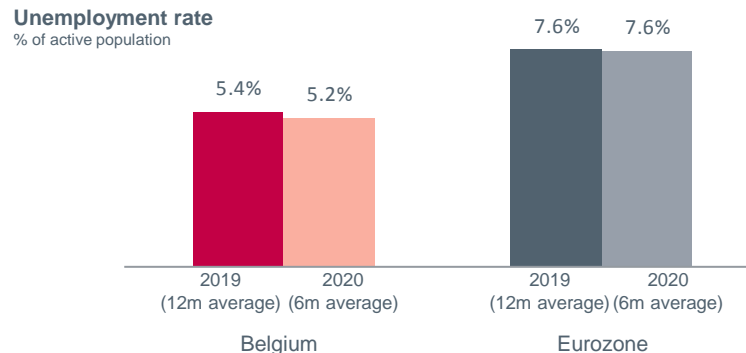
### Increase in house prices

Rebased at 100 in 2015



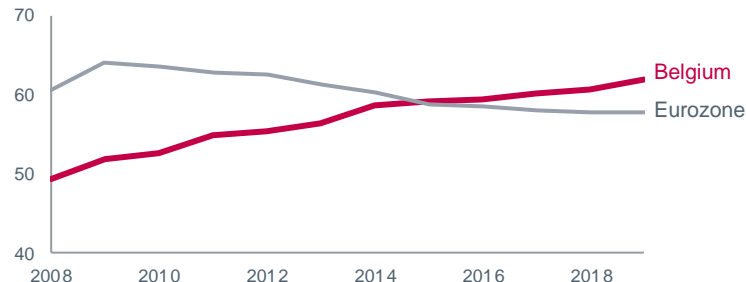
Sources: ECB Supervisory Banking Statistics, Eurostat, OECD.

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



## Belgium's household debt accounted for 61.9% of the country's nominal GDP in 4Q 2019, a new record high

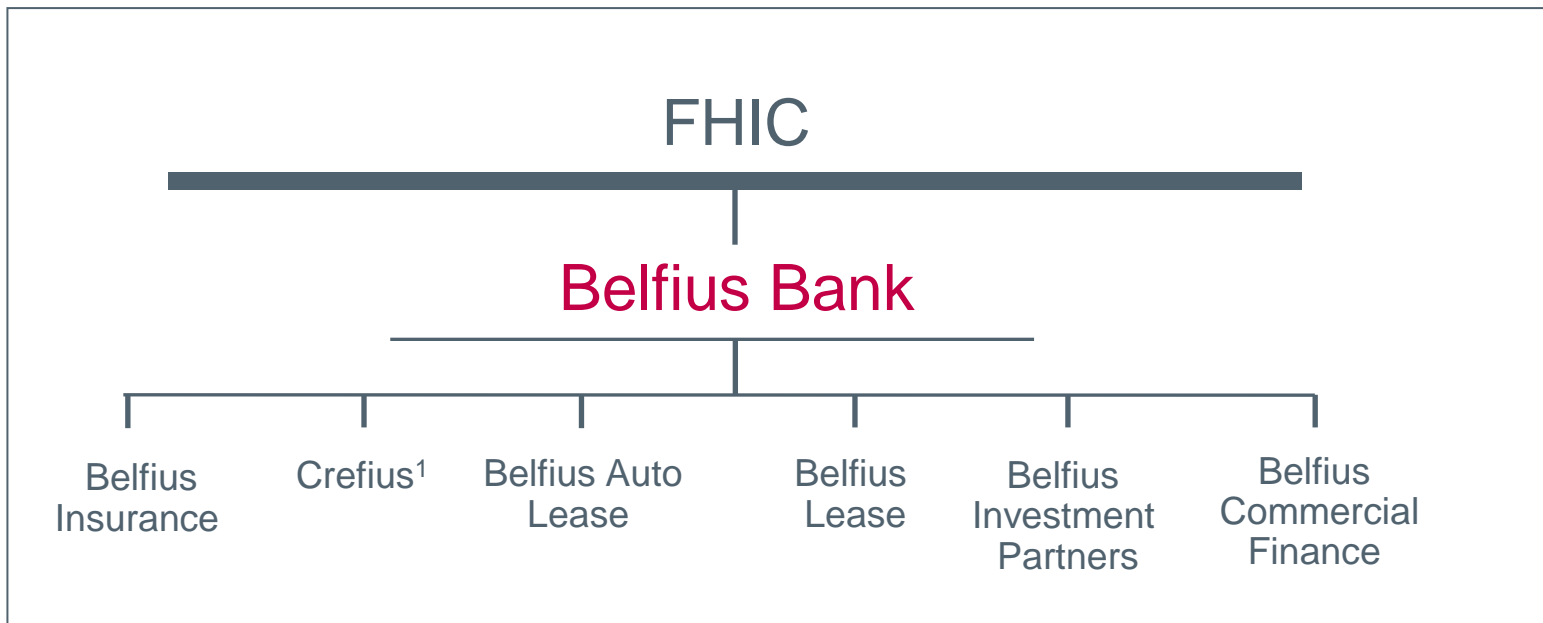
### Household debt as a % of GDP



Sources: Bank of International Settlements, BIS.

# Simplified organizational chart Belfius

A bank-insurer with one sole shareholder



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

# Consolidated statement of income

Belfius Bank Conso

EUR m	1H 2019				1H 2020				Evolution	
	RC	PC	GC	Total	RC	PC	GC	Total	%	
<b>Income</b>	<b>864</b>	<b>292</b>	<b>-1</b>	<b>1,155</b>	<b>859</b>	<b>287</b>	<b>-14</b>	<b>1,132</b>	<b>-2%</b>	
Net interest income bank	423	218	97	738	415	247	117	779	6%	
Fee and commission bank	244	25	-1	268	279	27	-4	302	13%	
Life insurance contribution	147	32	-8	171	105	18	-8	115	-33%	
Non-life insurance contribution	89	1	-0	90	120	9	0	129	43%	
Other (1)	-39	16	-88	-112	-59	-15	-120	-193	72%	
<b>Expenses</b>	<b>-525</b>	<b>-116</b>	<b>-69</b>	<b>-710</b>	<b>-526</b>	<b>-120</b>	<b>-65</b>	<b>-711</b>	<b>0%</b>	
<b>Gross income</b>	<b>339</b>	<b>176</b>	<b>-70</b>	<b>445</b>	<b>333</b>	<b>167</b>	<b>-79</b>	<b>421</b>	<b>-5%</b>	
Cost of risk	-19	-15	3	-30	-139	-278	24	-393	1188%	
Impairments	-1	0	-	-0	-2	-	-	-2	478%	
<b>Net Income before tax</b>	<b>319</b>	<b>162</b>	<b>-66</b>	<b>414</b>	<b>191</b>	<b>-111</b>	<b>-55</b>	<b>26</b>	<b>-94%</b>	
Taxes	-83	-45	18	-110	-50	28	17	-5	-95%	
Non-controlling interests	0	-0	-0	-0	1	-	-1	1		
<b>Net income group share</b>	<b>236</b>	<b>117</b>	<b>-49</b>	<b>304</b>	<b>143</b>	<b>-83</b>	<b>-38</b>	<b>21</b>	<b>-93%</b>	
o/w bank	134	102	(58)	179	66	(92)	(41)	(68)	-138%	
o/w insurance	101	15	9	126	77	9	3	89	-29%	

# A consolidated view on the cost of risk of Belfius Group for 1H 2020

Belfius Bank Conso

EUR m	1H 2019			1H 2020			
	Stage 1&2	Stage 3 <sup>1</sup>	CoR	Stage 1	Stage 2	Stage 3 <sup>1</sup>	CoR
<b>RCB</b>	-4.2	-17.9	-22.1	+44.7	-158.8	-19.3	-133.4
o.w. Mortgages	-1.7	-1.0	-2.7	-2.3	-13.7	+1.2	-14.8
o.w. Consumer Loans & Lines	-0.03	-1.8	-1.8	-0.2	+0.1	-1.9	-1.9
o.w. Business Banking	-2.4	-15.1	-17.6	+47.2	-145.2	-18.7	-116.6
<b>PCB</b>	-20.4	+5.3	-15.1	+20.0	-209.4	-87.0	-276.4
o.w. Corporate Banking	-20.6	+5.1	-15.4	+18.7	-207.5	-87.2	-276.0
o.w. Public & Social Banking	+0.1	+0.2	+0.3	+1.3	-1.9	+0.2	-0.4
<b>GC</b>	+6.1	-3.2	+2.9	-2.1	+0.6	+24.0	+22.5
<b>BANK</b>	<b>-18.5</b>	<b>-15.9</b>	<b>-34.4</b>	<b>+62.6</b>	<b>-367.6</b>	<b>-82.4</b>	<b>-387.3</b>
<b>INSURANCE</b>	<b>+3.4</b>	<b>+0.5</b>	<b>+3.9</b>	<b>-3.6</b>	<b>-2.8</b>	<b>+1.1</b>	<b>-5.4</b>
Mortgage	+2.5	+0.3	+2.8	-3.2	-1.4	+0.2	-4.4
Bond Portfolio	+0.9	+0.3	+1.2	-0.4	-1.4	+0.8	-1.0
<b>BANK + INSURANCE</b>	<b>-15.1</b>	<b>-15.3</b>	<b>-30.5</b>	<b>+59.0</b>	<b>-370.4</b>	<b>-81.3</b>	<b>-392.7</b>

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

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

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

	Reported	Excluding special items	Adjusted
		Sale/unwind within the ex-legacy portfolio <sup>(2)</sup>	IFRIC 21 adjustment for sector levies
			Other items <sup>3</sup>
<b>1H 2020, EUR m</b>			
Income	1,132		23
Expenses	-711		
Cost of risk	-393	-0.5	
Impairments	-2		
<b>Net income before tax</b>	<b>26</b>	<b>-0.5</b>	<b>23</b>
Taxes	-5		-2
<b>Net income</b>	<b>21</b>	<b>-0.5</b>	<b>21</b>
<i>Impact mainly in</i>		GC	GC

Note: 1. Adjusted results and special items are Alternative Performance Measures and are defined and reconciled in the APM document available on Belfius' website ([www.belfius.be/results](http://www.belfius.be/results)); 2. Impact sale of bonds; 3. Other items are composed of capital gains for the bank of the (partial) sale of some operational buildings; Note that some amounts may not add up due to rounding

# Statement of income Belfius Insurance, consolidated accounts

Belfius Insurance

EUR m	1H 2019	1H 2020	Evolution
<b>Income</b>	<b>282</b>	<b>256</b>	<b>-9.3%</b>
<i>Of which</i>			
Net interest income	206	202	-2.1%
Dividend income	36	22	-39.1%
Net income from equity method companies	1	1	10.4%
Net income from financial instruments at fair value through profit or loss	4	-36	-1124.4%
Net income on investments and liabilities	56	36	-36.1%
Net fee and commission income	8	10	16.1%
Technical result from insurance activities	-43	15	-134.2%
<b>Expenses</b>	<b>-122</b>	<b>-125</b>	<b>2.5%</b>
<b>Gross income</b>	<b>160</b>	<b>131</b>	<b>-18.3%</b>
Impairments on financial instruments and provisions for credit commitments	4	-5	-237.9%
Impairments on tangible and intangible assets	0	-2	-
<b>Net income before tax</b>	<b>164</b>	<b>123</b>	<b>-25.0%</b>
Tax (expense) income	-40	-34	-16.2%
Current tax (expense) income	-22	-45	100.7%
Deferred tax (expense) income	-18	12	-165.5%
Attributable to non-controlling interests	0	-1	-
<b>Net income group share</b>	<b>124</b>	<b>90</b>	<b>-27.2%</b>

# Consolidated balance sheet

Belfius Bank Conso

EUR m	31/12/2019	30/06/2020	Evolution
<b>TOTAL ASSETS</b>	<b>172,439</b>	<b>188,471</b>	<b>16,032</b>
of which			
Cash and balances with central banks	6,716	18,708	11,992
Loans and advances due from credit institutions	16,208	14,405	-1,803
Loans and advances	94,944	98,748	3,803
Debt securities & equity instruments	29,490	30,095	605
Unit linked products insurance activities	3,671	3,829	157
Derivatives	13,305	14,335	1,030
<b>TOTAL LIABILITIES</b>	<b>161,933</b>	<b>178,201</b>	<b>16,268</b>
of which			
Cash and balances from central banks	4,017	13,079	9,062
Credit institutions borrowings and deposits	5,819	7,122	1,303
Borrowings and deposits	85,450	92,494	7,045
Debt securities issued and other financial liabilities	27,655	25,155	-2,499
Unit linked products insurance activities	3,671	3,829	157
Derivatives	18,630	20,502	1,872
Provisions for insurance activities	13,180	12,496	-684
Subordinated debts	1,157	1,148	-9
<b>TOTAL EQUITY</b>	<b>10,506</b>	<b>10,270</b>	<b>-236</b>
of which			
Shareholders' core equity	9,348	9,320	-29
Gains and losses not recognised in the statement of income	636	426	-209
Additional Tier-1 instruments included in equity	497	497	0
Non-controlling interests	25	27	2

# Balance sheet Belfius Insurance, consolidated accounts

Belfius Insurance

EUR m	31/12/2019	30/06/2020	Evolution
<b>Total assets</b>	<b>21,612</b>	<b>21,350</b>	<b>-263</b>
Of which			
Loans and advances due from credit institutions	378	192	-186
A Measured at amortised cost	378	192	-186
Loans and advances	4,536	4,622	86
A Measured at amortised cost	4,436	4,519	84
C Measured at fair value through profit or loss	101	103	2
Debt securities & equity instruments	11,947	11,647	-300
A Measured at amortised cost	6,082	6,180	98
B Measured at fair value through other comprehensive income	5,041	4,756	-285
C Measured at fair value through profit or loss	823	710	-113
Unit linked products insurance activities	3,671	3,829	157
Derivatives	1	8	7
Investments in equity method companies	42	44	2
Tangible fixed assets	544	541	-3
Intangible assets	53	50	-3
Technical insurance provisions - part of the reinsurer	108	106	-2
<b>Total liabilities</b>	<b>19,468</b>	<b>19,323</b>	<b>-145</b>
Of which			
Credit institutions borrowings and deposits	1,390	1,783	392
A Measured at amortised cost	1,390	1,783	392
Unit linked products insurance activities	3,671	3,829	157
Provisions for insurance activities	13,191	12,508	-684
Subordinated debts	583	585	2
A Measured at amortised cost	583	585	2
<b>Total equity</b>	<b>2,144</b>	<b>2,027</b>	<b>-117</b>
Of which			
Shareholders' core equity	1,546	1,593	47
Gains and losses not recognised in the statement of income	573	408	-166
Non-controlling interests	25	27	2



# Focus on regulatory capital

EUR m	Dec. 2019	June 2020
<b>Core shareholders' equity</b>	<b>9,348</b>	<b>9,320</b>
Elimination of Belfius Insurance <sup>1</sup>	-198	-263
<b>Core regulatory equity</b>	<b>9,150</b>	<b>9,057</b>
Elimination of foreseeable dividend	-3	-3
<b>Gains and losses not recognised in the statement of income</b>	<b>144</b>	<b>114</b>
Remeasurement Defined Benefit Plan	90	81
OCI reserves - portfolios measured at FVTOCI	54	33
Other reserves	-82	-96
Prudential filter on the fair value reserves related to gains and losses on cash flow hedges on financial instruments	82	96
<b>Items to deduct</b>	<b>-350</b>	<b>-375</b>
Deferred tax assets	-1	-1
Other	-349	-375
<b>Common equity Tier 1 - CET1</b>	<b>8,941</b>	<b>8,793</b>
Additional own funds Tier 1	497	497
<b>Tier 1 equity</b>	<b>9,438</b>	<b>9,290</b>
Tier 2 - Capital instruments	1,098	1,091
Other	294	368
<b>Total regulatory capital</b>	<b>10,830</b>	<b>10,750</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

EUR m	Dec. 2019	June 2020
Regulatory credit risk exposure	42,543	44,322
Regulatory CVA exposure	1,382	755
Regulatory market risk exposure	1,315	1,567
Regulatory operational risk exposure	3,140	3,140
Danish Compromise <sup>1</sup>	6,868	6,859
Additional risk exposure (Art 3 CRR)	1,150	-
<b>Total Regulatory Risks Exposures</b>	<b>56,398</b>	<b>56,643</b>

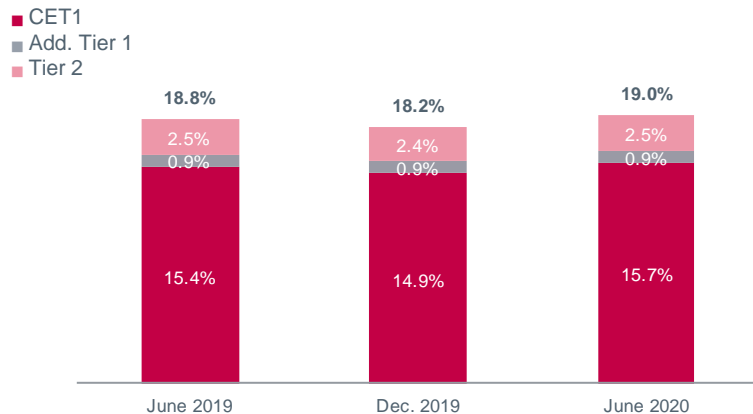
## Regulatory risks exposures - by segment

EUR m	Dec. 2019	June 2020
Retail and Commercial	21,076	21,657
Public and Corporate	20,019	20,800
Group Center	15,303	14,186
<b>Total Regulatory Risks Exposures</b>	<b>56,398</b>	<b>56,643</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

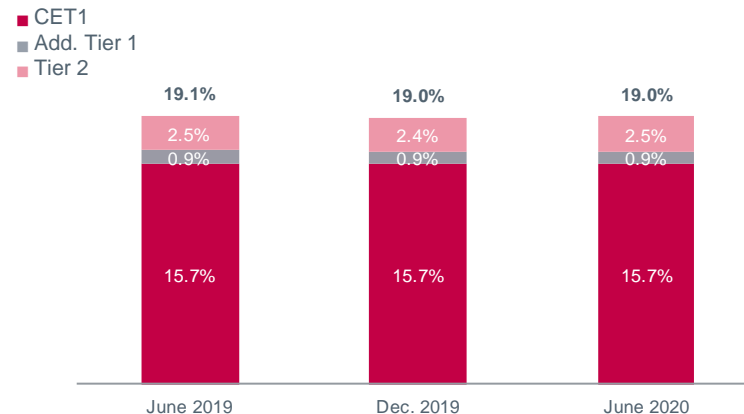
Basel III ratios Belfius Bank Solo<sup>1</sup>, excluding result of the year



EURm

	June 2019	Dec. 2019	June 2020
CET1	8,498	8,459	8,930
Tier 1	8,995	8,956	9,427
CAD	10,371	10,325	10,848
RWA	55,279	56,801	56,995

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



EURm

	June 2019	Dec. 2019	June 2020
CET1	8,677	8,906	8,930
Tier 1	9,174	9,403	9,427
CAD	10,550	10,773	10,848
RWA	55,279	56,801	56,995

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

# Continued positive rating actions

Ratings of Belfius Bank as at 6 August 2020

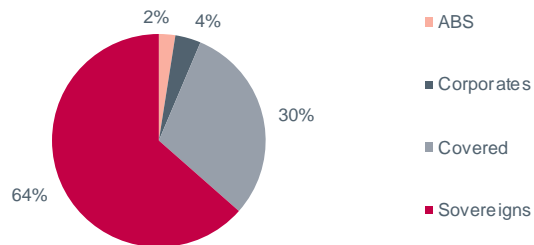
	Moody's	S&P	Fitch
Senior	A1 Stable outlook	A- Stable outlook	A- Negative outlook
Standalone Rating	baa1	a-	a-
Non-Preferred Senior	Baa2	BBB+	
Tier 2	Baa2	BBB	BBB+
Additional Tier 1	Ba1	BB+	

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

# ALM Bank Liquidity bond portfolio

## Breakdown by type of counterpart

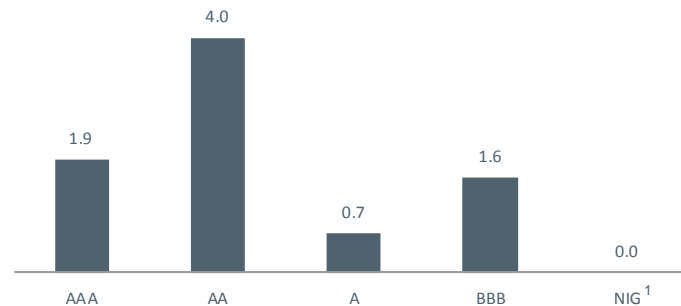
EUR 8.2bn  
30 June 2020



## Breakdown by rating

EUR bn

Average rating: A-

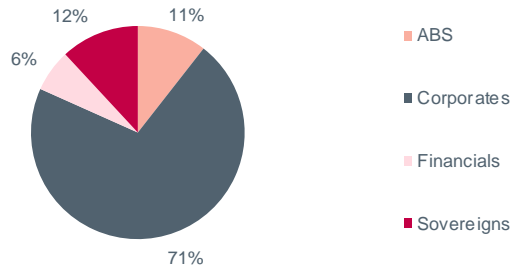


- ALM Bank Liquidity bond portfolio stood at EUR 8.2bn as per end June 2020, compared to EUR 8.1bn as at year end 2019
- The portfolio is of good quality
  - 100% of the portfolio is Investment Grade
  - the average rating stood at A-
- Expected average life: 7.5 years

# ALM Bank Yield bond portfolio

## Breakdown by type of counterpart

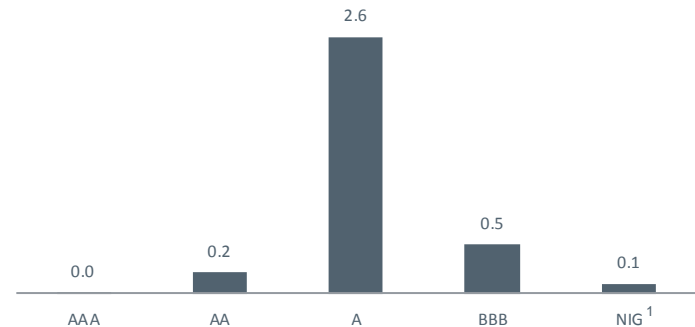
EUR 3.5bn  
30 June 2020



## Breakdown by rating

EUR bn

Average rating: A

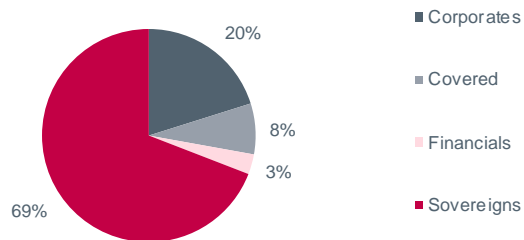


- ALM Bank Yield bond portfolio stood at EUR 3.5bn as at 30 June 2020, stable compared to year end 2019, mainly due the natural amortization of the portfolio
- The portfolio is of good quality
  - 97% of the portfolio is Investment Grade
  - the average rating stood at A
- Expected average life: 19.2 years

# ALM Insurance Bond portfolio

## Breakdown by type of counterpart

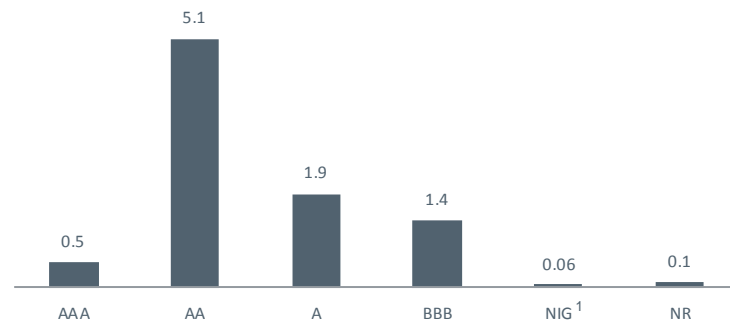
EUR 9.2bn  
30 June 2020



## Breakdown by rating

EUR bn

Average rating: A-

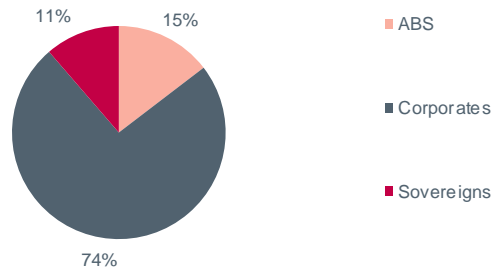


- ALM Insurance fixed income portfolio stood at EUR 9.2bn as at 30 June 2020, compared to EUR 9.1bn at year end 2019
- The ALM Insurance portfolio remains of good quality
  - 98% of the portfolio is investment grade
  - the average rating at A-
- Expected average life: 10.5 years

# Credit guarantees

## Breakdown by type of counterpart

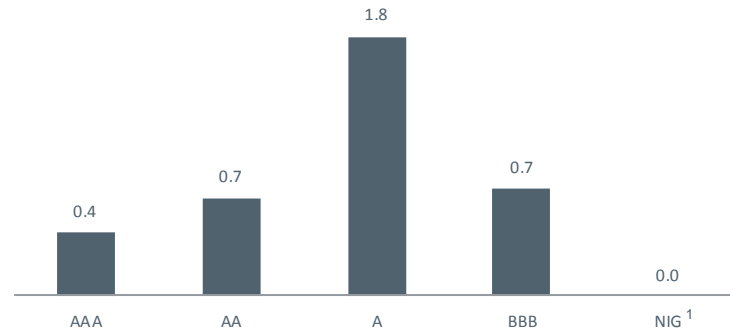
EUR 3.6bn  
30 June 2020



## Breakdown by rating

EUR bn

Average rating: A-



- Credit guarantees portfolio stood at EUR 3.6bn as at 30 June 2020, stable compared to year end 2019
- The credit guarantees portfolio is of good quality
  - 100% of the portfolio is Investment Grade
  - The average rating stood at A-
- Expected average life: 9.2 years



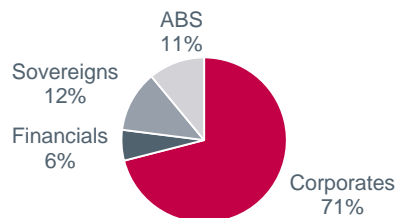
# Hedging strategy to manage residual risks

## Run-off portfolios as of June 2020

### 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

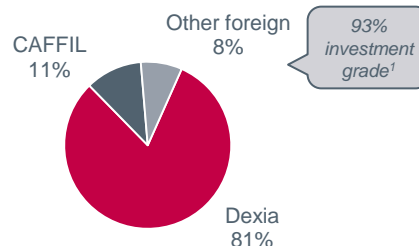
### Notional split by type



### Derivatives

- 81% notional exposure to Dexia, fully cash collateralised, leading to an EaD (including add-on) of EUR 17 million end of June 2020
- Derivatives with other foreign counterparts and with CAFFIL are uncollateralised (BBB average rating)
- Caffil notional decreased by 39% after transfer to a collateralised counterparty

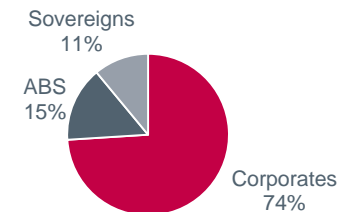
### Notional split by counterparty



### Credit guarantees

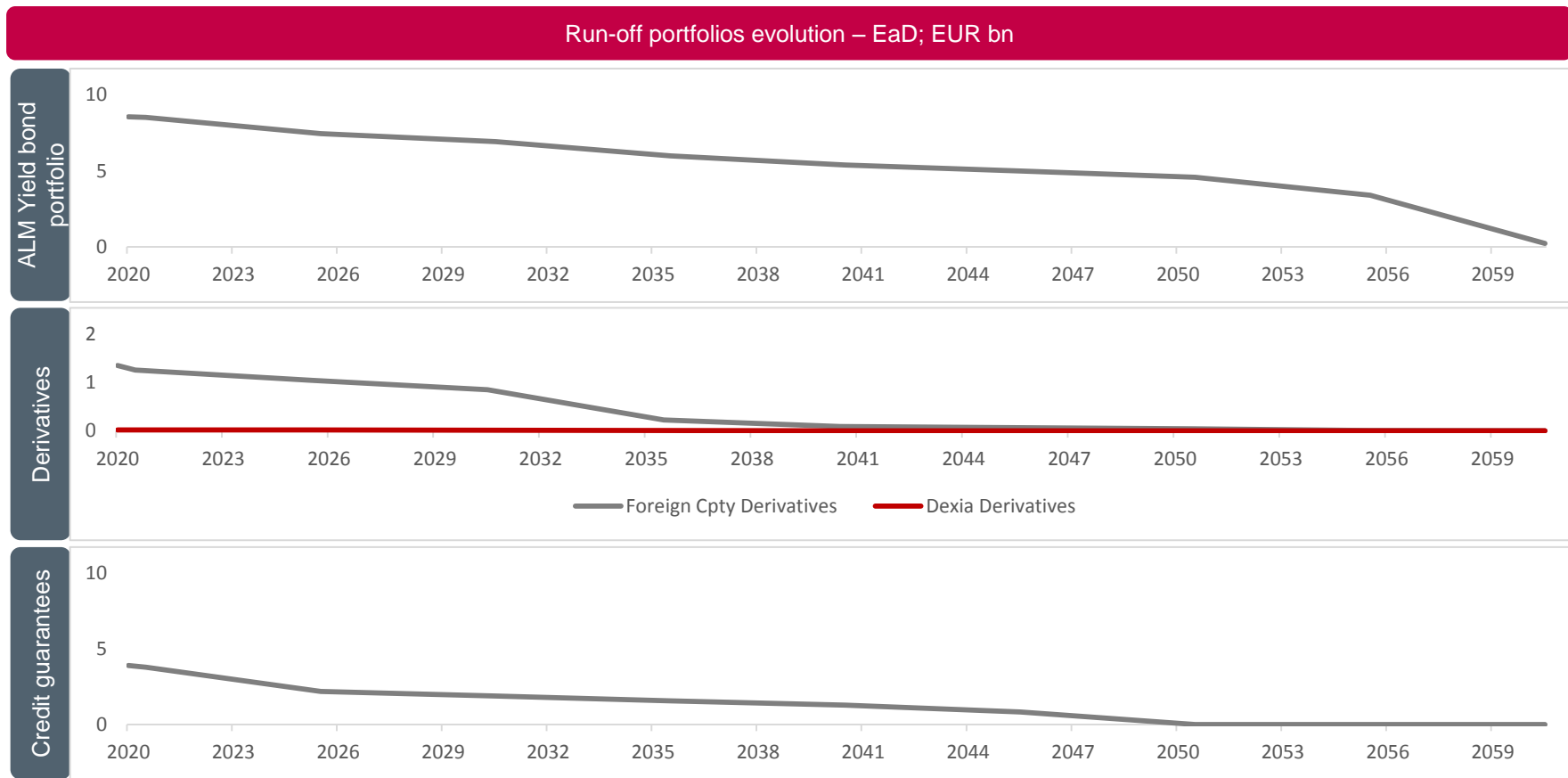
- Mostly reinsured CDS with
  - sold protection to market counterparties with two-sided collateral posting agreement
  - bought equivalent protection with monoline insurers (25% from Assured Guaranty) with one-sided collateral posting agreement

### Notional split by type of underlying



Notes: 1. Calculated based on EAD

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



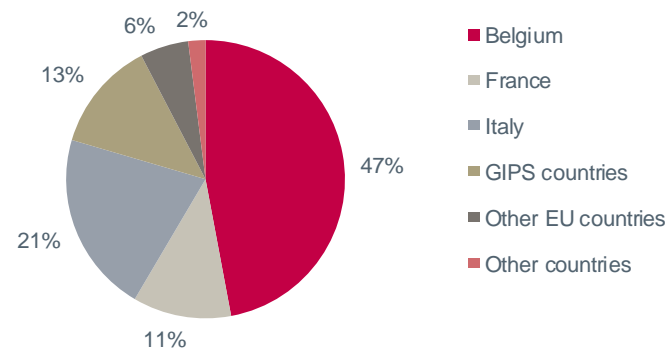
Note: Based on current markets

# Outstanding exposures on government bonds

## Evolution<sup>1</sup>

EUR m	Dec. 2019	June 2020
Belgium	4,950	4,869
France	1,020	1,181
Italy	2,198	2,181
GIPS countries	1,223	1,328
Other EU countries	361	581
Other countries	214	207
<b>Total<sup>1</sup></b>	<b>9,967</b>	<b>10,347</b>

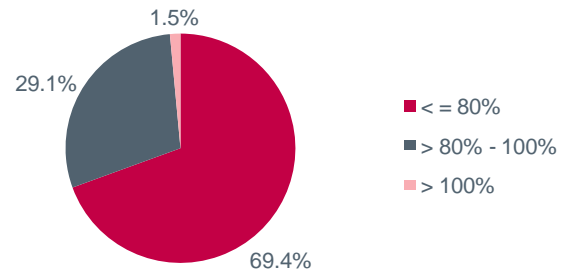
## Breakdown as of end of June 2020



- Total government bond portfolio stood at EUR 10.3bn<sup>1</sup>, up 4% compared to December 2019
- Almost half of the portfolio (47%) is invested in Belgian government bonds

# Credit risk statistics on mortgage loans

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

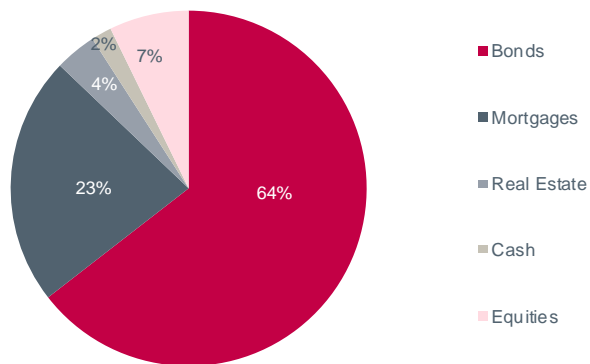


- Very sound LTV-ratio's
  - Average LTV-ratio, based on outstandings (with indexation of real estate prices) stood at 62.6% at end of June 2020
  - The part of the portfolio with an LTV > 100% is limited to 1.5 %

# ALM Belfius Insurance

## Diversified asset allocation

EUR 18.6bn  
30 June 2020

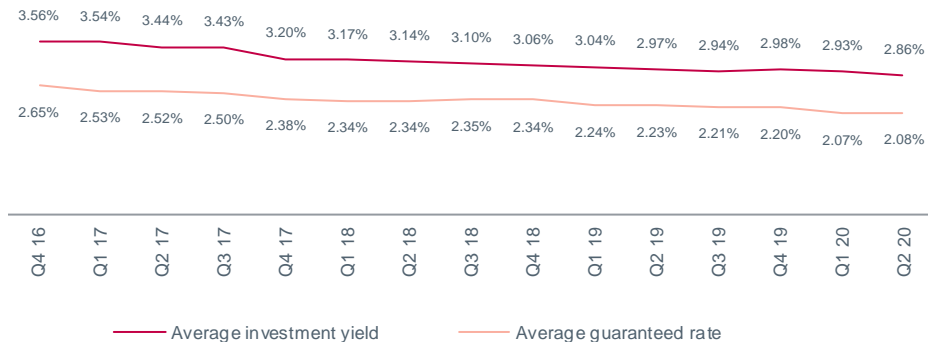


- Prudent investment strategy of the asset portfolio with a well-diversified asset allocation
- Efficient insurer on the Belgian market enjoying high customer satisfaction

## Duration Gap life and non-life

	Dec. 2019	June 2020
Total life	-0.80	-1.04
Total non-life	0.01	-0.42
<b>Total</b>	<b>-0.39</b>	<b>-0.38</b>

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



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

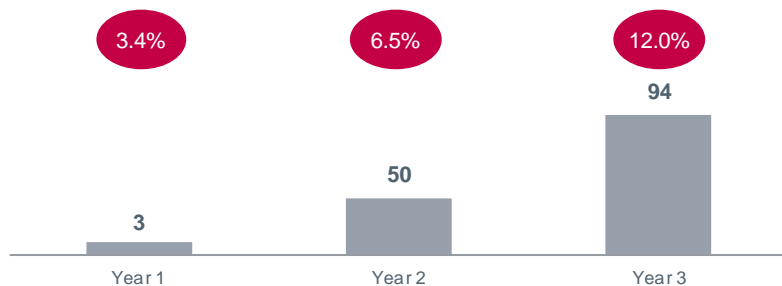
# Solvency II ratio sensitivity table

Solvency II Sensitivities 30 June 2020	Δ SCR (in EUR m)	Δ AFR (in EUR m)	Δ Solvency II ratio (in %)
<b>Base Case</b>	<b>1,053</b>	<b>2,264</b>	<b>215%</b>
<b>Interest rate:</b> Shock +50bps	<b>11</b> 1.1%	<b>(31)</b> (1.4%)	<b>210%</b> -5%
<b>Interest rate:</b> Shock -50bps	<b>45</b> 4.3%	<b>(10)</b> (0.4%)	<b>205%</b> (10%)
<b>Credit spread:</b> Spread on fixed income (corporate) +50bps	<b>22</b> 2.1%	<b>(60)</b> (2.7%)	<b>205%</b> (10%)
<b>Credit spread:</b> Spread on fixed income (government) +50bps	<b>66</b> 6.3%	<b>(152)</b> (6.7%)	<b>189%</b> (26%)
<b>Credit spread:</b> Spread on fixed income (government and corporate) +50bps	<b>83</b> 7.9%	<b>(216)</b> (9.6%)	<b>180%</b> (35%)
<b>Credit Spread:</b> No Volatility Adjuster	<b>80</b> 7.6%	<b>(174)</b> (7.7%)	<b>185%</b> (31%)
<b>Equity:</b> Downward shock - 30%	<b>(72)</b> (6.8%)	<b>(307)</b> (13.6%)	<b>200%</b> (16%)
<b>Real estate:</b> Downward shock -15%	<b>15</b> 1.4%	<b>(81)</b> (3.6%)	<b>204%</b> (11%)
<b>UFR:</b> Downward adjustment to 3%	<b>23</b> 2.1%	<b>(53)</b> (2.3%)	<b>206%</b> (9%)

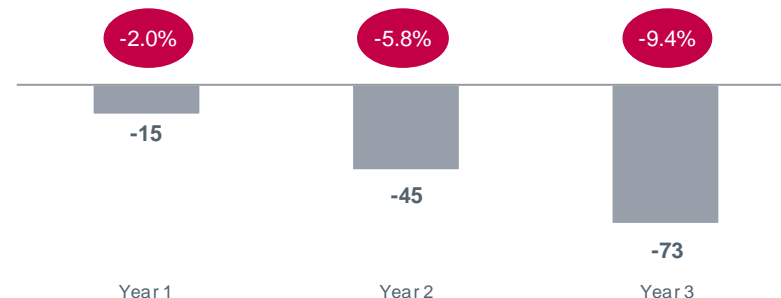
# Belfius sensitivity to interest rates

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 6.5% 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 June 2020 net interest income bank

Notes: NII sensitivity analysis assumes a constant Belfius' balance sheet as of 30 June 2020

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